

Independent Auditor's Report

To the shareholders and Board of Directors of Gazprom Neft PJSC:

Opinion

In our opinion, the enclosed financial statements present fairly, in all material respects, the financial position of Gazprom Neft PJSC (hereinafter the "Company") as of 31 December 2016, the results of its operations and its cash flows for 2015 in accordance with the reporting rules established in the Russian Federation.

The object of the audit

We have audited the attached financial statements of the Company which comprise:

- balance sheet as of 31 December 2016,
- statement of financial results for the year then ended,
- statement of changes in equity for the year then ended,
- statement of cash flows for the year then ended,
- notes to the balance sheet and statement of financial results.

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibility under these standards is described hereinafter in section "The auditor's responsibility" of this report.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the financial statements.

Independence

We are independent from the Company pursuant to the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethics requirements of the Code of Professional Ethics for Auditors and Rules of Independence of Auditors and Audit Organizations applicable to our audit of financial statements in the Russian Federation, we also complied with other ethical duties in compliance with such requirements and the IESBA Code.

Our audit methodology

Brief review

Materiality	Materiality at the level of financial statements as a whole: RUB 4,500 million, which is 5% of pre-tax profit.
Key matters of audit	Recognition of revenue

Our audit methodology includes determining the materiality and assessment of risks of material misstatements in financial statements. In particular, we have analyzed in which areas the management made subjective judgments, for instance, with respect to material accounting estimates, which included using assumptions and consideration of future events associated, due to their nature, with uncertainty. We also considered the risk of bypassing the internal controls by the management, including, inter alia, assessment of the existence of signs of the management's bias which creates the risk of material misstatement as a result of fraud.

We chose the audit volume so that we could perform the work in the amount sufficient to express our opinion about the financial statements as a whole taking into account that Company's structure, the accounting processes and controls used by the Company and taking into consideration the specifics of the industry in which the Company operates.

Materiality

Our application of materiality influence the volume of audit we chose. In conducting an audit of financial statements, the overall objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. They are considered material if it is reasonable to expect that they will, whether individually or jointly, affect the economic decisions of the users made on the basis of such financial statements.

Based on our professional judgment, we identified certain quantitative thresholds for materiality, including those for the materiality at the level of financial statements of the Company as a whole, as provided in the table below. With the help of the above thresholds and taking into consideration the qualitative factors, we determined the volume of our audit, as well as the nature, time and volume of our audit procedures and evaluated the influence of misstatements (taken individually and jointly) , if any, on the financial statements as a whole.

Materiality at the level of financial statements as a whole.	RUB 4,500 million
How we determined it	5% of pre-tax profit
Substantiation of the materiality level applied	We decided to use, as the baseline parameter for determining the materiality level, the pre-tax profit because the Company is orientated towards making profit. Also, we believe that this baseline parameter is generally considered by users for the purposes of evaluating the results of the Company's operations and it is the commonly accepted baseline parameter. We established the materiality at 5%, which is within the range of acceptable threshold values of materiality applicable for enterprises orientated towards making profit in this sector.

Key audit matters

Key audit matters are the matters which, according to our professional judgement, were the most material for our audit of the financial statements for the current period. Such matters were considered in the context of our audit of the financial statement on the whole and during the formation of our opinion about such statements and we express no separate opinion about such matters.

Recognition of revenue

In Note 2.18 (Recognition of revenue from sales) to the financial statements, the information about the relevant accounting policy is disclosed.

We pay special attention to revenue recognition because the Company has several sources of revenue with different conditions for revenue recognition, including determining the price and transfer of title. Large volumes of business transactions, possible unauthorized entry of

We tested the organization and operating effectiveness of the controls (including the controls used in the information systems) related to showing the revenue in the Company as a whole in order to determine the volume of additional substantive tests.

We checked the operational effectiveness of the pricing controls, the comparison of data between the operating and accounting systems both in

transactions in the accounting system, different management accounting systems and existing methods of interaction between them and the accounting system create opportunities for intentional manipulations or errors.

The Company has several sources of revenue, mainly from sale of crude oil, petroleum products and other inventories. The Company sells oil and petroleum products to industrial consumers in the Russian Federation and abroad.

The international audit standards contain a rebuttable assumption concerning the existence of the risk of fraud with regard to showing the revenue within each audit task. We carefully considered the judgments related to showing the revenue in a number of contractual agreements and evaluated the risk of fraud or error regarding showing the revenue for each source of revenue.

We evaluated the consistency in the application of the accounting policy as regards showing the revenue from various sources.

quantitative and value terms.

We carried out the analytical procedures (based on the examination of the data contained in the contracts and comparison/detailed testing of movement of inventories from the production to the final sales) and detailed testing of the transactions resulting in showing the revenue. We checked the promptness of showing the revenue by testing the selected transactions and comparing the dates of transfer of title with the relevant dates of revenue recognition. We verified whether the Company has the right to receive revenue and the due procedure for showing the revenue pursuant to the contractual obligations and accounting policy regarding revenue recognition. We also compared the actual sales price with the provisions of the sales contracts made and the shipped quantity of products with the shipping documents.

The test results did not reveal any significant discrepancies.

Other information

The management is responsible for other information. Other information contains the Issuer's Quarterly Report for Q1 2017 which we expect to be furnished with after the date of this auditor's report.

Our opinion of the financial statements does not extend to other information and we will not provide the conclusion expressing our confidence in any form regarding such information.

In connection with the audit performed by us, our duty is to review the above information when it is presented to us and to consider whether there are any material discrepancies between other information and the financial statements or the data obtained by us during our audit and whether other information contains any other material misstatements.

If, after reviewing the Issuer's Quarterly Report for Q1 2017, we conclude that it contains a material misstatement, we will have to make it known to the persons charged with the corporate governance.

The responsibility for the financial statements of the persons responsible for corporate management, for financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting rules established in the Russian Federation and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from any material misstatement, whether due to fraud or error.

When preparing the financial statement, the management is responsible for assessing the Company's ability to continue its operations as a going concern, for disclosure, when required, of the information related to applicability of the going concern principle, and for preparing the financial statements using the

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going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The persons responsible for corporate management, for financial statements are responsible for the supervision over the process of preparation of the Company's financial statements.

The auditor's responsibility

Our responsibility is to provide reasonable assurance about whether the financial statements are free from material misstatement due to fraud or error and to issue the auditor's report containing our opinion.

Reasonable assurance is a high but not absolute level of assurance that an audit conducted in conformance with the ISA always detects material misstatements, if there are any. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We have exercised professional judgement and have maintained professional skepticism throughout the audit in accordance with International Standards on Auditing. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with persons responsible for corporate management, for financial statements regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also furnish the persons charged with the corporate governance with the statement confirming that we have complied with all the ethical requirements with regard to the independence and informed such

persons about all the relationships and other matters which may be reasonably considered as affecting the auditor's independence and, when necessary, about the precautions taken.

Out of the matters notified by us to the persons charged with the corporate governance, we select those which were the most important for the audit of the financial statements for the current period and, therefore, are the key audit matters. We describe such matters in our auditor's report, except when public disclosure of such matters is prohibited by any law or regulation or when, very rarely, we conclude that information about any matter should not be disclosed in our report because it is reasonable to expect that negative consequences of disclosing such information will exceed the social importance of its notification.

Head of the task on the result of which this independent auditor's report is based – Irina Shanina.

JSC PricewaterhouseCoopers Audit

2 March 2017

Moscow, Russian Federation

<signed>

Irina Shanina, Head of Task (qualification certificate No. 001340)

Joint-Stock Company PricewaterhouseCoopers Audit

Seal: Joint-Stock Company PricewaterhouseCoopers Audit
OGRN 1027700148431

Client:

Public Joint-Stock Company Gazprom Neft

Certificate of the state registration No. 38606450 issued by Omsk City Registration Chamber on 06 October 1995

Certificate of inclusion in the Unified State Register of Legal Entities issued on 21 August 2002 under No. 1025501701686
5A Galernaya street, Saint-Petersburg, Russian Federation

Independent Auditor

Joint-Stock Company PricewaterhouseCoopers Audit

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under No. 1027700148431

Member of the self-regulating organization of auditors "Audit Chamber of Russia" (Association)

Principal Registration Record Number (ORNZ) in the register of auditors and audit organizations - 10201003683.