

### 3.4 INTEREST RISK

As a major borrower, the Company is exposed to risks associated with changes on financial markets. Much of the debt portfolio consists of loans denominated in U.S. dollars. The interest rate for servicing the existing credits is based on interbank loan rates (primarily LIBOR). An increase in these interest rates may lead to higher debt servicing costs for the Company. Growth in the cost of credits for the Company may negatively impact creditworthiness and liquidity indicators.

#### RISK MANAGEMENT MEASURES

The Company in each specific situation utilises internal tools and provisions to manage financial risks that guarantee the performance of its obligations.

## 4 RISKS ASSOCIATED WITH GOVERNMENT REGULATION AND POLICY

Gazprom Neft carries out its activities in strict compliance with the standards of Russian legislation as well as the legislation of the jurisdictions in which the Company performs its operations.

Gazprom Neft cannot guarantee the absence of adverse changes in Russian legislation in the long term since most risk factors are out of its control. The negative impact of this risk category is mitigated by monitoring and timely reaction to changes made to various sections of legislation as well as active interaction with the legislative and executive authorities and public organisations on matters involving the interpretation, proper application and improvement of legislative norms.

### 4.1 RISKS ASSOCIATED WITH MORE SANCTIONS FROM THE EU AND U.S.

In 2014, the U.S., EU countries and certain other nations imposed sanctions on the Russian energy sector and a number of Russian companies from different industries. Further sanctions could negatively impact the overall situation in the industry and also have a specific effect on the Company's long-term projects and the ability of its counterparties to meet their obligations.

### RISK MANAGEMENT MEASURES

The sanctions have had a negligible effect on the Company's business and financial condition. In response, the Company is implementing a targeted programme to phase out imported services and equipment. The Company has no grounds to believe that it will be specifically targeted by any new sanctions, but the sanctions may have a specific effect on the Company's long-term projects. At present, the Company continues to assess the impact of the sanctions, but does not believe that they will have a significant effect on the consolidated financial statement.

### 4.2 POLITICAL RISKS

The political situation in Russia is currently stable, which is characterised by the stability of the federal and regional branches. Gazprom Neft PJSC is registered as a taxpayer in St Petersburg, which is the second largest city in the Russian Federation and the administrative centre of the Northwest Federal District with significant natural resource potential, highly developed industry and an extensive transportation network. Gazprom Neft PJSC has subsidiaries in the Central, Northwest, Urals, Volga, Siberian and Far Eastern Federal Districts.

#### RISK MANAGEMENT MEASURES

Overall, the Company regards the political situation within the country as stable and believes that there are currently no risks of negative changes.

> For more, see the 'Regional policy and development of local communities' section

### 4.3 RISKS ASSOCIATED WITH FOREIGN ASSETS

The Company is implementing a number of foreign projects that aim to expand the geography of production operations. Entering new regions is associated both with the ability to obtain additional competitive advantages as well as the risks of underestimating the economic and political situation in countries where the Company's assets are located, which subsequently may lead to the failure to achieve planned performance indicators.

#### RISK MANAGEMENT MEASURES

At present, Gazprom Neft assesses the level of risks associated with foreign assets as acceptable, however it cannot guarantee the absence of negative changes since the risks described are beyond the Company's control.

### 4.4 CORRUPTION RISKS

As the Company actively enters new international markets, the risk increases of U.S. or UK anti-corruption laws extending to it.

#### RISK MANAGEMENT MEASURES

Gazprom Neft pursues a strategy of corruption risk management on an ongoing basis. The Company has approved an anti-fraud and anti-corruption policy, and all Gazprom Neft subsidiaries have been given recommendations to approve similar policies. All Gazprom Neft employees are required to review and comply with the policy requirements. In order to monitor corruption risks when working with third-party contractors, standard forms of anti-corruption reservations have been prepared and approved by an order of the Gazprom Neft CEO for inclusion in contracts with third parties (both Russian and foreign). The Company also has a permanent anti-fraud and anti-corruption hotline. An internal inspection is conducted in response to hotline complaints.

#### 4.5 RISKS ASSOCIATED WITH CHANGES TO TAX LEGISLATION

The Gazprom Neft Group's key companies are among the biggest taxpayers in the Russian Federation and pay federal, regional and local taxes, in particular VAT, the corporate profit tax, mineral extraction tax, corporate property tax and land tax.

The taxation system of the Russian Federation is continuously evolving and improving. Potential growth in tax rates paid by the Company as part of its business operations may lead to increased costs and a reduction in the amount of cash at the Company's disposal to finance its day-to-day operations and capital expenditures and meet its obligations, including on outstanding bonds. Virtually any company in Russia may potentially incur losses as a result of claims by the tax authorities that may arise for previous periods and day-to-day operations. However, the Company estimates such risks as average.

The Company believes that the impact of the obligations arising as a result of such potential events on its operations would not be any more significant than the impact of similar obligations on other Russian oil sector companies with government participation.

#### RISK MANAGEMENT MEASURES

In order to mitigate risks related to changes in tax legislation, the Company carries out thorough work to analyse bills and legislative acts that have been adopted in tax legislation.

The most significant recent changes to tax legislation of the Russian Federation affecting the issuer's activities include:

- > the introduction of new transfer pricing rules in 2012;
- > the institution of the consolidated group of profit taxpayers in 2012;
- > changes to the base rates of the Mineral Extraction Tax (MET), export duties and excise taxes as a result of so-called 'tax manoeuvring'
- > the introduction of a formulaic procedure for calculating the MET for gas and gas condensate on 1 July 2014.

The Company evaluates and predicts the extent of a possible negative impact from changes to tax legislation and makes every effort to minimise risks related to such changes.

> For more, see the 'Overview of key changes to tax, customs and tariff legislation of the Russian Federation' section and Appendix 6. 'Oil industry taxation'

**The Company evaluates and predicts the extent of a possible negative impact from changes to tax legislation and makes every effort to minimise risks related to such changes.**

#### 4.6 RISKS ASSOCIATED WITH CHANGES TO THE RULES FOR CUSTOMS CONTROL AND DUTIES

Gazprom Neft PJSC is involved in foreign economic relations and therefore exposed to risks associated with changes to legislation in the government regulation of foreign trade activities as well as customs legislation governing relations to establish the procedure for the movement of goods across the customs border of the Russian Federation, establishing and applying customs regimes as well as establishing, introducing and collecting customs payments.

Another risk may be the ability of the Russian Government to change customs duty rates (both import and export) on certain goods for which the Company concludes foreign trade transactions. The primary adverse effect from this risk is an increase in expenses and lower export efficiency.

#### RISK MANAGEMENT MEASURES

The Company meets the requirements of customs legislation, completes all documentation required for both export and import transactions in a timely manner and has sufficient financial and human resources to comply with the standards and rules in matters of customs regulation.

> For more, see the 'Overview of key changes to tax, customs and tariff legislation of the Russian Federation' section and Appendix 6. 'Oil industry taxation'