

STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



DEAR SHAREHOLDERS AND INVESTORS,

2018 marked a period of rapid growth for Gazprom Neft. We solidified our Top 3 position in oil upstream and downstream in Russia as we added new technology competencies and improved operating efficiency across the board.

The Company continued its successful Arctic projects by developing the Prirazlomnoye, Novoportovskoye, and Vostochno-Messoyakhskoye fields. Today, these assets are strong contributors to the Company's total oil output.

In 2018, Gazprom Neft added two state-of-the-art icebreakers to its Arctic fleet, which helps transport ARCO and Novy Port oil to the global market.

At the same time the Company is building a promising new oil cluster in Russia's Far East. Last year, the Company discovered Triton, the second deposit off the shore of Sakhalin that became a Top 10 oil discovery globally in 2018.

One of Gazprom Neft's key focuses in technology is to look around for innovations as a way to develop and put on stream unconventional and hard-to-recover reserves. As part of this commitment that benefits the Russian industry at large, Gazprom Neft established the new Bazhen Technology Centre in the Khanty-Mansi Autonomous Area. The aim is to come up with a bundle of domestic technologies to tap into the deep but promising Bazhenov Formation. Gazprom Neft is also planning to pilot ways to develop the Achimov deposits. To this end, a new technology testing site is being built on the Yamal Peninsula.

We are enhancing our relations with partners. A case in point is sealing the deal with Mubadala Petroleum, one of the UAE's largest investments funds, and the Russian Direct Investment Fund (RDIF) to jointly develop fields in Western Siberia.

The Company is engaged in comprehensive projects to upgrade its refining capacities in Russia and Serbia. Going forward, this will enable greater refining depth and higher output of light products. The programme aims to ensure maximum refining efficiency while keeping the environmental footprint as low as possible. Based on the Company's successful track record of introducing innovative environmental technologies, in 2018 the Omsk and Moscow refineries acted as pilot sites to develop unified federal requirements for industry-specific air quality monitoring systems at industrial facilities.

Gazprom Neft continues its efforts to drive premium channels to sell its products. As evidenced by independent research, Gazprom Neft's retail network is one of the most popular with Russian car owners. The Company is expanding its geography by launching new products and introducing cutting-edge solutions in the sales segment. In 2018, Gazprom Neft ramped up its sales of jet fuel, bitumens, bunker fuel with enhanced environmental features, and oils and lubricants.

With successful projects under its belt, the Company improved its key financial metrics and increased dividends to shareholders. As its net profit surged almost 1.5 times, Gazprom Neft delivered a solid ROACE. It is one of the key indicators in Gazprom Neft's new long-term strategy, which was approved by the Board of Directors in 2018 and sets out areas of focus beyond 2025 based on emerging trends in the energy market. It is my firm belief that the new strategy will support the Company's ongoing value growth and make Gazprom Neft one of the global oil industry leaders.

Alexey Miller
Chairman of the Board of Directors,
Gazprom Neft PJSC

