



Gazprom Neft 2011 Results

28 February 2012

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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, Financials



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- Upstream



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- Downstream



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Strong financial performance while advancing on 2020 strategic goals



- **Financial performance:**
 - Revenue: US\$ **44,172** mln (+34% Y-o-Y)
 - EBITDA* : US\$ **10,158** mln (+40% Y-o-Y)
 - Net Income: US\$ **5,352** mln (+70% Y-o-Y)
- **Continued operational progress:**
 - Production up **8%** Y-o-Y
 - Refining volumes up **7 %** Y-o-Y
 - Premium channels sales up **38%** Y-o-Y
 - Average retail site throughput up **40%** Y-o-Y in Russia
- **Strategic advances:**
 - New Orenburg oil production cluster combines Gazprom license transfer and new acquisitions
 - Increased Sibir Energy share to 100%
 - New isomerization units deliver Class 4 fuels
 - Retail expansion via acquisitions
 - Reduced average interest rate by 0.6 p.p. to 3.37%; increased average debt maturity 27% Y-o-Y
- **4Q 2011 vs. 3Q 2011:**
 - 6% increase in hydrocarbon production
 - Refining throughput down 13% due to scheduled repairs and lower seasonal demand
 - Lower retail sales volumes in domestic market (-14%), partially offset by 36% increase in crude oil export sales—net revenue decrease 4%

* Including GPN share in EBITDA of joint ventures

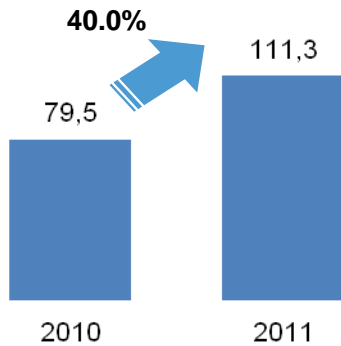
Macro Environment

Stronger prices, demand and ruble

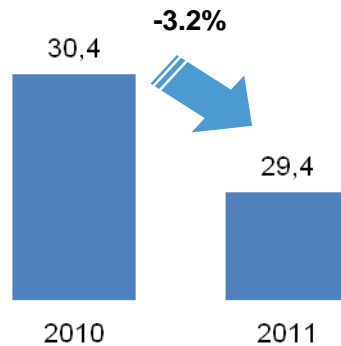
Strong macro drivers Y-o-Y, introduction of «60-66» tax regime in 4Q 2011

2011 vs 2010

Brent, \$/bbl



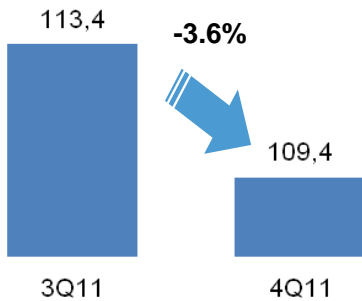
Average exchange rate



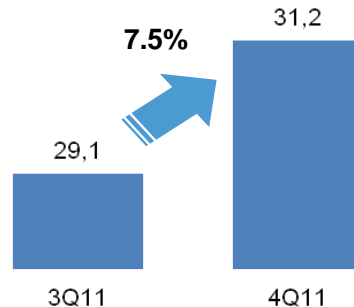
- Stabilized global crude and product prices
- Intensified regulatory interest in refinery modernization and product quality
- Ruble appreciation against US\$

3Q11 vs 4Q11

Brent, \$/bbl



Average exchange rate



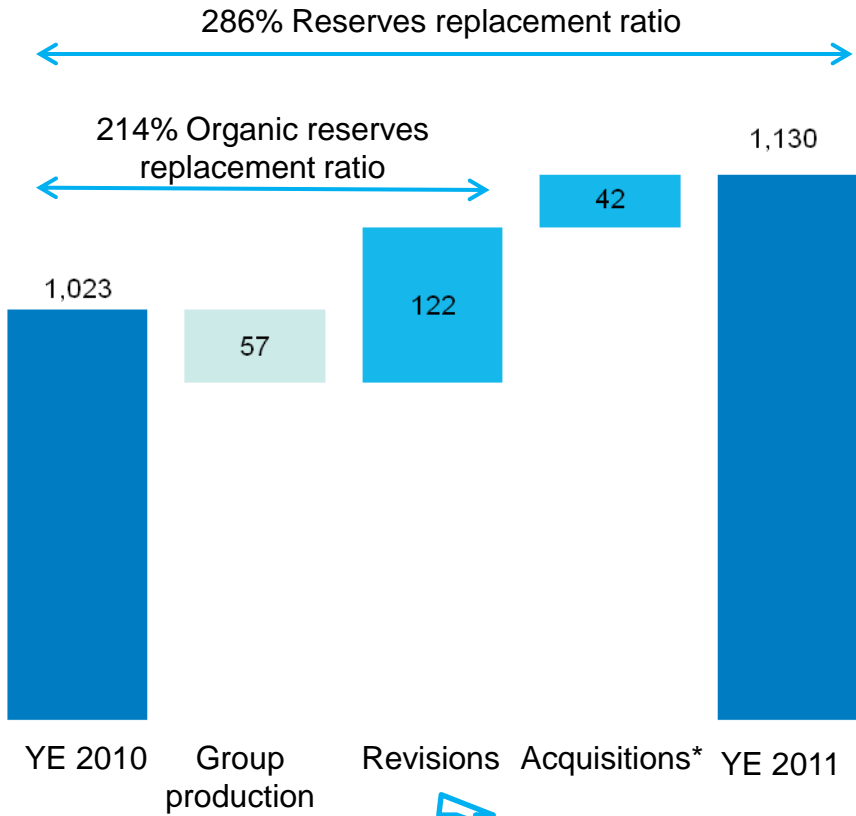
- Drop in global crude and product prices
- Introduction of «60-66» tax regime in 4Q 11
- Ruble depreciation against US\$

Upstream

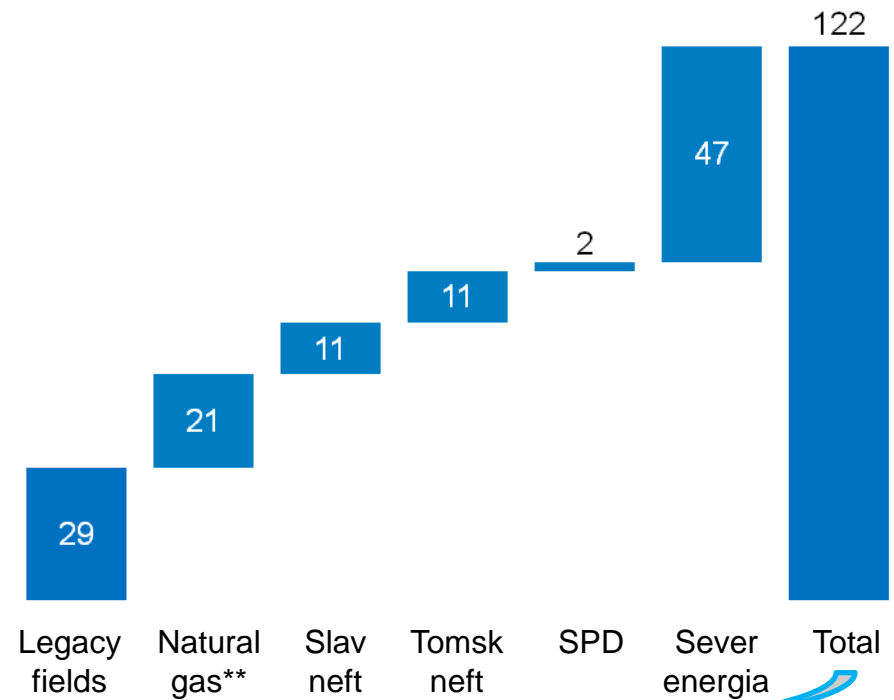
New projects on track, continuing resource base extension and efficient development of legacy fields

Reserves replacement rate surges on strength of organic growth and acquisitions

Changes in PRMS (SPE) proved reserves (MMtoe)



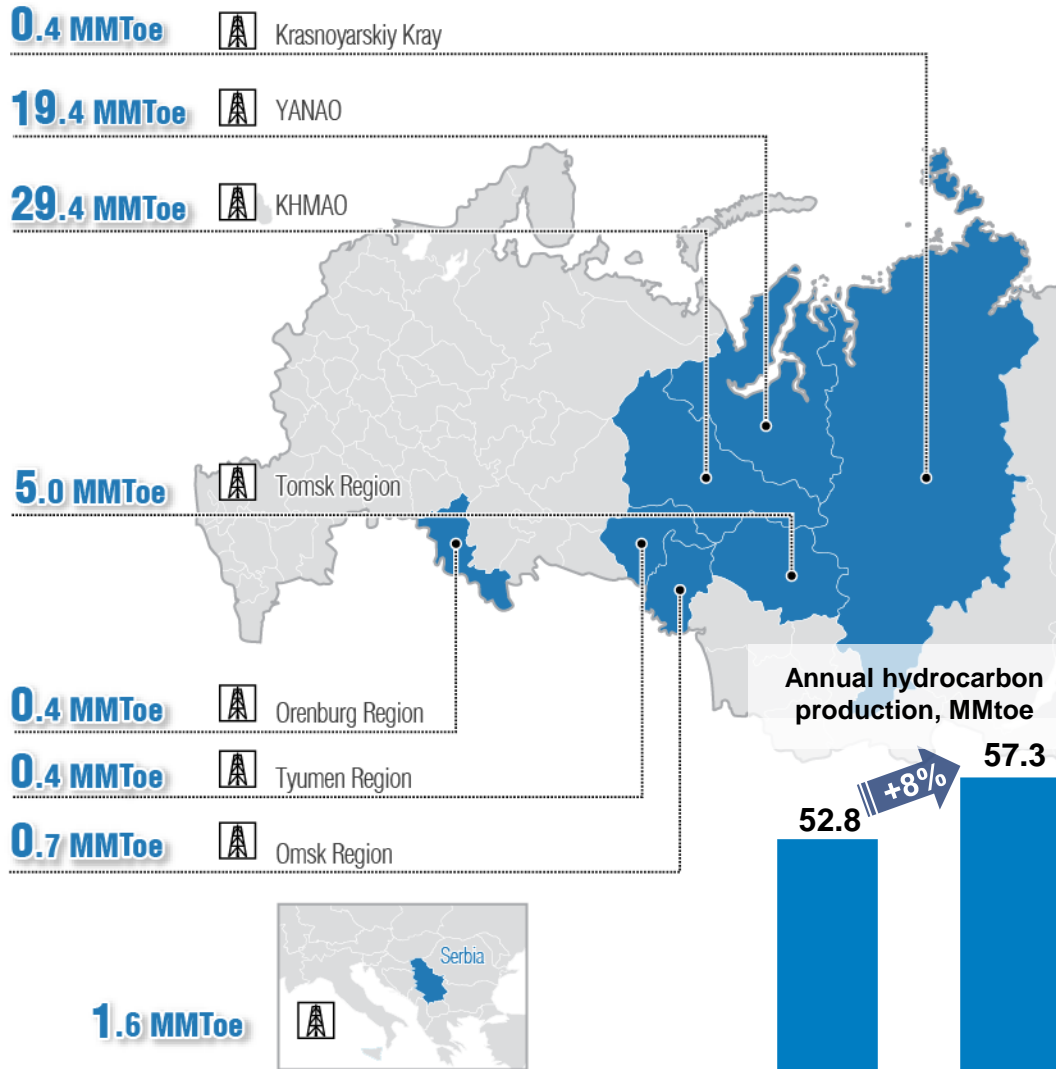
Revisions, MMToe



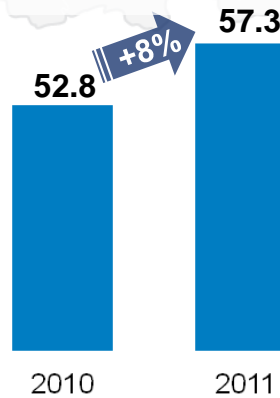
*Acquisitions include crude oil reserves of Gazprom Neft Orenburg, Tsarichanskoye and Kapitonovskoye fields.

** Natural gas at Muravlenkovskoye and Novogodneye fields

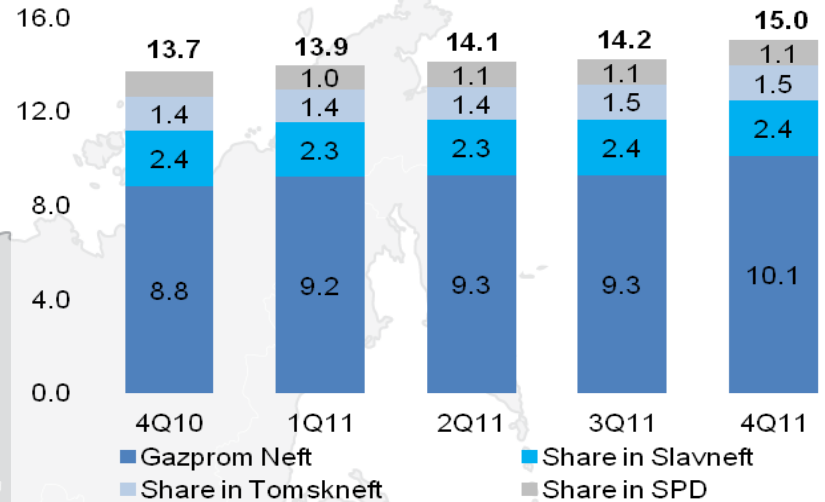
Organic upstream activities and acquisitions drive 8% hydrocarbon production growth Y-o-Y



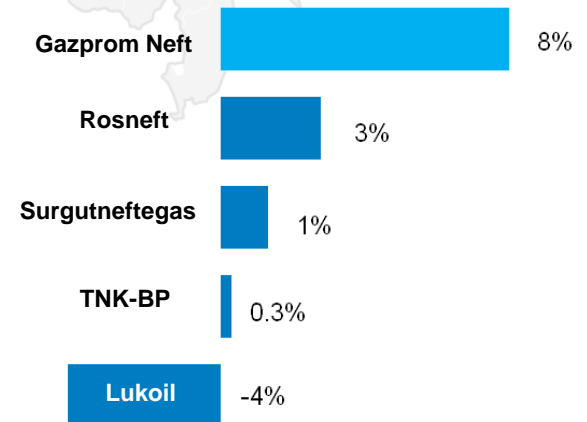
Annual hydrocarbon production, MMtoe



Hydrocarbon production, MMtoe



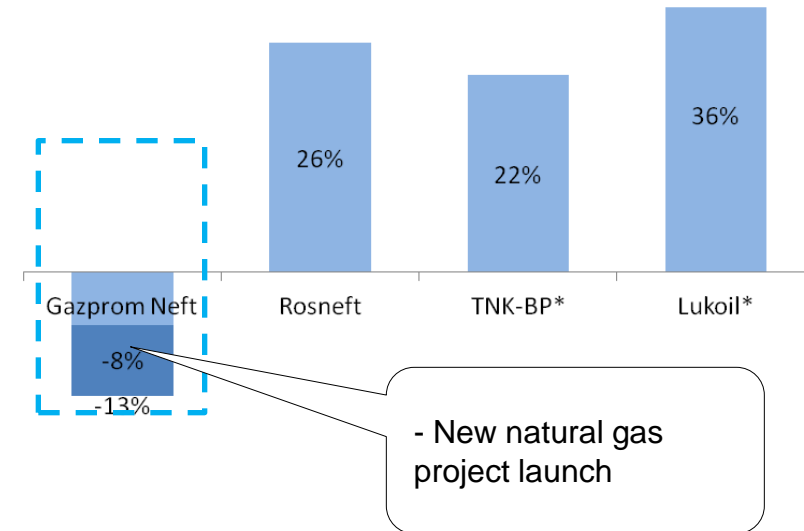
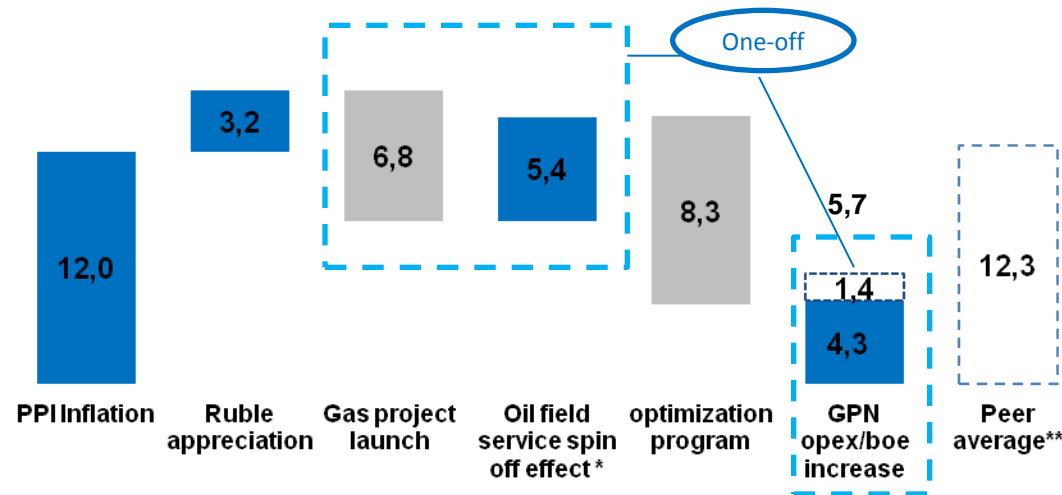
Peer comparison Hydrocarbon production increase 2011E vs 2010



Efficiency and optimization efforts deliver industry-leading cost control

% change in opex/boe 2011 Y-o-Y

% change in capex/boe 2011 Y-o-Y



Opex/boe: moderate growth

- **Energy efficiency**
 - Installing energy efficient equipment
 - Reducing inefficient injection and fluid production
 - Discontinuing unprofitable wells
 - Selecting more appropriate equipment
- **Oil service optimization, contracting strategy**
 - Switching to Russian-built electrical centrifugal pumps
 - Optimizing costly contracts
 - Increasing average time between failures through tighter control of frequently repaired wells
- **Transport optimization**
 - Replacing expensive vehicles with cheaper options

Capex/boe: decreased

- **Reducing drilling time**
- **Optimizing technical decisions**
 - Reduced pad size by changing well placement
 - Changed construction approaches for slopes
- **Optimizing purchasing procedures**
 - Conducting tenders under new procedure
- **Effective decision-making**
 - Adapting new facility specifications to meet specific external and geological conditions

Source: available public data

*Oil field service spin off effect includes taxes and amortization

**Rosneft – FY 2011 results; TNK-BP, Lukoil - 9M 2011 results

Orenburg production cluster (100%)



2011

- Created new production cluster in Orenburg based on eastern part of Orenburg oil field (transferred from Gazprom) and acquisition of two oil fields - Kapitonovskoye and Tsarichanskoye
- Production – 0.4 MMToe

2012

- Integration of acquired assets
- Production – 1.1 mln. tons of oil and 1.1 bcm of gas

Novoport (100%)



2011

- Reactivated & studied 4 wells
- Began FEED for test production
- Preparing for drilling and equipment delivery

2012

- Complete asset acquisition – license transferring
- Test production start up
- FEED for field development
- Construction of 1st phase of CPF

Sever Energy (25.5%)



2011

- Created strategic asset profile
- Completed test gas production
- Final stage of infrastructure construction

2012

- Continue exploration
- Begin first 2.6 bcm gas train at Samburgskoye; start up gas processing facility
- Pilot oil wells drilling and testing at Samburgskoye and Yaroyahinskoye

Messoyakha (50%)



2011

- Prepared for test production
- Completed 320 km² 3D seismic
- Drilled and tested exploration wells

2012

- Complete development plan
- 350 km² 3D seismic
- Begin test production
- Tax concessions
- Plan infrastructure development

Badra (30%)



- Completed de-mining
- Completed 3D seismic and interpretation
- Completed construction of cluster sites and site roads
- Completed FEED

▪ Drilling started

2012

- Drilling continue
- CPF construction
- Construction of Badrah-Garaf crude pipeline

Junin 6 (8%)



- Completed initial social and ecological audit
- Coordinating Early Oil project
- Drilling rigs mobilization and 2 well pads construction

2012

- Drilling stratigraphic and test wells
- Early Oil project start-up
- Prepare development plan
- Upgrader design (pre-FEED)

Exploration

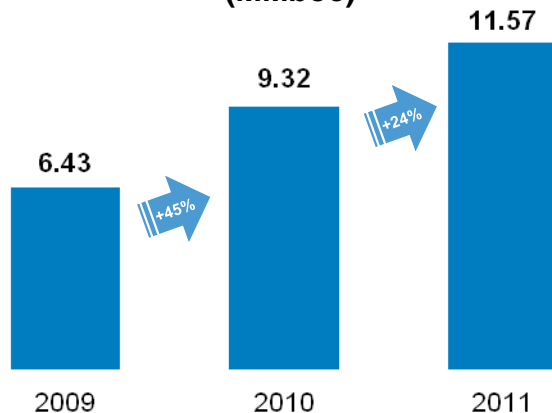


- Cuba(30%) – completed 2D seismic; identified potential structures; drilling rig in place
- Equatorial Guinea(80%) – completed 300 sq. km of 3D seismic; interpretation underway

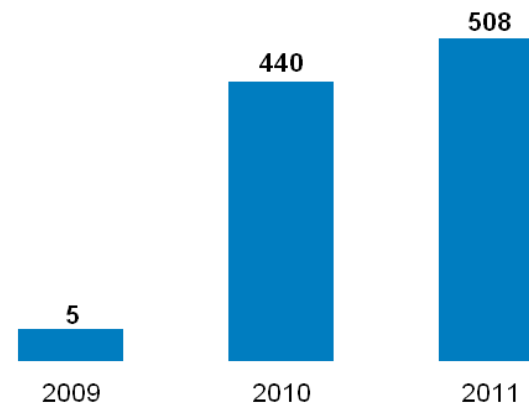
2012

- Cuba – Drilling first exploration well; project revaluation based on drilling results
- Equatorial Guinea – 3D modeling; prepare for first well drilling

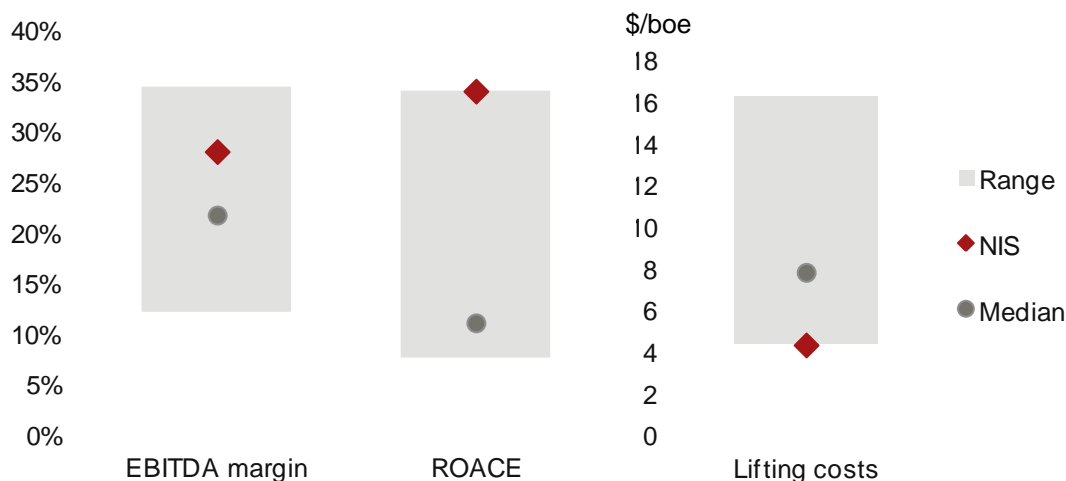
NIS hydrocarbon production (MMboe)



Net income, US\$mln



Regional benchmarking



- Strong production, refining and sales growth positions NIS as Balkan leader and a growing part of the Gazprom Neft family
- Benchmarking against regional players shows high performance, in line with Gazprom Neft's overall operational standards
- Growth and operational improvements put NIS on track to reach 2020 goal of becoming key regional player in Southern Europe

Successful sale of oilfield services business segment improves efficiency and focus



Transaction rationale

- ✓ **Focus on production**, GPN core business segment
- ✓ **Re-allocate capital from oilfield services (OFS) assets** to exploration and production investment to achieve increased production goals
- ✓ Exit the OFS sector through a **transparent sale process**
- ✓ **Maintain social stability**
- ✓ Improve the **efficiency and quality** of OFS services utilized by GPN through increased access to modern OFS technologies
- ✓ Build **long-term and mutually beneficial relations** with strategic partners
- ✓ **Increase competition** in the OFS market to improve the quality of services provided to GPN

Key results

- **Successful sale of OFS assets** through transparent process
- **Maximized proceeds** to Gazprom Neft via sales to different buyers
- Achieved **strong financial multiple**
 - EV/EBITDA LTM ~6.3x (average 2011 EV/EBITDA LTM for CAT Oil 5.0x, Integra 5.7x and EDC 8.6x)
- Retained **long-term contracts** after sale
- Retained collective employment agreements **maintaining social stability** in the region

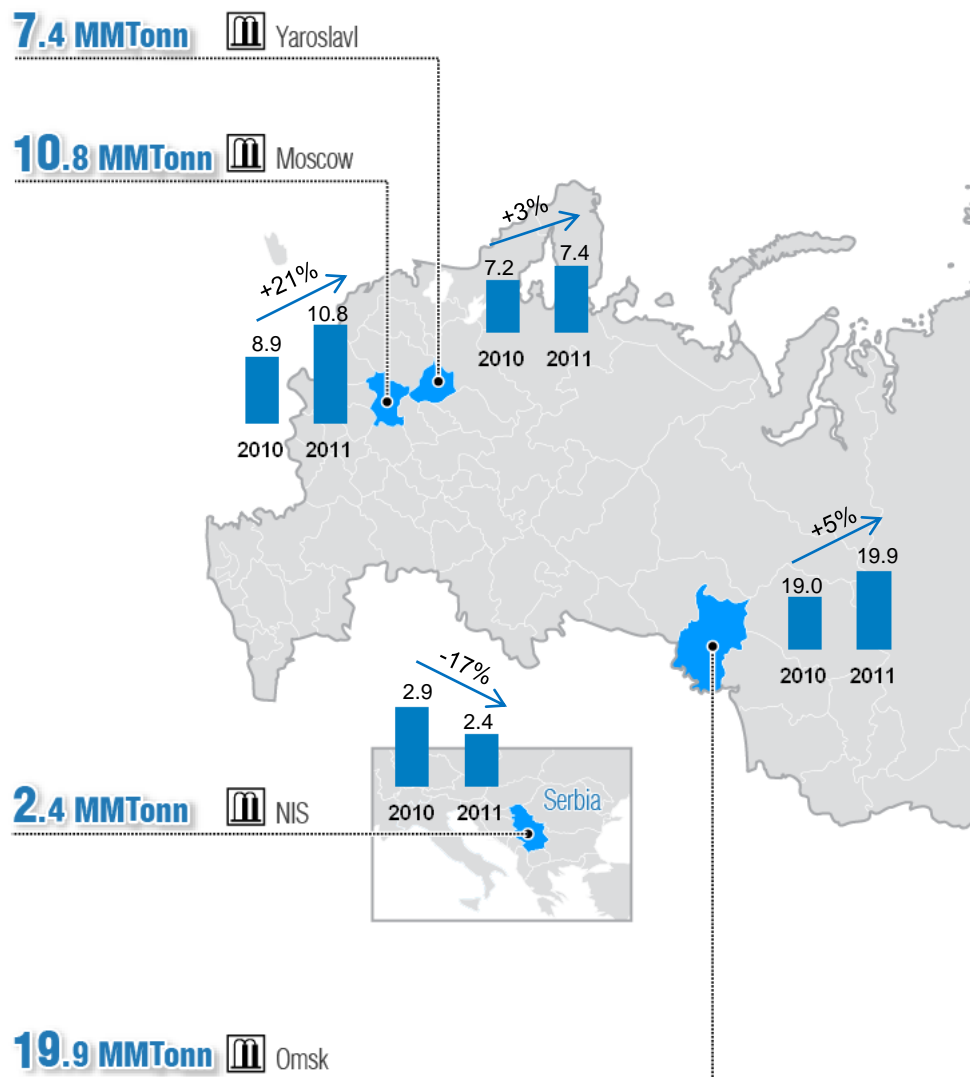
Key events

Date of sale	Asset	Type of operation	Buyer
January 2011	Muravlenskoyaya Transportnaya Company	Transportation	HYTT-1
June 2011	Spetstransservis	Transportation	SERVICE LOGISTICS company
June 2011	Servisnaya Transportnaya Company	Transportation Cementing	RU-ENERGY GROUP
June 2011	Noyabrskaya Centralnaya Trubnaya Baza	Pipe rolling / repair	RIMERA
October 2011	YamalServisCentre	Equipment repair, rig-up/ rig-down	RU-ENERGY GROUP
December 2011	KRS-Servis	Workover	RU-ENERGY GROUP
December 2011	Servisnaya Burovaya Company	Drilling	RU-ENERGY GROUP

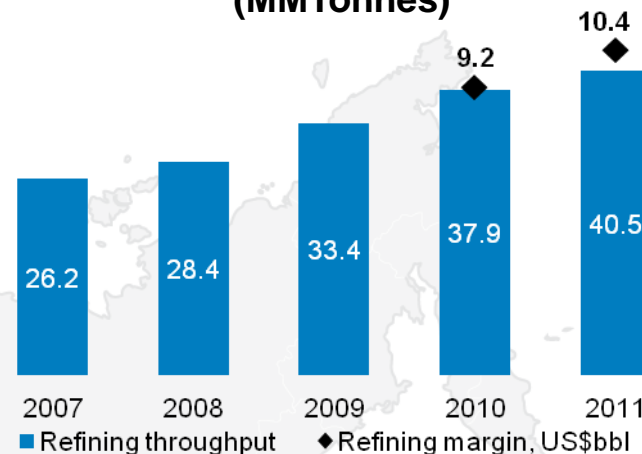
Downstream

Fuel quality upgrades and increases in premium sales add value to industry-leading portfolio

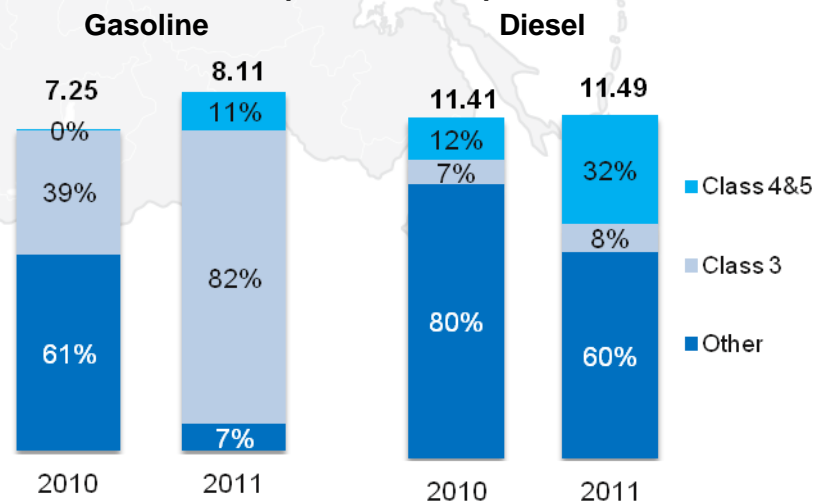
Refining throughputs and margins rise as product basket quality improves



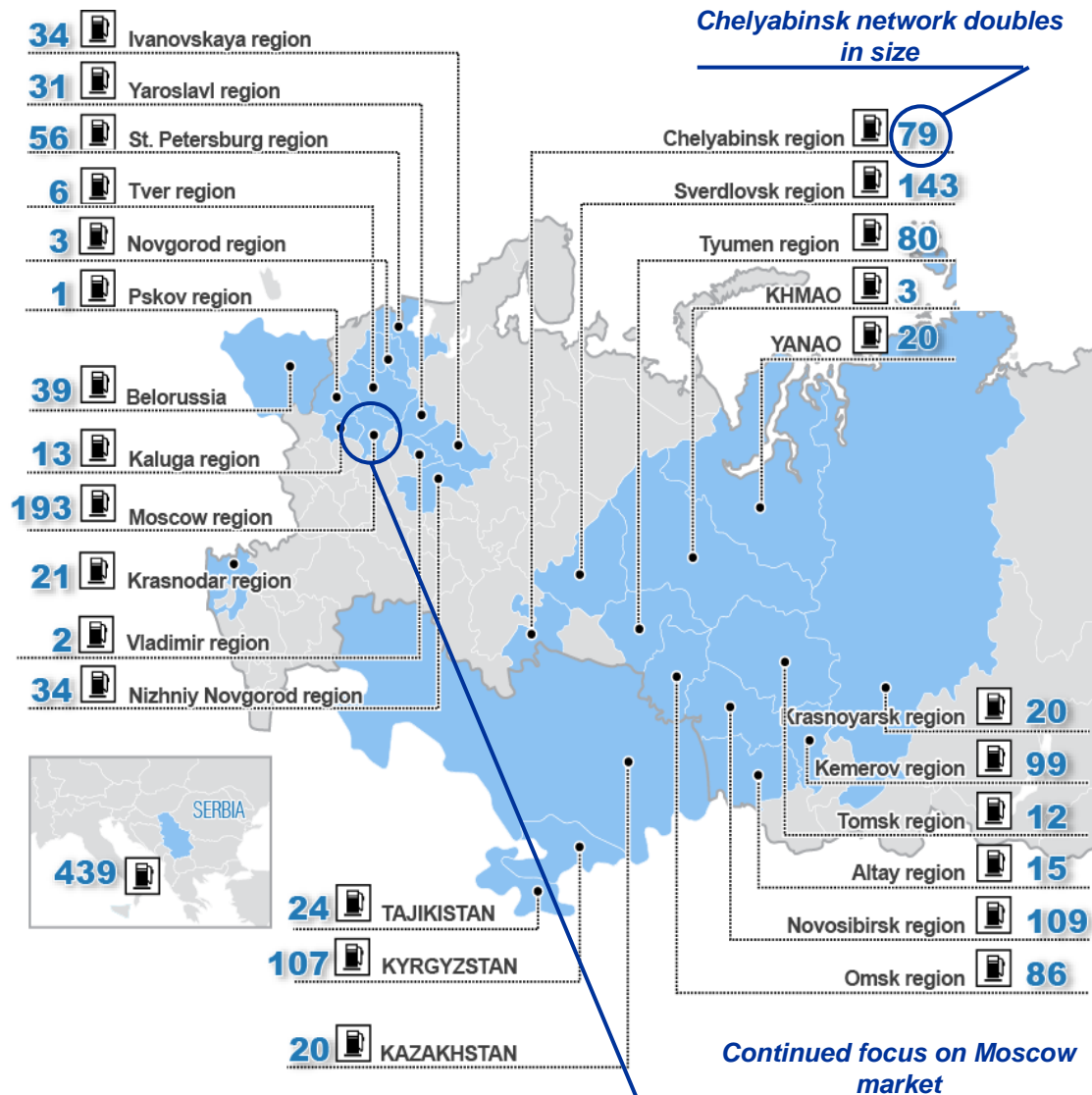
Gazprom Neft refining throughput (MMTonnes)



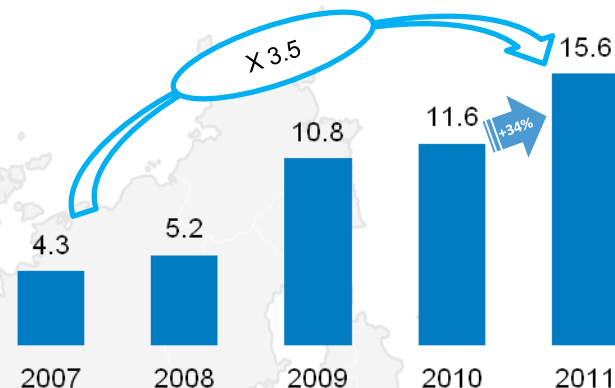
Gazprom Neft gasoline and diesel yields (MMTonnes)



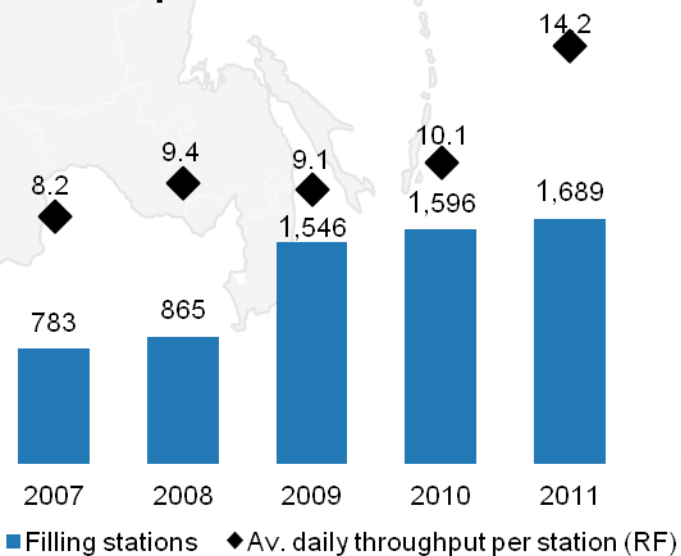
Focus on high margin retail sales and targeted network growth



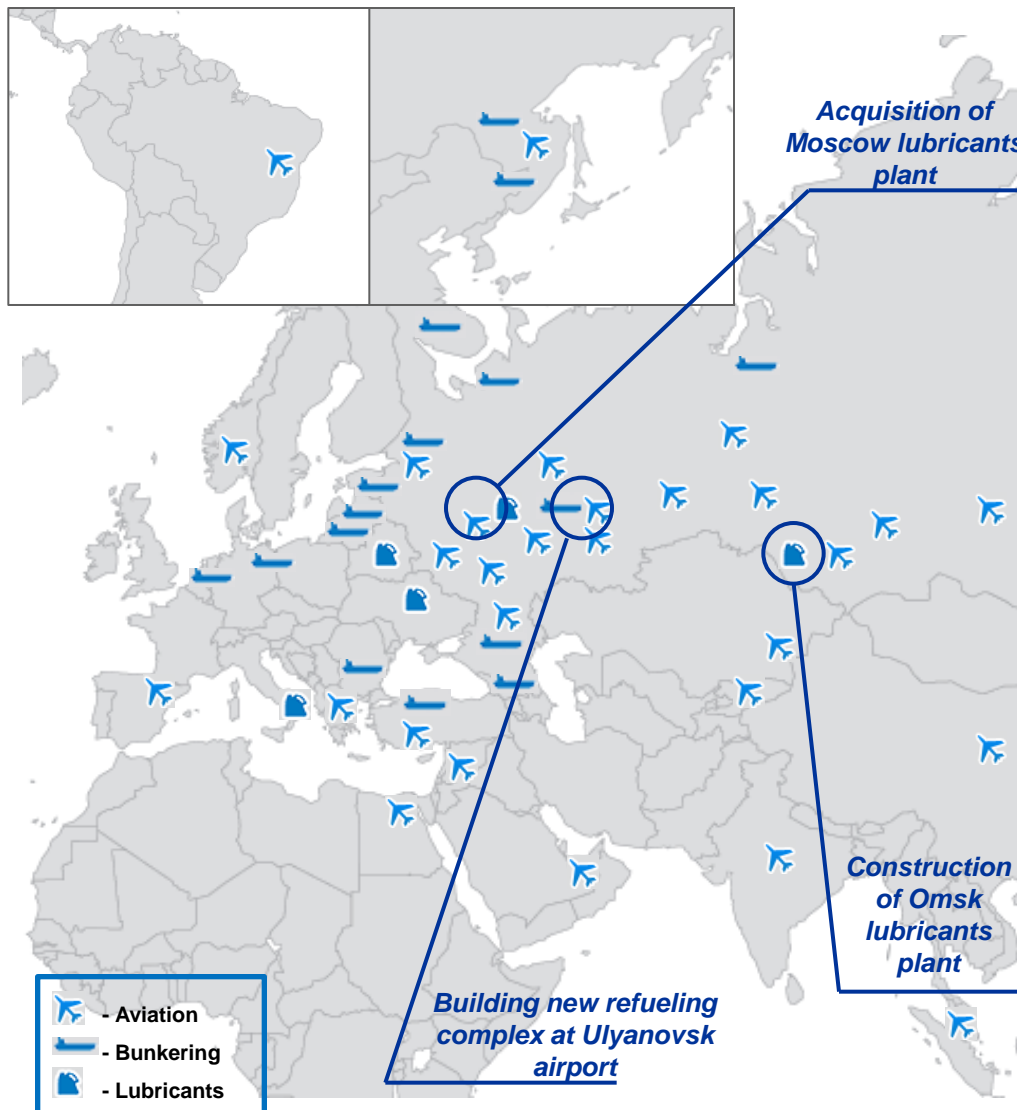
Retail + small whole sales, MMTonnes



Gazprom Neft retail metrics

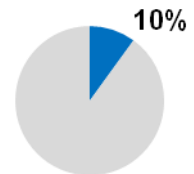


Continued domestic and international development of other high margin sales channels

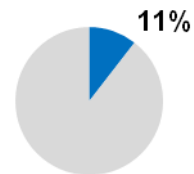


2011 premium sales growth

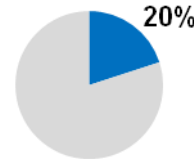
Market share



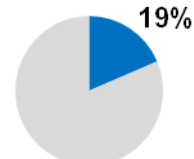
Acquired 113, rebranded 290



Significant increased the share of premium lubricants (G-family sales x2.5)



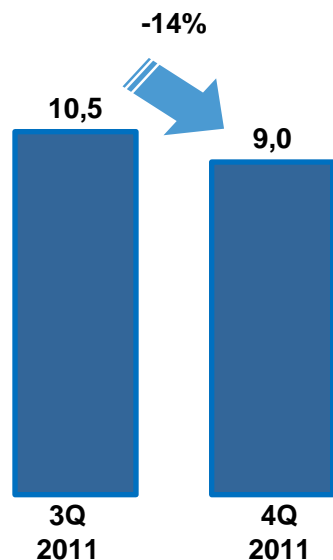
Expanded refueling operations: 11 military airports in Russia



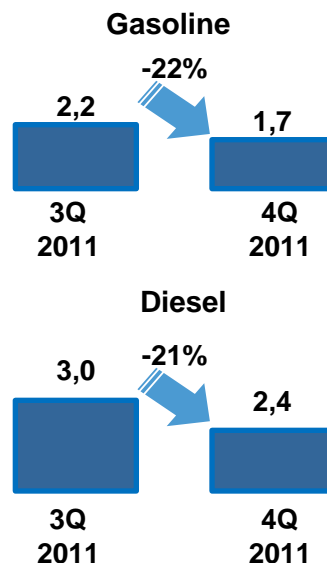
Fleet renovation; Expansion to international markets

Maintenance at Omsk and Moscow refineries was scheduled for low demand winter season

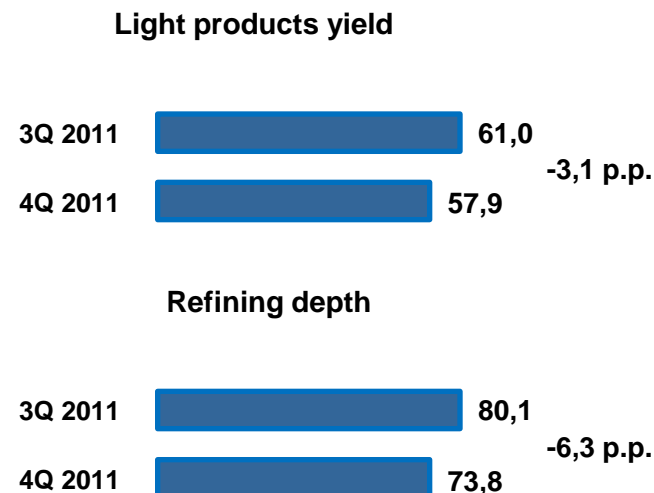
**Refining throughput*,
MMTonnes**



**Motor fuel production*,
MMTonnes**



Efficiency ratios*, %



Major factors for decrease in refining throughput , light products yield and refining depth

Omsk

- Catalytic cracking unit maintenance (57 days) in October-December
 - 1 MMTonnes refining throughput decrease
 - Gasoline and diesel production decrease
- Diesel hydrotreating overhaul and upgrade in October-November (52 days) to comply with Transnefteproduct Class 2 diesel regulations
 - Diesel production decrease due to increased marine fuels production

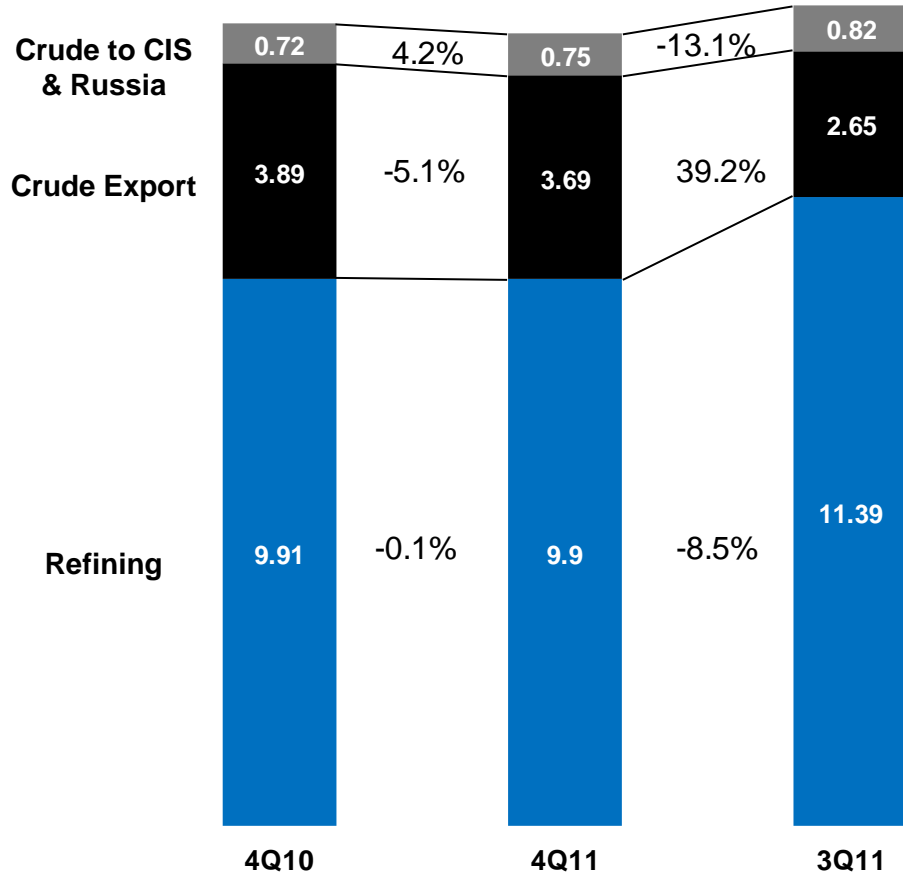
Moscow

- Small network of processing units maintenance in November-December (38 days)
 - 0,5 MMTonnes refining throughput decrease

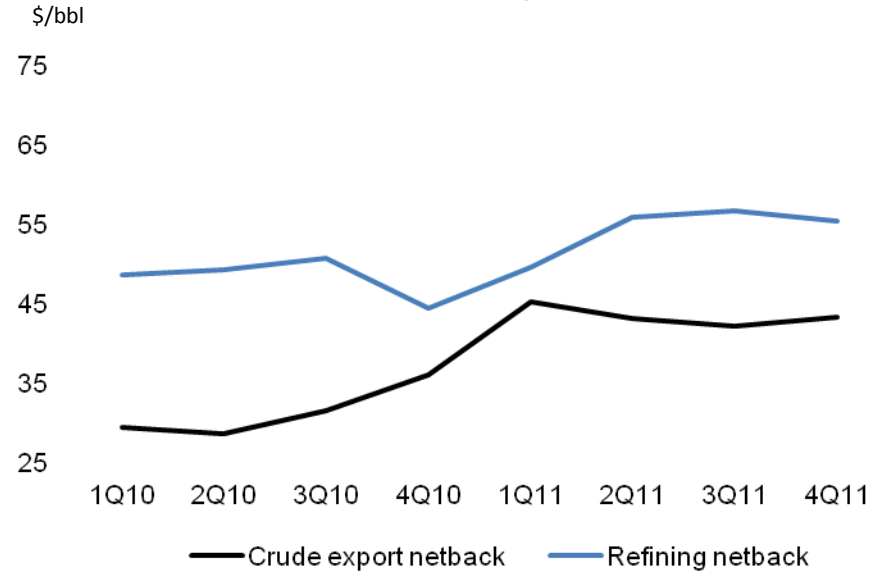
Additional factor for refining depth decrease was a seasonal drop in bitumen and bunker fuel demand

Crude exports absorb seasonal/maintenance variations

Gazprom Neft Crude mix (MMTonnes)



Gazprom Neft average netbacks



- Export/international crude volumes up 39.2% Q-o-Q as scheduled maintenance temporarily reduced refinery throughput
- Implementation of 60-66 tax regime in 4Q11 have no significant influence on the ratio of crude export and refining efficiency

Omsk (100%)



2011

- Completed first phase of FCC reconstruction
- Completed reconstruction of diesel hydrotreater for deparaffinization process
- Installed new bitumen component production unit
- Completed phase 1 of base oil blending

2012-2013

- FCC gasoline hydrotreater startup in 2012
- FCC diesel hydrotreater startup in 2012
- Begin construction of packaged lubricants facility

YANOS (50%)



2011

- Commissioned isomerization unit
- Completed FCC gasoline hydrotreater

2012-2013

- Diesel hydrotreater startup in 2013

Moscow (77%)



- Izomerization unit startup in 2013
- Reconstruction of diesel hydrotreater unit
- FCC gasoline hydrotreater startup in 2013
- Ecological initiatives include:
 - ➔ Reconstruction of bitumen unit
 - ➔ Reconstruction of sulfur recovery unit
 - ➔ Construction of closed mechanical treatment facility

NIS (56%)



- Completion of hydrocracking/hydrotreating facility by end-2012 will deliver
 - ➔ Increased light product output
 - ➔ Output of Euro 5 quality fuel to bring refinery in line with European standards
- Ongoing FCC reconstruction
- Implementation of ecological initiatives in 2012

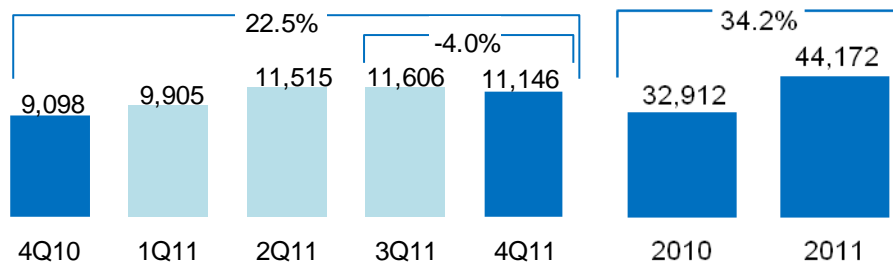
Financials

70% Net Income Growth Y-o-Y

Volume growth and strong price environment drive positive financial trends

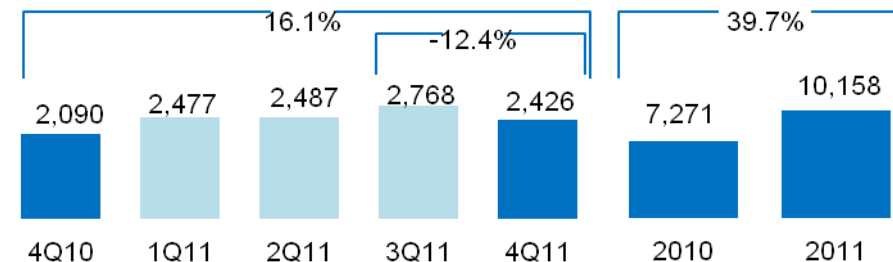


Revenues US\$ mln



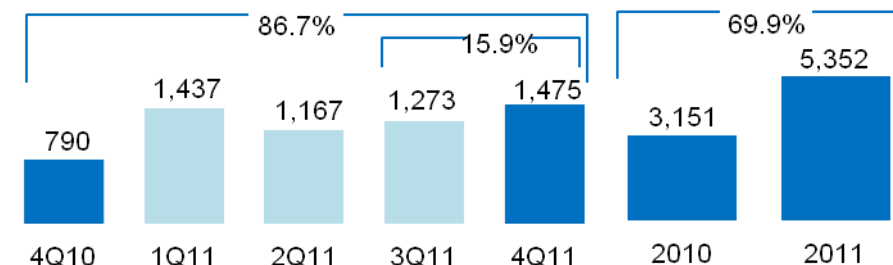
- Revenue decreased 4.0% Q-o-Q on lower sales volumes and reduced crude and products prices
- Revenue grew 34.2% Y-o-Y on higher crude and products prices and higher sales volumes

EBITDA* US\$ mln



- Lower domestic product sales drove 12.4% decrease in EBITDA Q-o-Q
- Higher prices, expanded refining throughput and product mix optimization supported 39.7% EBITDA growth Y-o-Y

Net Income US\$ mln

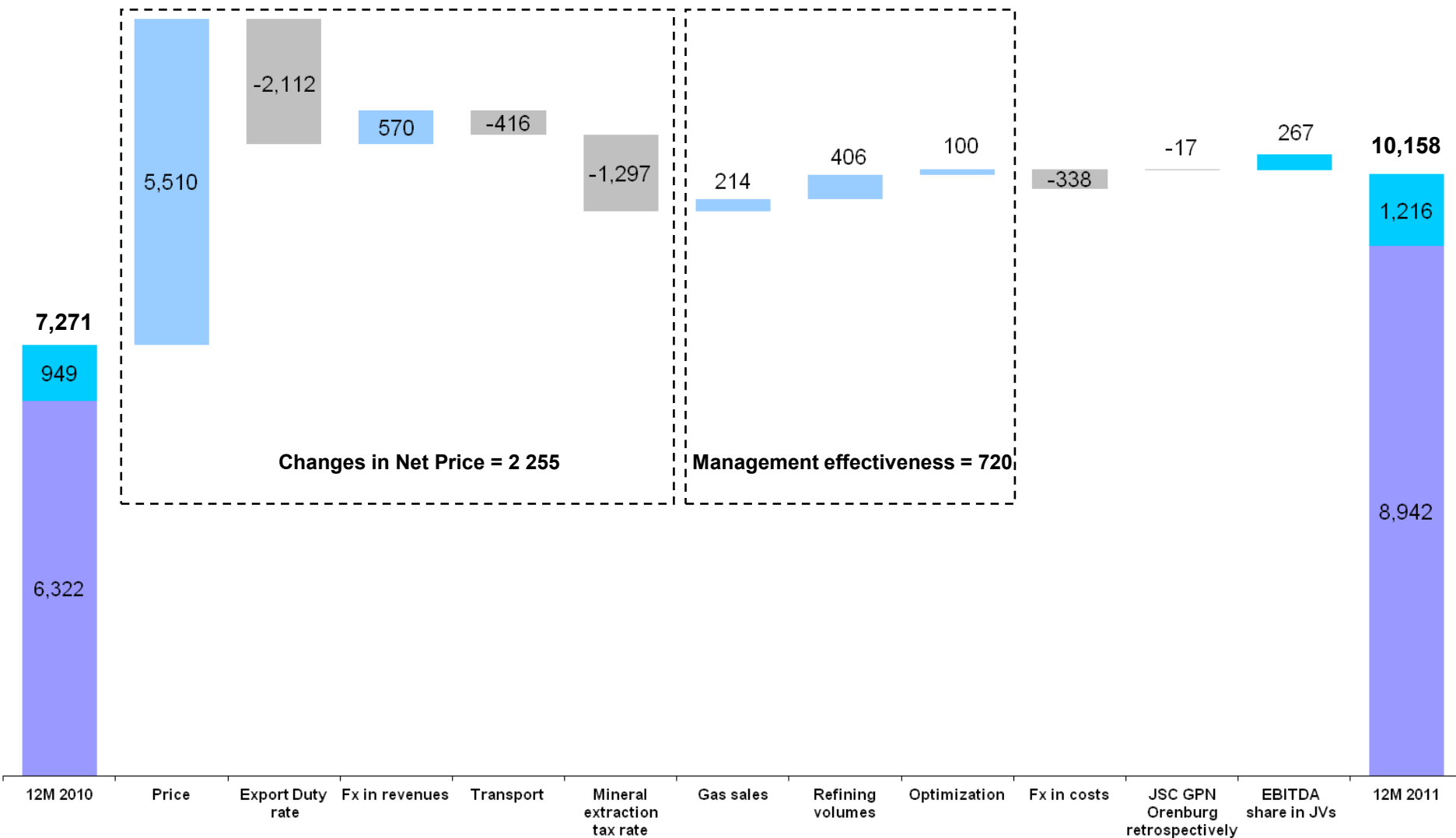


- Net income increased 15.9% Q-o-Q (despite the lower EBITDA) due to one-off items related to changes in fair value of derivatives
- Net income rose 69.9% Y-on-Y, due to higher crude prices and strong domestic demand

*EBITDA includes share of affiliates' EBITDA

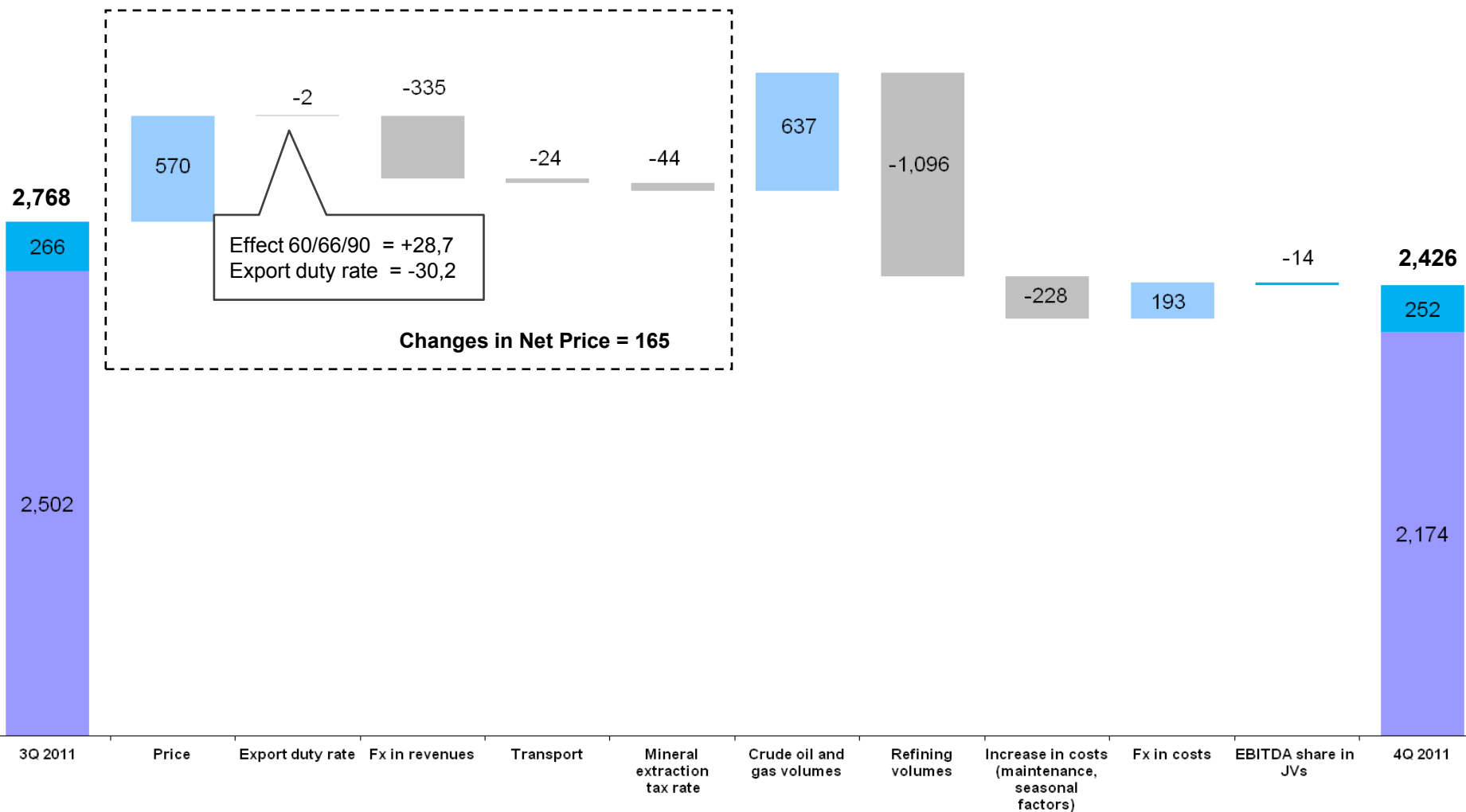
EBITDA reconciliation 2011vs.2010

EBITDA 12M 2011 vs 12M 2010, \$ mln.



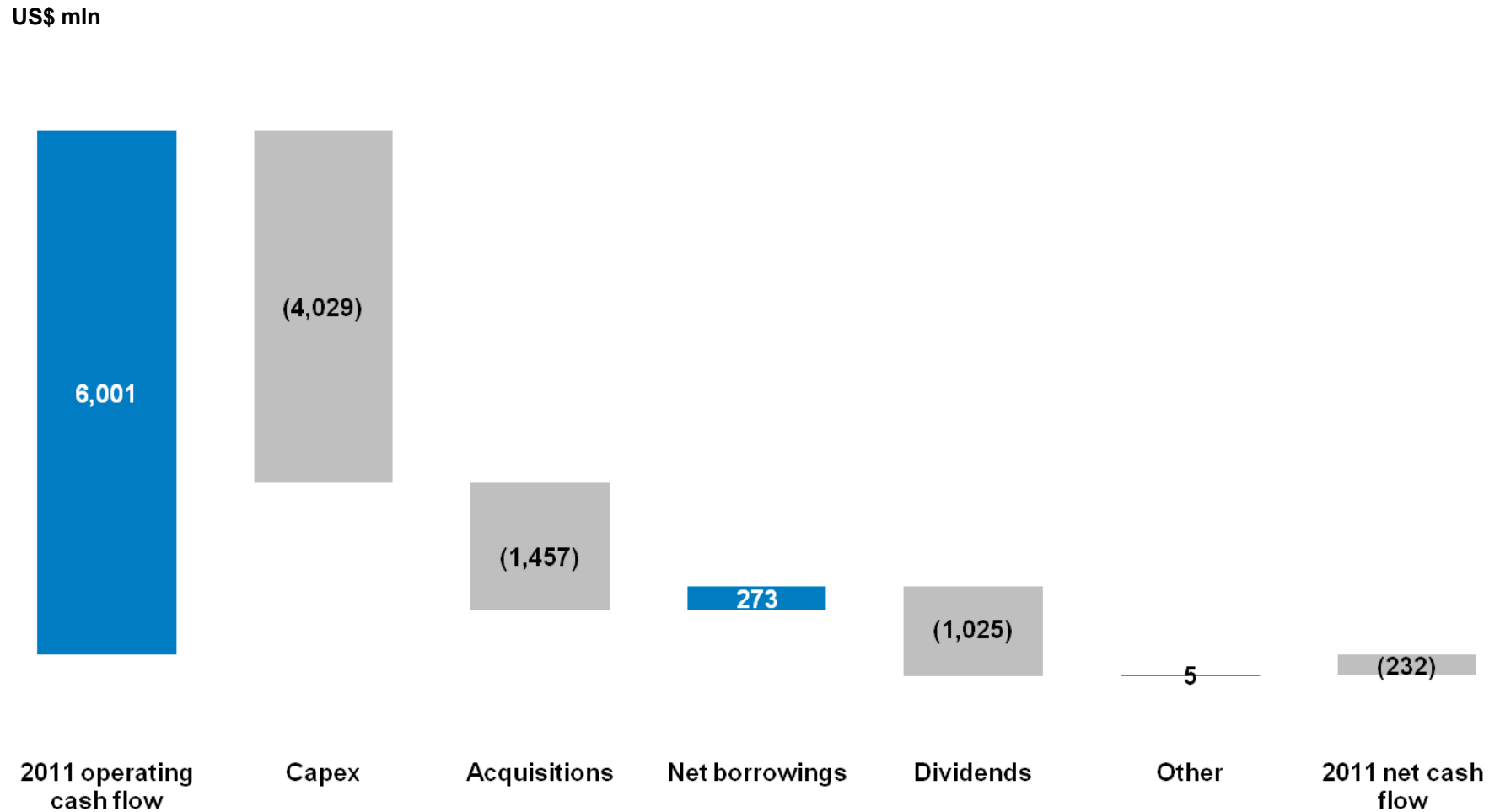
EBITDA reconciliation 4Q11vs.3Q11

EBITDA 4Q 2011 vs 3Q 2011, \$ mln.



Record cash flow sufficient to cover increased capex and M&A

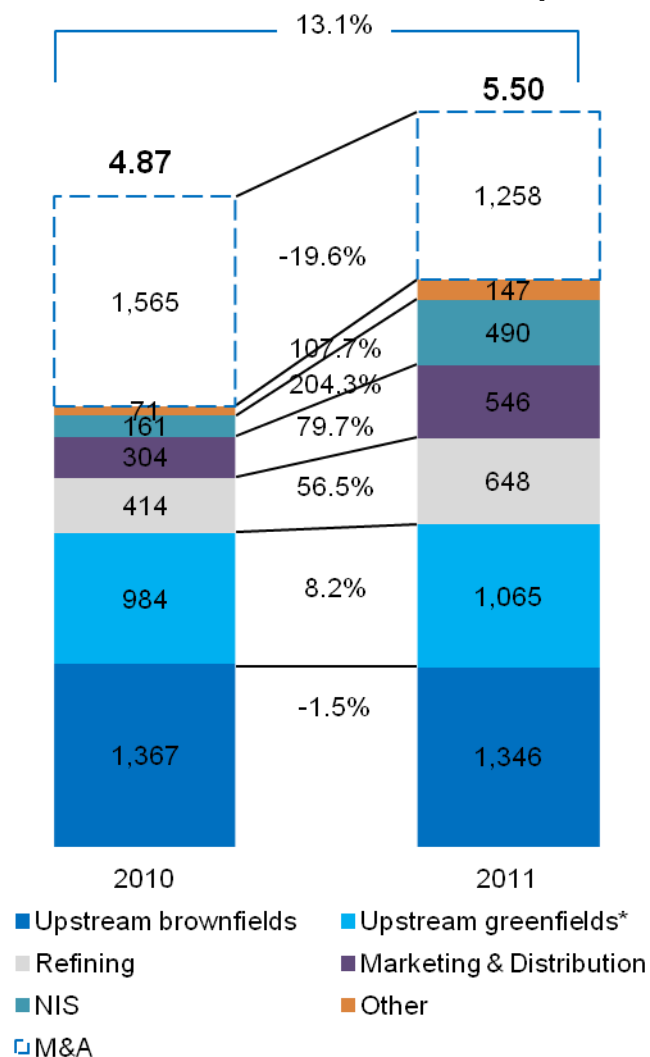
Cash flow reconciliation



Higher investment reflects greenfield project developments, refinery upgrades and rebranding

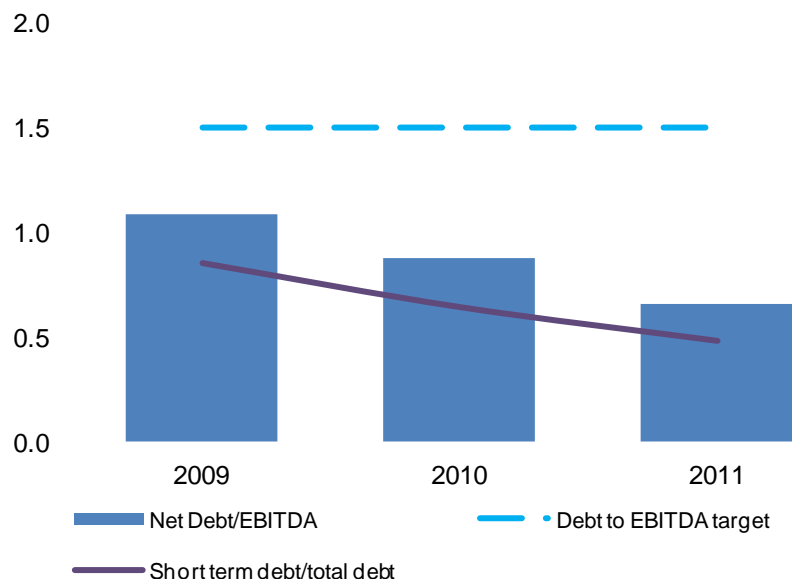
- M&A** expenditure down 13% due to sale of oil field services assets in 2011
- Higher **NIS** capex due to preparations to meet Euro 5 standards, increased hydrocarbon production and retail network expansion
- 80% increase in **M&D** capex due to ongoing rebranding campaign and acquisition of 113 new retail stations
- 57% increase in **Refining** capex due to ongoing modernization program
- Active development of new upstream projects increased **Greenfield** capex by 8%
- 2% reduction in **Brownfield** capex due to optimization of geological and engineering operations

Investments (US\$ mln)

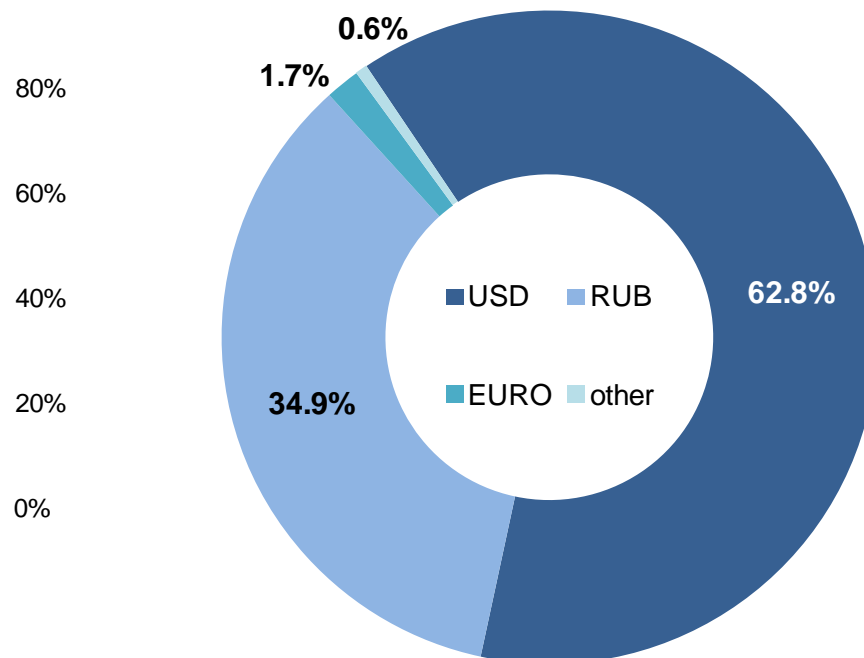


*Including investments in JV projects

Debt ratios and maturity mix



Debt by currency



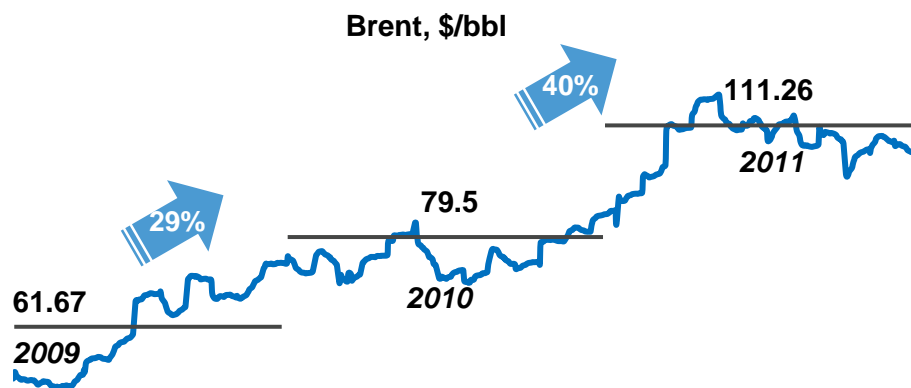
- Net debt/EBITDA 0.6 vs. target < 1.5
- Share of short term debt decreased from 34% in 2009 to 19% in 2011 due to balanced borrowing policy and refinancing efforts

- Average interest rate decreased 1 p.p. to 3.4% Y-o-Y
- Increased average debt maturity by 31.1% Y-o-Y

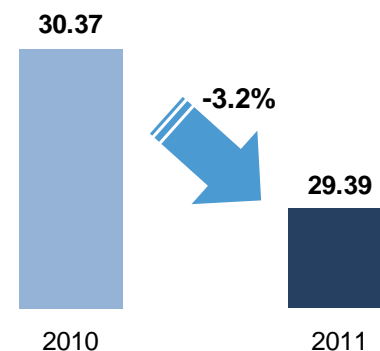
Questions & Answers

Appendix

Continued rise in global prices and domestic demand

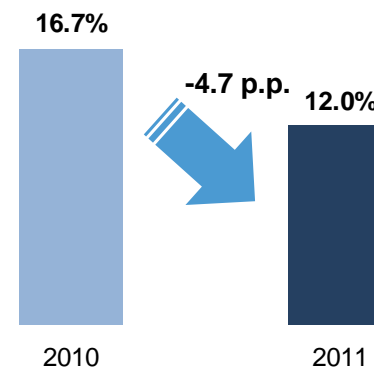


Average Exchange Rate, rub/\$

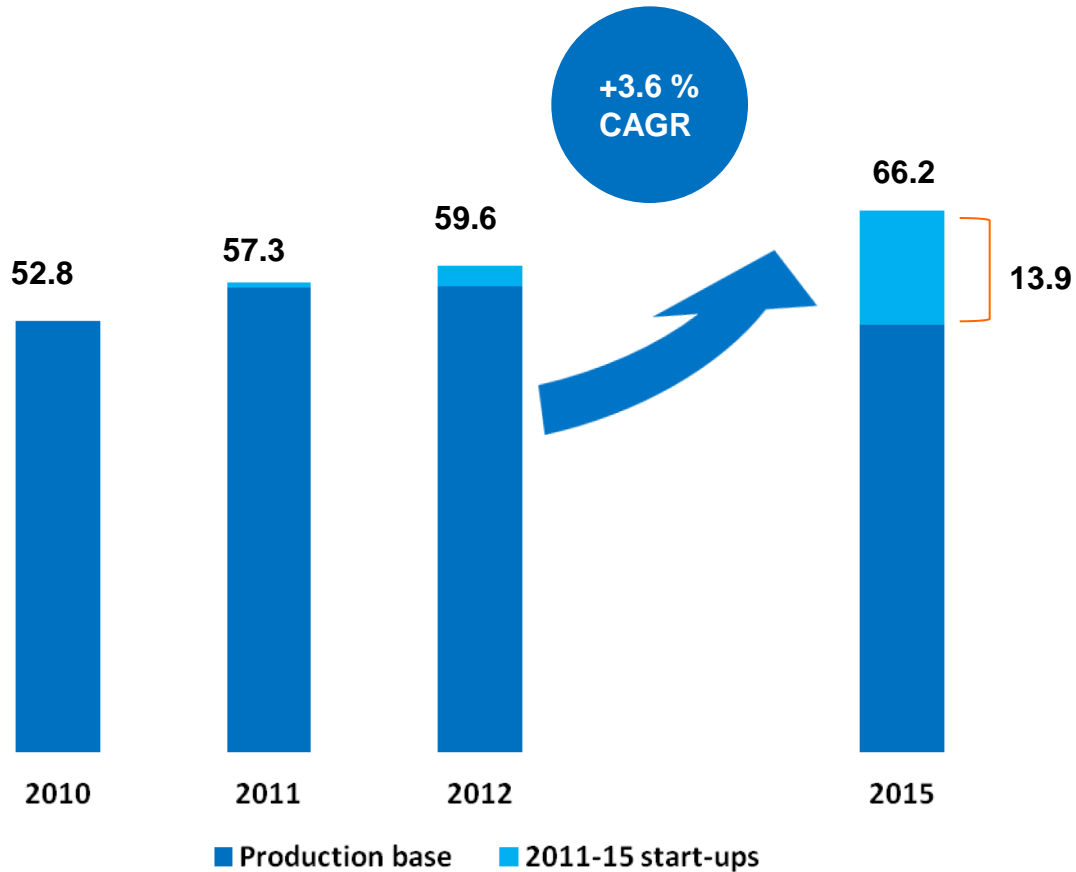


- Global crude and product prices continue to climb
- Ruble appreciation against the dollar
- PPI inflation falls to 12% in 2011
- Strong domestic product demand (+6%)
- 4Q11 sees introduction of 60-66 tax regime

PPI



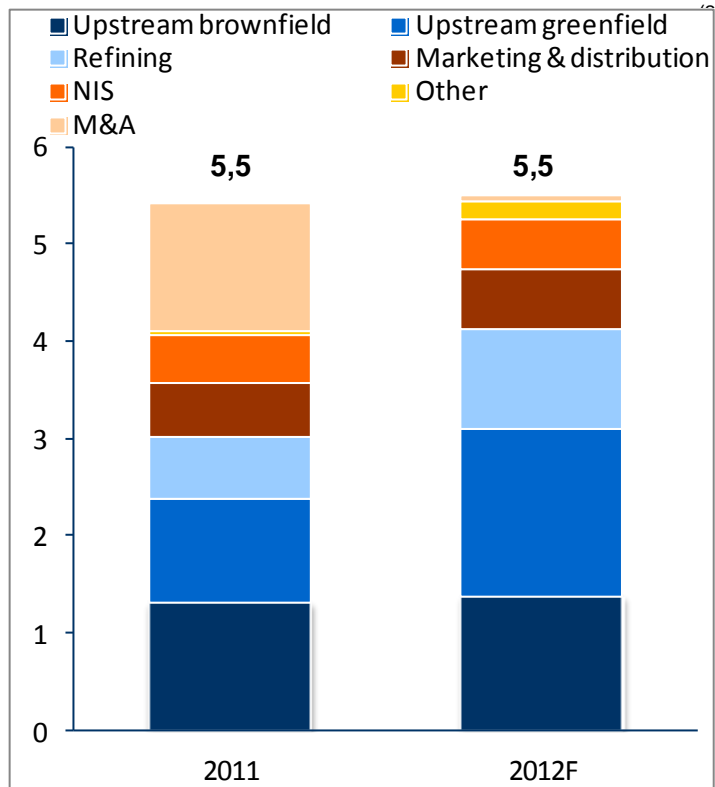
Midterm project pipeline will deliver over 20% of 2015 production



- 7 start-ups will add 13.9 MMtoe of new production by 2015, delivering 21% of total forecasted production
- Significant contributions by 2015 from Orenburg, SeverEnergy, Novoport, Messoyakha, Badra, Junin-6
- Already ~85% under development

2012 outlook: 4% upstream production increase from organic growth projects

Investments⁽¹⁾, USD bln



2012F Highlights⁽¹⁾

	2011E		2012F
Hydrocarbon production ⁽²⁾	57.3 mm toe	+4%	59.6 mm toe
Refining	40.5 mm t	+/-0%	40.1 mm t
Retail products sales via premium channels	19.5 mm t	+/-0%	19.5 mm t

2012 Planned Capex and Investments⁽²⁾

Organic Capex	(4.1) USD bln	+8%	(5.4) USD bln
M&A and Divestments	(1.3) USD bln		(0.07) USD bln

Source: Company data;

1. 2012F Capex subject to final review

2. Including investments into JV projects