

SALES STRUCTURE BY CHANNEL

Premium sales¹ in the reporting period increased 3.7% to 27.1 mt. Sustained growth of premium sales was a result of the product range expansion, production capacity upgrade and implementation of innovative solutions in customer segments.

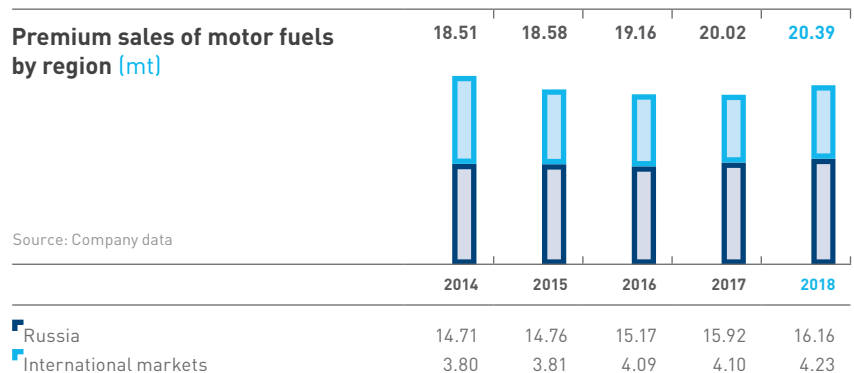
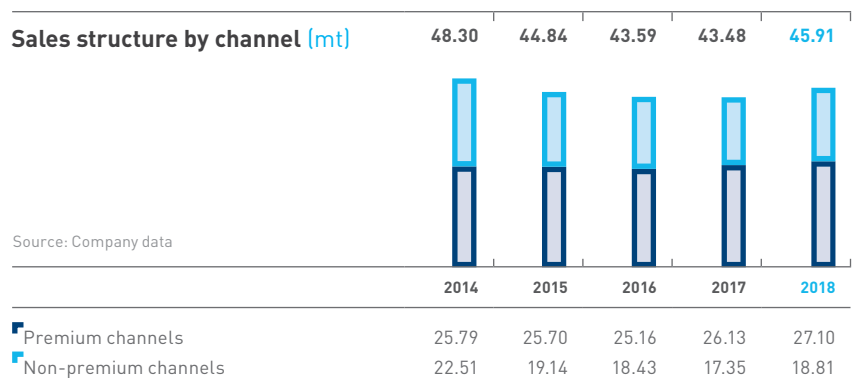
Focus on jet fuel, premium bitumen and lubricant sales allowed the Company to increase its share in relevant retail segments in the reporting year. Jet fuel and bitumen sales in the premium channels were up 10.2% and 20.7%, respectively. Higher demand in Russia's north-western and Black Sea ports drove a 7.7% year-on-year increase in bunker volumes in 2018. Premium sales of oils and motor fuels increased 6.9% and 1.9%, respectively.

MOTOR FUEL AND FILLING STATIONS

Motor fuel sales

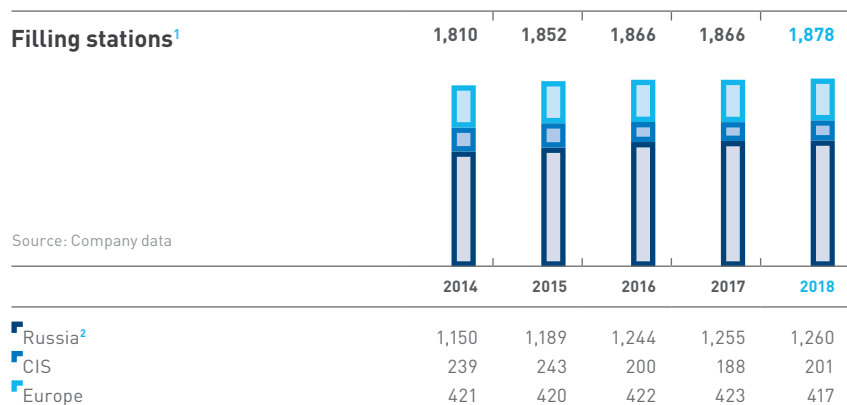
Development of small wholesale and retail sales of petroleum products is one of the Company's priorities. Having a nationwide brand with strong recognition and high customer confidence helps the Company to achieve one of its strategic goals of becoming a leader in Russia and the CIS in terms of retail sales and filling station network performance by 2025.

The 1.9% year-on-year growth of motor fuel sales in the premium channels in 2018 was driven by higher sales to existing and new corporate clients.



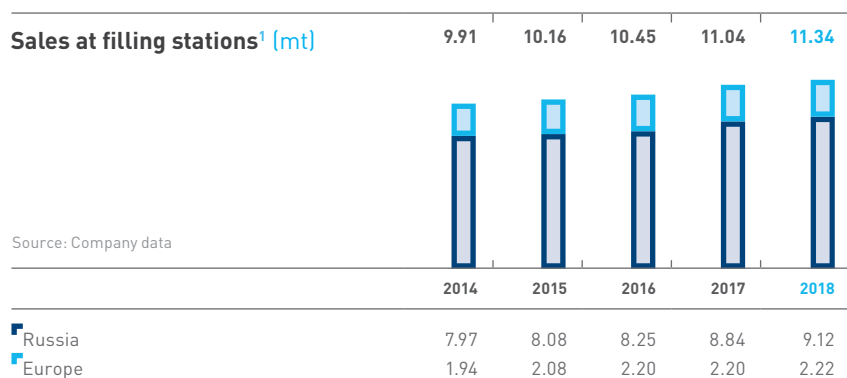
¹ Premium sales are:

- > sales of petroleum products via premium marketing channels, both retail and small wholesale. This group includes all product sales at filling stations and tank farms, as well as into-plane and direct-to-vessel fuelling, small wholesale at refuelling terminals in airports and sea ports;
- > sales of premium petroleum products with a higher added value due to advantages over other products in the same category. This group includes sales of packaged products (oils in barrels and cans, polymer modified asphalt cements (PMAC) in clovertainers, etc.), premium-branded liquid lubricants (Gazpromneft, G-Family, Texaco), premium-branded bituminous materials (PMAC, polymer modified bitumens, bitumen emulsions, etc.), all brands of bitumen-based products, and potential wholesale of premium motor fuels (G-Drive, etc.).

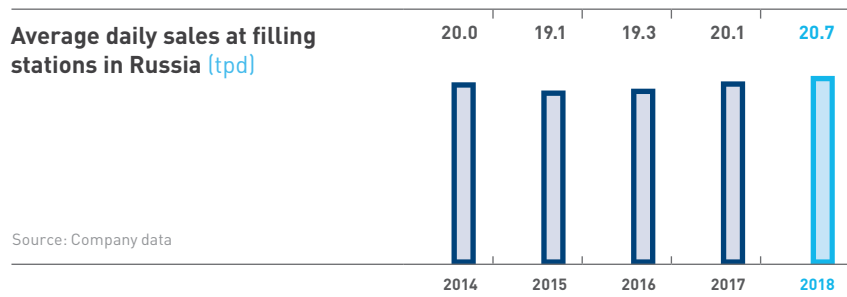


Filling station network

As at the end of 2018, the Company's retail network consisted of 1,878 filling stations. Out of this number, 1,260 stations operated in Russia, including 1,190 stations owned by Gazprom Neft and 70 stations managed by franchisees. In 2018, Gazprom Neft opened five new filling station in Russia. Given the franchise outlets, the Gazprom Neft retail network operates in 40 regions nationwide. As at the year-end, the Company's share in retail motor fuel sales on regional markets amounted to 23.7% (up 0.5 pp y-o-y).



Internationally, Gazprom Neft's retail network consists of 618 filling stations, including 201 outlets in the CIS countries (Belarus, Kazakhstan, Tajikistan and Kyrgyzstan) and 417 stations in Southeastern Europe (Serbia, Bosnia and Herzegovina, Bulgaria and Romania). In Southeastern Europe, the Company is optimising its retail network to increase its cost effectiveness. At the same time, the Company expanded its retail network in the CIS market in 2018 by adding 13 new outlets (nine stations in Kazakhstan and two in each of Belarus and Tajikistan).



As at the end of 2018, the total retail sales of motor fuels at filling stations grew 2.7% year-on-year to 11.34 mt, including 9.12 mt in Russia. The Company confirmed its status as a Russian market leader in terms of average daily sales per filling station, which grew 3.3% year-on-year reaching 20.7 tpd. The average daily sales in Europe increased to 6.2 tpd in 2018 (up 1.6% year-on-year).

A new digital solution – online product sales through an electronic trading platform – is now available for small wholesale buyers. Thanks to the online platform, the Company's customers receive fuel within 24 hours after they place a fixed-price order. Over 9 kt of fuel has been sold through the electronic trading platform since its launch in 2018.

¹ Operating stations only.

² No franchisee filling station existed until 2015. Starting from 2016, the figures include franchisee stations.

Technology

Digital gasoline tanker

1,450+

electronic seals

fuel security monitored every second

In 2018, Gazprom Neft implemented an array of digital solutions to ensure security and quality of motor fuel shipped by motor vehicles.

The vehicles are monitored from a remote control centre that receives up to 20 parameters per gasoline tanker in real time. The online monitoring system covers over 2.5 thousand sites, including tank farms, filling stations, and tanker parking lots. The system informs the operator of any unscheduled stops or deviations from the route.



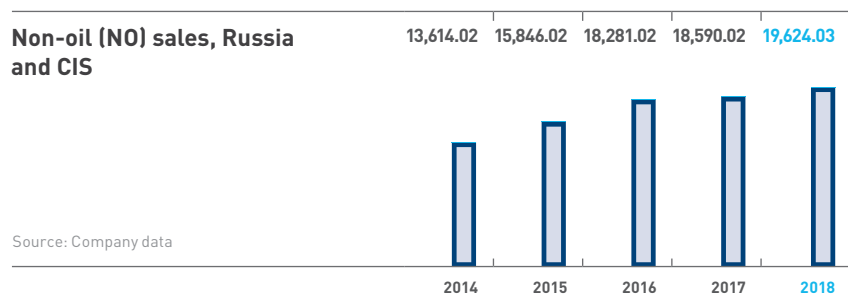
Gazprom Neft develops digital technology for fuel delivery

60

times per minute

security data sampling

Electronic seals are installed on the tankers to control fuel security along the route. In case of unauthorised opening, they send an alarm signal to the operator. Video cameras monitor the traffic situation on the route and the driver's activities. Currently, the Company is developing an AI-powered video analysis to assess the driving habits of tanker drivers.



Source: Company data

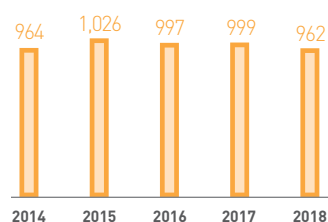
NO revenue (P m incl. VAT)	13,614	15,846	18,281	18,590	19,624
NO revenue per tonne of petroleum products sold to individuals (P '000 incl. VAT)	2.2	2.5	2.8	3.0	3.3
NO revenue per square metre of retail area (P '000 incl. VAT)	17.3	18.3	20.4	21.3	22.9

Non-oil sales

The Company is committed to developing its retail non-oil sales. In 2018, the total revenue from non-oil sales rose 5.6% year-on-year to P 19.6 bn.

Strong growth of non-oil sales is proved by unit economics (an above-target increase in non-oil sales per tonne of sold petroleum products and square meter of retail area). The above-target growth contributed to the improvement in business KPIs.

EOY number of filling stations with convenience stores



“Non-oil sales at filling stations are coming to the fore in the current fuel-retailing market. Overall business efficiency improvements depend on our success in non-oil sales. Sales of convenience goods and services cover more than 80 percent of running costs at Gazprom Neft’s filling stations.”

Alexander Krylov
Head of Regional Sales
Directorate
Gazprom Neft

Loyalty program and mobile application

The Going Our Way program targeting customers of Gazprom Neft’s filling stations remains the largest loyalty program on the Russian fuel market by the number of members. In 2018, the number of motorists holding the loyalty cards increased by 1.1 million. At the end of 2018, 11.1 million motorists were members of the loyalty program in Russia and the CIS, up 11.5% year-on-year. They generate 82% of total retail sales at filling stations in Russia.

The key indicator of Gazprom Neft customers’ loyalty, the NPS index, remained flat in 2018 versus 2017 (adjustment for the price) and stood at 59 points. This speaks for high customer loyalty and their willingness to recommend Gazprom Neft’s filling stations.

In order to expand its customer base and increase loyalty, the Company organised seven nationwide and regional advertising campaigns in 2018, which resulted in additional sales of 99.3 kt of fuel. Marketing events organised by the Company covered 5.2 million retail customers.

In 2018, the Company also held 10 target marketing campaigns covering over 2.5 million customers. They resulted in additional sales of 54.5 kt of fuel.

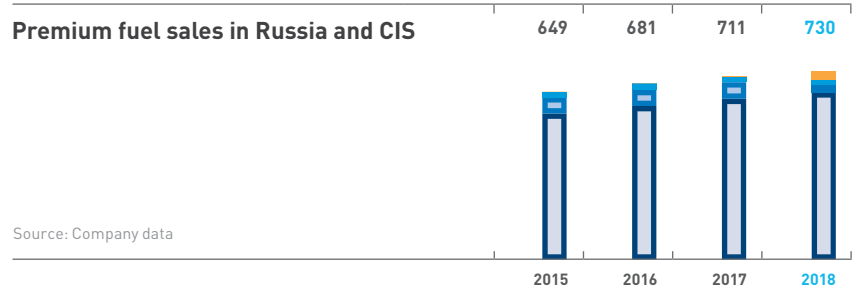
In 2018, Gazprom Neft launched AZS.GO, a mobile application designed to facilitate fuel sales and payments at its filling stations.

AZS.GO is an in-house development of the Company. The mobile app helps customers to make an order by entering the number of litres or an amount of money and pay for fuel without leaving the car with a linked bankcard or via ApplePay. It also searches for gas stations by location and fuel price. Using the app reduces the fuelling time 1.5–2 times. 182 Gazprom Neft stations are already connected to this mobile service.

Another application, Gazprom Neft Filling Station Network, offers a number of other services, such as insurance, vehicle inspection, repair, and motor mechanic’s advice. Over 160 thousand users visit the Services section of the app every month. The number of Gazprom Neft mobile app users reached 1.85 million in 2018.

647

KT
 sales of G-Drive 95
 premium fuel in 2018



Source: Company data

	2015	2016	2017	2018
G-Drive 95 (kt)	565	594	622	647
sales of 95 RON gasoline at filling stations (%)	27	27	27	27
number of selling stations	1,065	1,095	1,156	1,176
G-Drive 98 (kt)	63	62	64	29
sales of 98 RON gasoline at filling stations (%)	96	95	91	83
number of selling stations	464	475	479	250
G-Drive 92 (kt)	21	25	23	21
sales of 92 RON gasoline at filling stations (%)	1	1	1	1
number of selling stations	46	49	49	53
G-Drive 100 (kt)	-	-	2	33
sales of 100 RON gasoline at filling stations (%)	-	-	100	100
number of selling stations	-	-	14	273

Technology

Premium fuel

730

kt
 sales of branded fuel in Russia and CIS, 2018

33%+

share of G-Drive branded fuel in the sales of 95+ RON motor gasolines

In 2018, Gazprom Neft started a large-scale marketing campaign for its new G-Drive 100 premium fuel. G-Drive 100, a high-octane fuel for modern engines requiring at least a 95 RON gasoline, is highly efficient and eco-friendly.

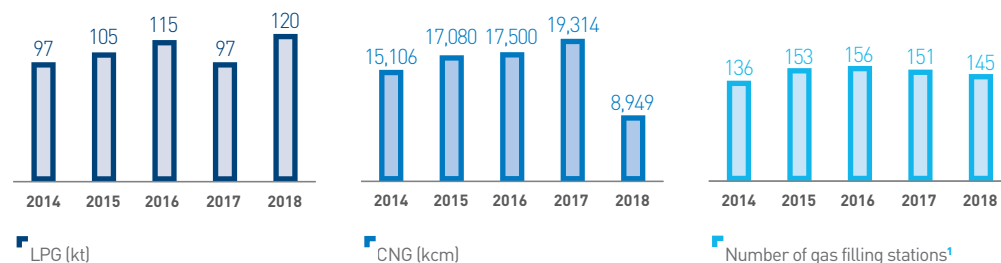
The new branded gasoline has successfully passed qualification tests at the Russian Research Institute for Oil Refining (VNII NP) and was found to comply with the Technical Regulations of the Customs Union for K5 fuel class (an analogue of Euro-5). Compliance with the European fuel quality requirements was also confirmed by SGS, the largest international laboratory.

Production of a 100 RON gasoline without octane-increasing additives was made possible through a large-scale upgrade project at Omsk Refinery where an automatic gasoline mixing station was built. All major components of the new fuel are also produced at Omsk Refinery.

In 2018, G-Drive 100 replaced G-Drive 98 across the entire network of Gazprom Neft's filling stations. The most stringent tests for the new gasoline were taken when it was used in the car engines of G-Drive Racing, an endurance racing team.

Sales of gas motor fuel and number of filling stations

Source: Company data



Gas motor fuels

In 2018, the Company sold its CNG production and marketing business to Gazprom Gas-Engine Fuel as part of its efforts to optimise operations on the compressed natural gas (CNG) market. In the reporting period, CNG sales decreased 53.7% year-on-year to 8,949 kcm.

By contrast, sales of liquefied petroleum gas (LPG) increased substantially. In 2018, LPG sales were up 23.7% reaching 120 kt due to an 18.8 kt increase in domestic sales and the launch of LPG sales in Kazakhstan, where 3.2 kt of the product was sold.

In 2018, the number of gas filling stations integrated into Gazprom Neft's multi-fuel filling facilities decreased by six to 145 stations.

AVIATION REFUELLING

In 2018, the Company strengthened its leadership on the retail jet fuel market in Russia. Its market share increased 0.7 pp to 26.3%.

Premium sales amounted to 3.1 mt, up 10.2% year-on-year. The growth resulted from both increased domestic sales and expanded international operations, including sales at Manas refuelling terminal in Kyrgyzstan and higher reselling volumes.

In 2018, the Group's international footprint expanded to include a total of 260 airports in 66 countries. Gazpromneft-Aero started refuelling operations in Malaysia and Gambia and significantly increased its activities at Chinese and Tunisian airports.

26.3%

Company's share in the retail jet fuel market, 2018

¹ Number of automotive gas filling stations integrated into Gazprom Neft's multi-fuel refuelling facilities.

² Number of automotive CNG filling stations.