



GAZPROM NEFT

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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):

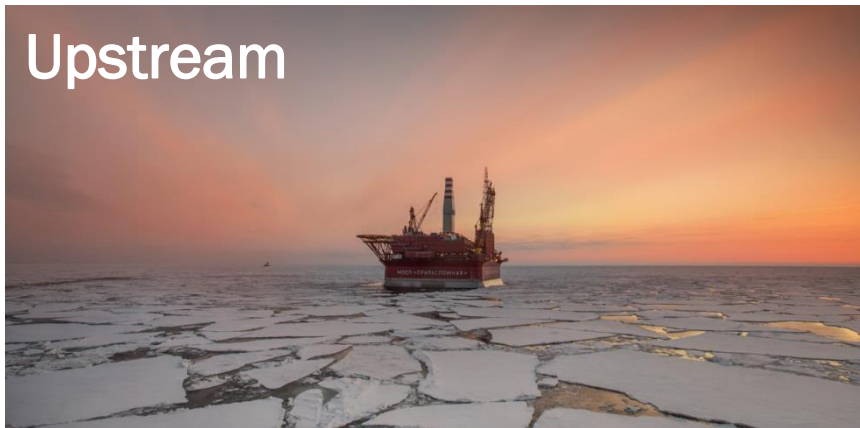
- (a) price fluctuations in crude oil and oil products;
- (b) changes in demand for the Company's products;
- (c) currency fluctuations;
- (d) drilling and production results;
- (e) reserve estimates;
- (f) loss of market and industry competition;
- (g) environmental and physical risks;
- (h) risks associated 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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## 2016 KEY EVENTS

### Upstream



- Started commercial production at **Novy Port** and **East Messoyakha** fields
- Launched crude shipments from **Novy Port** through Arctic terminal 'Vorota Arktiki' and **three** of six **Arc7 tankers** started operations in 2016 – beginning of 2017 to provide year-round crude exports
- Launched **Shinginskoye** and **Messoyakha gas turbine power stations**

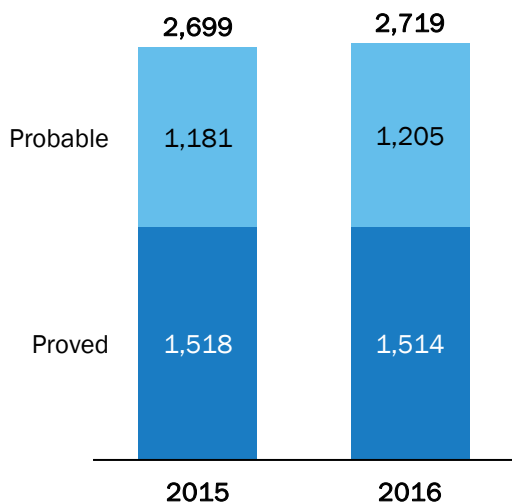
### Downstream



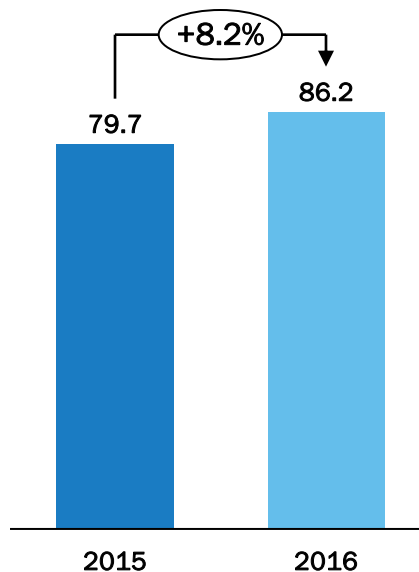
- Continued refinery modernization program:
  - Active construction of Euro+ unit in **Moscow** Refinery
  - Started construction CDU/VDU unit and completed FEED of Deep processing unit in **Omsk** Refinery
- Completed acquisition of **NOVA-Brit** plant, **Rospolychem** Group assets and **Chukotaerosbyt** (3 aviation refueling complexes)

# INDUSTRY LEADING HYDROCARBON PRODUCTION GROWTH

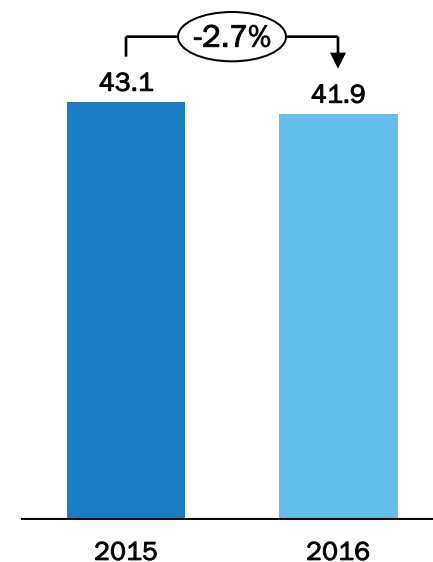
Resource base under PRMS, MMTon



Hydrocarbon production, MMTon

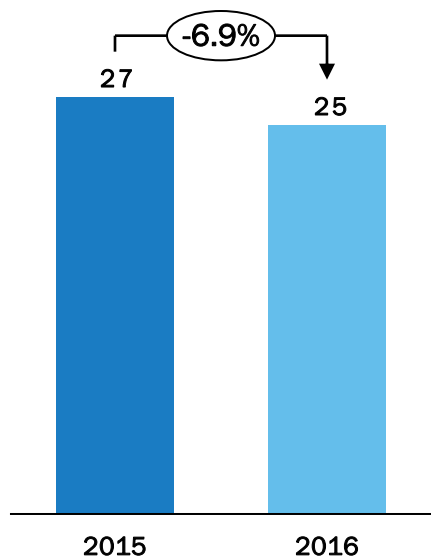


Refining throughput, MMTonnes

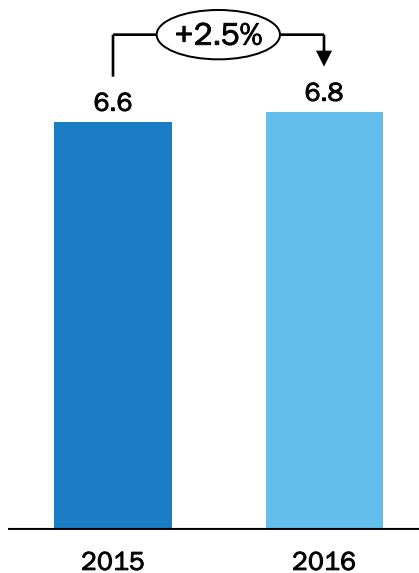


# ROBUST FINANCIAL RESULTS DESPITE LOW OIL PRICE

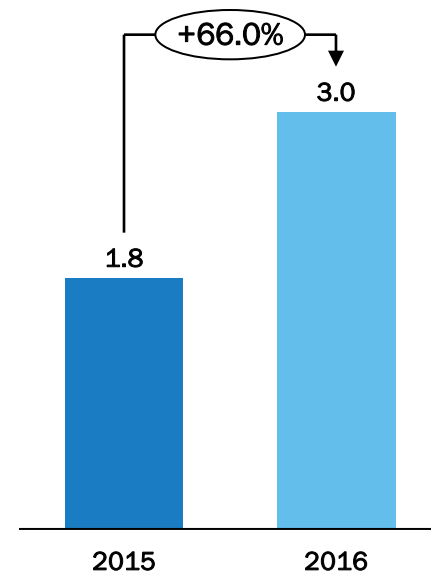
Sales, bln US\$



EBITDA, bln US\$



Net income, bln US\$



# STRATEGY 2025

- Maximize commercial hydrocarbon recovery from existing resource base
- Build leading position in liquid hydrocarbon production in north of Yamal Nenets AO
- Achieve leading position in refinery modernization program
- Increase operational efficiency in refining
- Maximum realization of refinery product mix through own marketing and distribution network



## Exploration and production

Hydrocarbon production

100 MMToe

1P reserves to production ratio

15 years



## Refining

Refining throughput in Russia

40 MMToe

Light products yield following completion of refinery modernisation programme

80%

Conversion ratio in Russia following completion of refinery modernisation programme

95%



## Premium sales

Increase premium sales: ensure market presence of refinery products through the company's own marketing and distribution network

~100%

# RESPONDING TO CHALLENGING MACRO ENVIRONMENT

## Tackling short-term challenges

- Focusing on lower risk and lower cost resources
- Managing operating and capital costs
- Controlling SGA

## Portfolio optimization

- Prioritizing projects which will yield short-term production and cash flow increases and deliver short payback periods
- Deferring decisions on high risk international projects whilst maintaining future optionality
- Continue exploration activities in accordance with license requirements
- Aligning timing of upgrades with external context and capital allocation priorities

## Creation shareholder value

- Increase FCF
- Reduce total debt
- Stable growth of dividend payout
- One of the highest ROACE and TSR among Russian vertically integrated oil companies

# UPSTREAM GROWTH OPPORTUNITIES

Legacy fields placed in Khantiy-Mansiysk, Yamalo-Nenets, Krasnoyarsk, Tomsk, Omsk, Tyumen, Orenburg regions and Serbia

**In 2016:**

**Acquired:**  
Yuzhno-Noyabrskiy block,  
Kamennomyskiy block,  
Severo-Samburgskiy block

**Discovered:**  
Novosamarskoye field,  
Zapadno-Chatylkinskoye field

**OTDALENNAYA (the "Remote") GROUP OF FIELDS DEVELOPMENT PROJECT**  
Peak production: **3 MMTonnes** in 2025



### Eastern Siberia

<b>Kuymba</b> 2P reserves: <b>245 mt</b> Start up: <b>2018</b>	<b>Chona</b> 2P reserves: <b>78 mt</b> Start up: <b>2024</b>
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### Offshore projects

- Dolginskoye field
- Severo-Zapadnyy block
- Severo-Vrangelvskiy block
- Heisovskiy block
- Ayashskiy block

### International projects

<b>Kurdistan (Iraq)</b> 2P reserves: <b>2 mt</b> Start up: <b>2015</b>	Exploration projects in Serbia, Hungary, Romania, Bosnia and Herzegovina
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## LAUNCHED PRODUCTION AT MESSOYAKHA, ONE OF GAZPROM NEFT'S KEY PROJECTS

### Startup of **East Messoyakha field**

September 2016

- ✓ Completed infrastructure development in less than three years
- ✓ 71 producing oil wells
- ✓ 8 km pipeline
- ✓ Two power plants with combined 90MW capacity
- ✓ Obtained tax break for export duty
- ✓ Began crude oil deliveries to trunk pipeline

Forecast crude production:

2016	– 0.7 MMTonnes
2017E	– 3.0 MMTonnes
2018 E	– 4.3 MMTonnes

100% of project



## NOVY PORT: BEGAN YEAR-ROUND CRUDE EXPORTS

May, 2016 marked the official launch of year-round crude exports at **Novoportovskoye field**

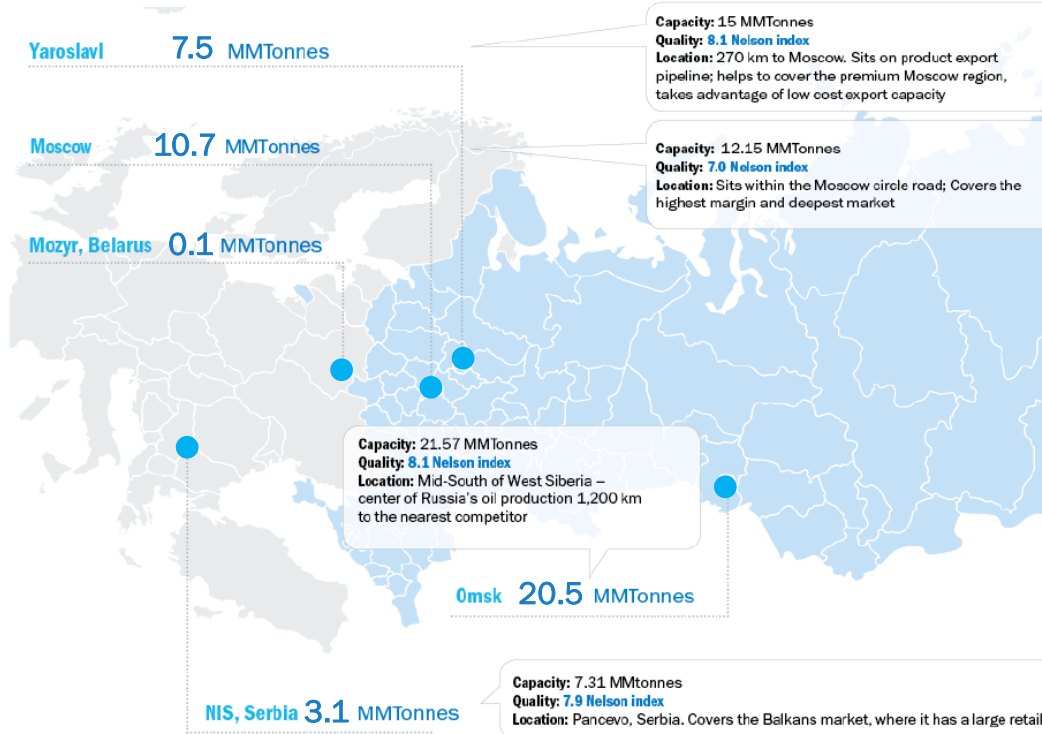
- ✓ May: Began year-round crude shipments from Gulf of Ob terminal ('Vorota Arktiki')
- ✓ 'Vorota Arktiki' – the world's first oil terminal capable working in an extreme Arctic environment
- ✓ September: Completed infrastructure at Novy Port field (5.5 MMTonnes)
- ✓ Three Arc7 tankers started operations to provide year-round crude exports

Forecast crude production:

2016	– 2.9 MMTonnes
2017E	– 5.5 MMTonnes
2018 E	– 6.5 MMTonnes



# REFINING: FOCUS ON LIGHT PRODUCT YIELD



## Modernization plans

## Results

Omsk  
Moscow  
Yanos  
NIS

- Delayed coker
- Deep processing unit
- CDU/VDU unit
- Complex processing unit Euro+
- Residue conversion complex
- Delayed coker

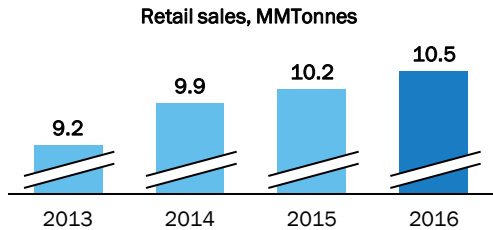
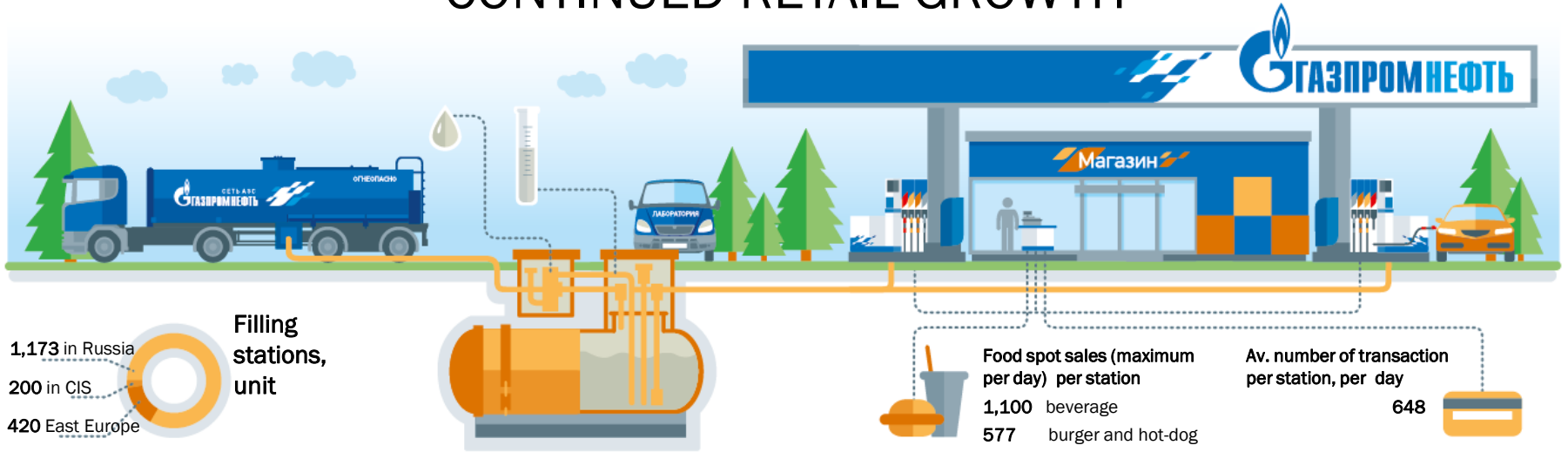
Light product yield – **81%**  
Conversion rate – **99%**

Light product yield – **80%**  
Conversion rate – **99%**

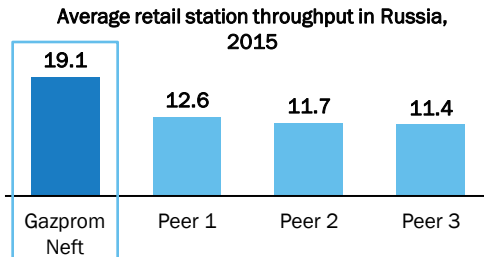
Light product yield – **81%**  
Conversion rate – **99%**

Light product yield – **85%**  
Conversion rate – **99%**

# CONTINUED RETAIL GROWTH



Peers: Rosneft, Lukoil, Tatneft



**GPN Loyalty club**  
7.2 mln users

# RETAINING MARKET SHARE IN B2B

## Aviation



- Presence in 235 airports
- Company-owned refueling complexes: 41
- Increased number of aviation partners abroad to 125
- Long term contracts with biggest airlines.

### Premium sales

**2.6 MMTonnes**

### Market share\*

**26%**

## Bunkering



- Presence in 37 ports
- Company-owned fleet of 11 vessels
- Continuing work with major international ship-owners

### Premium sales

**2.8 MMTonnes**

### Market share\*

**19%**

## Lubricants



- Number of service stations in G-Energy Service premium branded chain increased from 26 to 70
- Expanded number of international markets to 54
- Organizing import substitution program with 200 industrial, transport and agricultural companies in Russia

### Premium sales

**0.3 MMTonnes**

### Market share\*

**20%**

## Bitumen



- 3 bitumen plants
- Expanding into new markets for the sales of polymer-bitumen binders: Europe, Asia
- Executed cooperation agreements with Moscow, Stavropol Krai and Yamal Nenets

### Premium sales

**0.2 MMTonnes**

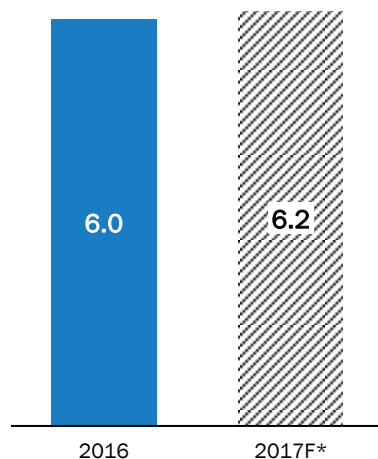
### Market share\*

**31%**

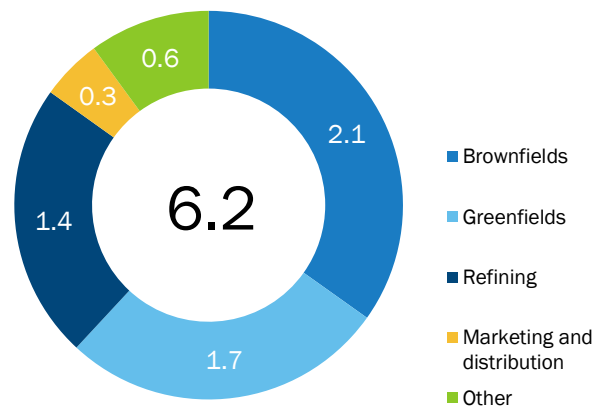
# CAPITAL DISCIPLINE

## INVESTING SELECTIVELY FOR FUTURE SUCCESS

Investments outlook, US\$ mln



2017E Investments breakdown, US\$ mln

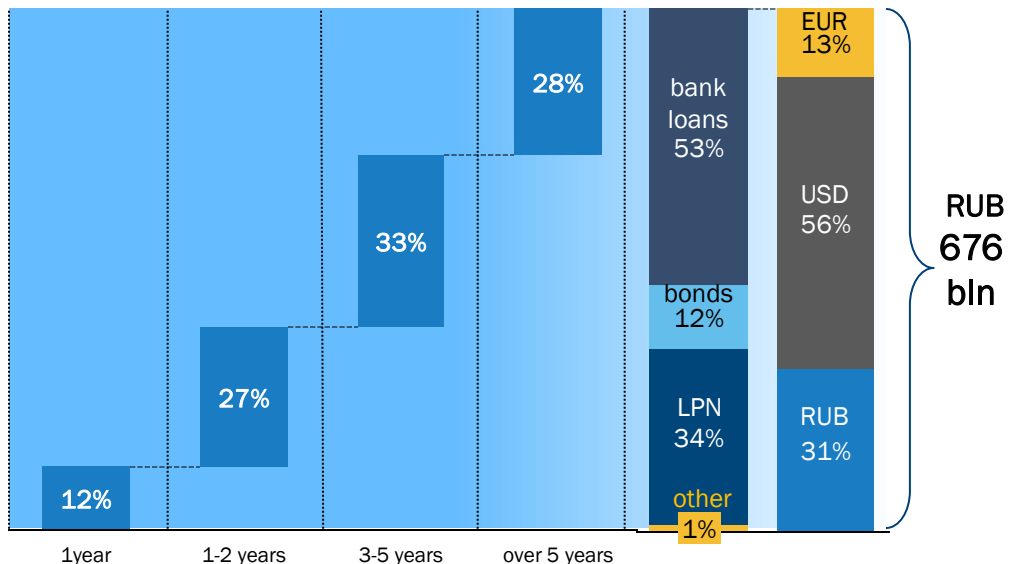


Investment peak 2017E

- Drilling and technological development at legacy assets
- Ongoing investment in major upstream projects
- Start of refinery complexity modernization
- Continued exploration projects

# PROACTIVE MANAGEMENT OF ROBUST FINANCIAL STRUCTURE

Debt maturity profile at the end of 4Q16

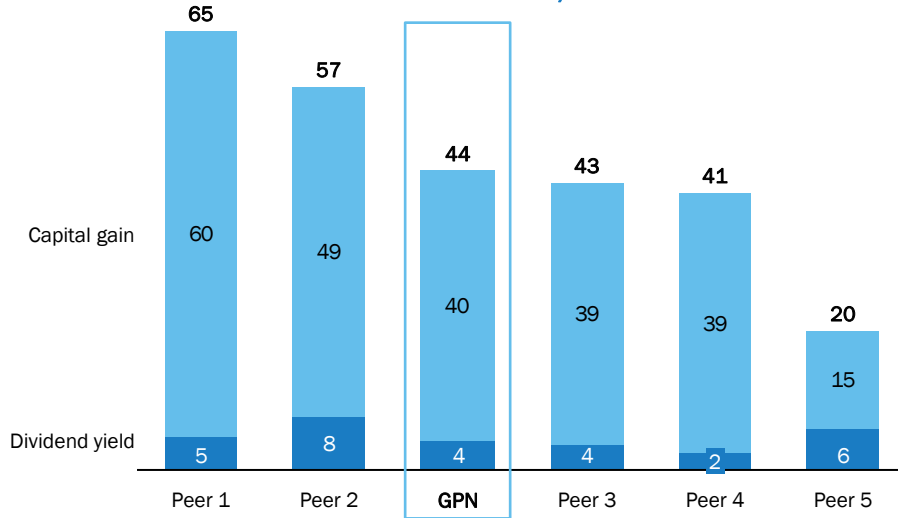
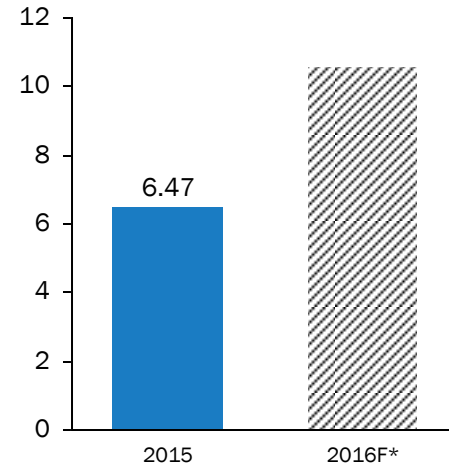


Credit ratings

**Credit ratings at sovereign level:**

S&P	BB+ <b>STABLE</b>
Moody's	Ba1 <b>STABLE</b>
Fitch	BBB- <b>STABLE</b>
Dagong	AA- <b>NEGATIVE</b>

# DIVIDENDS

**Total shareholder return, %**

**Dividends, Rub per share**


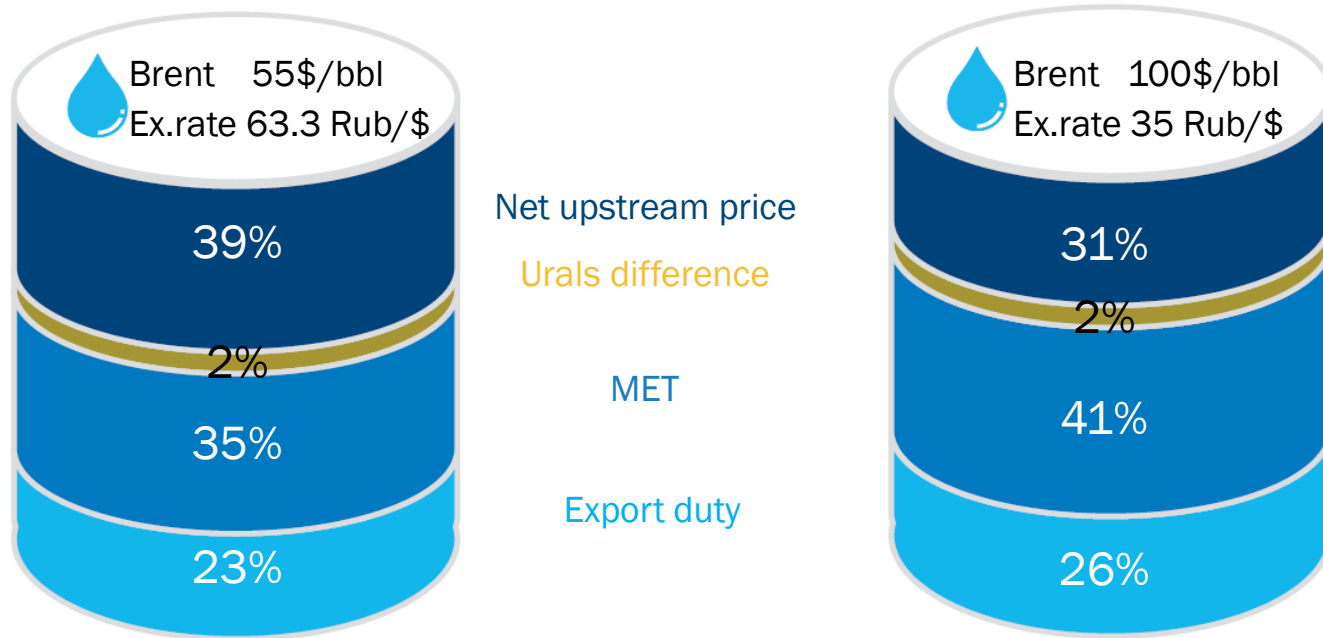
- Priority of dividend payout
- Expect to pay Y2016 dividends equivalent to 25% of IFRS Net Income

*\*Based on 25% payout of IFRS Net Income  
Peers: Rosneft, Lukoil, Gazprom, Tatneft and Novatek*

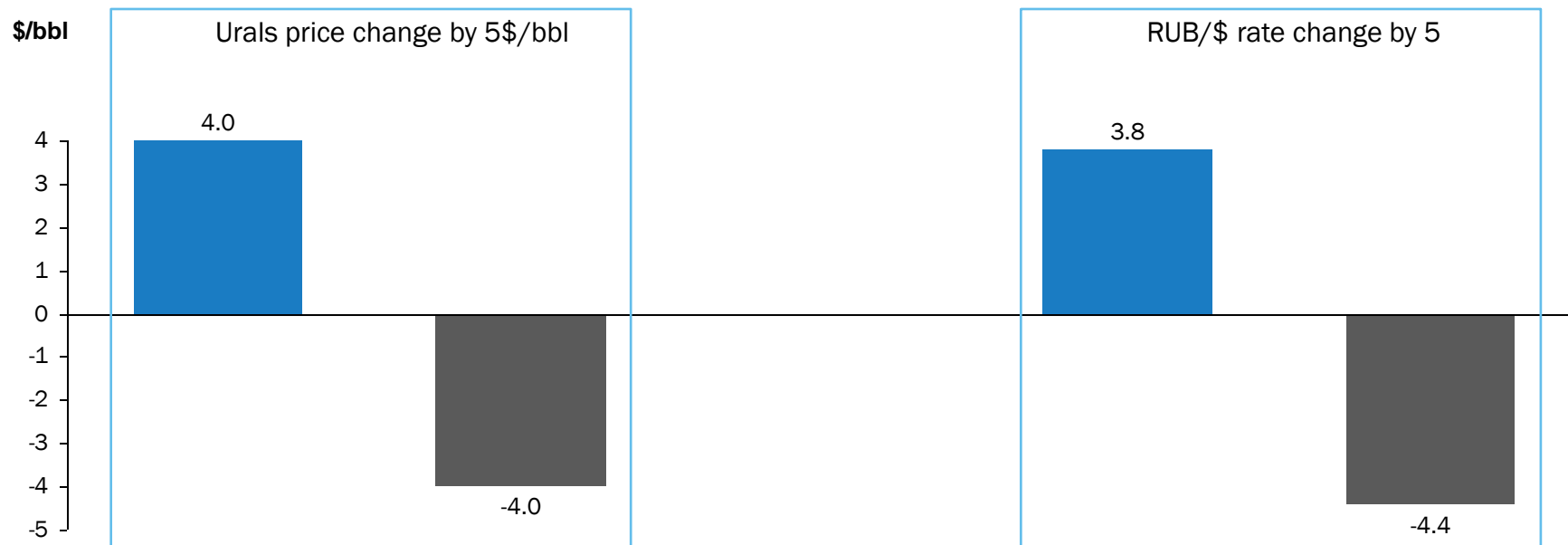


## Appendices

## PROGRESSIVE OIL AND GAS TAXATION IN RUSSIA REDUCED THE EFFECT OF LOW OIL PRICE



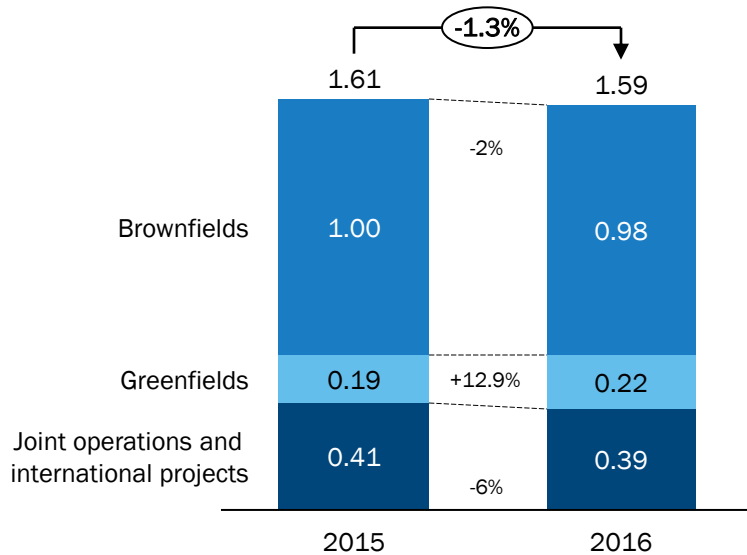
## EBITDA SENSITIVITY ANALYSIS



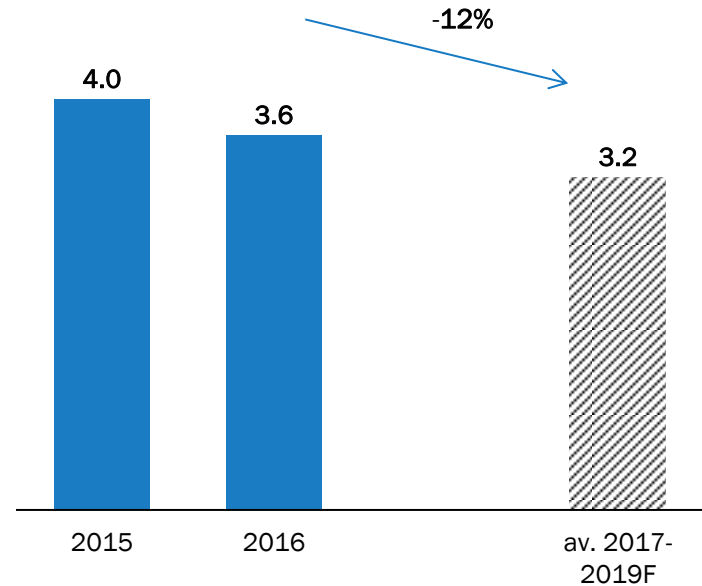
*\*based on EBITDA excluding JV*

# OPEX DECREASES DUE TO RUBLE DEPRECIATION AND INCREASED PRODUCTION FROM STARTUPS

Upstream OPEX, US\$ bln

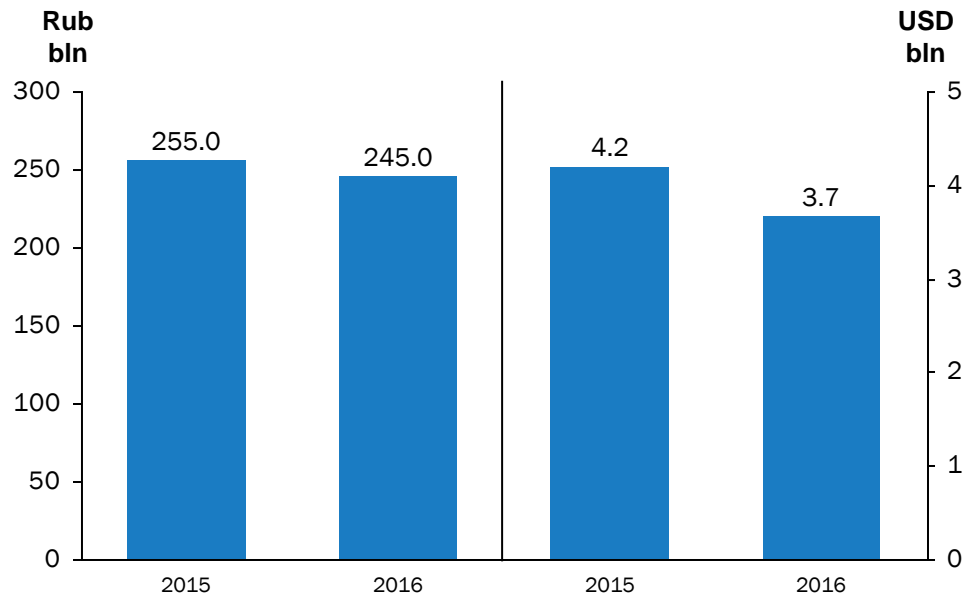


Upstream OPEX, \$/bbl

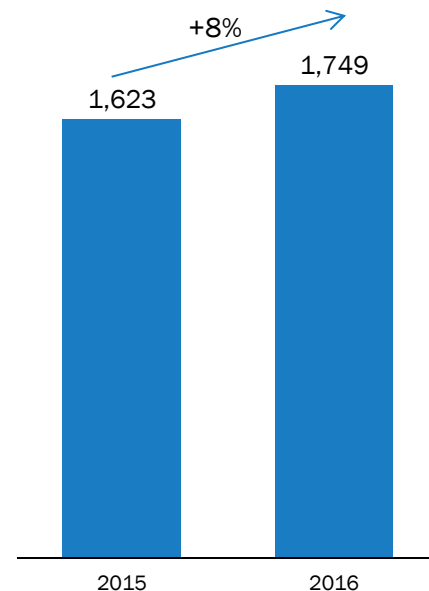


## UPSTREAM CAPEX DECREASE WHILE HYDROCARBON PRODUCTION IS GROWING

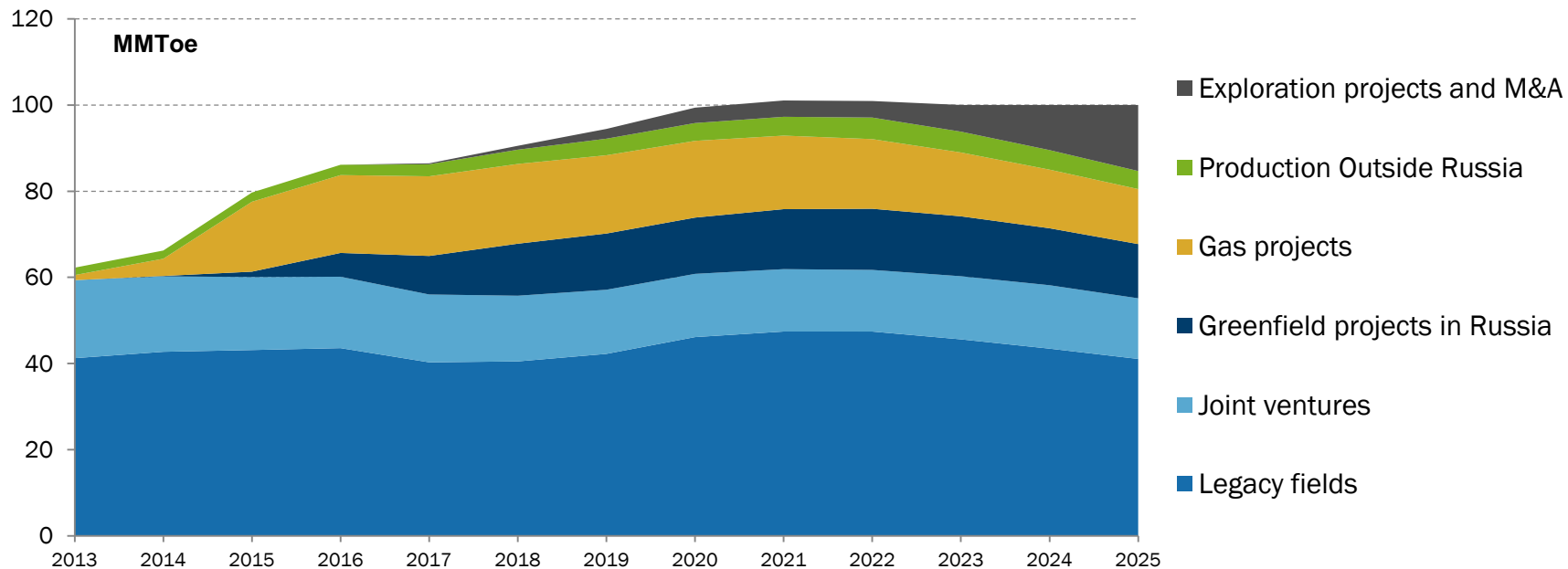
Upstream CAPEX



Hydrocarbon production, kbpd



## PRODUCTION PROFILE



## PLANNED CAPEX TO SECURE LONG-TERM FCF GROWTH

