

## PRODUCTION AND SALES OF OILS AND LUBRICANTS

The Company's leading position on the domestic market of oils and lubricants is supported by high-capacity advanced production facilities, including five facilities in Russia and Italy, and an extensive distribution network in the B2C and B2B segments. It includes Gazprom Neft's filling stations, retail and online shops, service stations, and vehicle manufacturers' assembly lines.

In 2018, total premium sales of oils and lubricants grew 6.9% to 0.31 mt. Sales of G-Energy-branded premium oils rose 12% to 52 kt in 2018. The key growth driver in the premium segment were rising domestic sales.

As at the year-end, Gazprom Neft's share in the Russian market of packaged oils and lubricants rose 0.7 pp to 22%. The Company's international marketing geography expanded to a total of 78 countries with sales launched in Singapore, Tanzania, Nepal, Pakistan, Sudan and Yemen.

The company continues expanding its range of oils. In the past year, 58 new premium products were brought to the market, and 27 existing ones were reformulated to use the Company's G-Base oils in their composition.

The new G-Energy Synthetic engine oils (5 products) developed from proprietary synthetic base oils was launched. They provide enhanced oxidation resistance and allow lubricants to retain their properties longer. One of the engine oils in the new line – G-Energy Synthetic Long Life 10W-40 – has been already approved by Mercedes-Benz.

In 2018, the Company launched new Gazpromneft GK transformer oils and Gazpromneft White Oils to be used in the food, cosmetics and chemical industry equipment. In addition to that, the Company has started producing the G-Special Power HVLP line of innovative energy-efficient hydraulic fluids that successfully replace imported products manufactured by ExxonMobil and Shell. Tests confirmed their high quality and compliance with the requirements of key consumers. By 2030, Gazprom Neft plans to hold a 35% share in the market of synthetic energy-efficient hydraulic fluids in Russia and CIS.

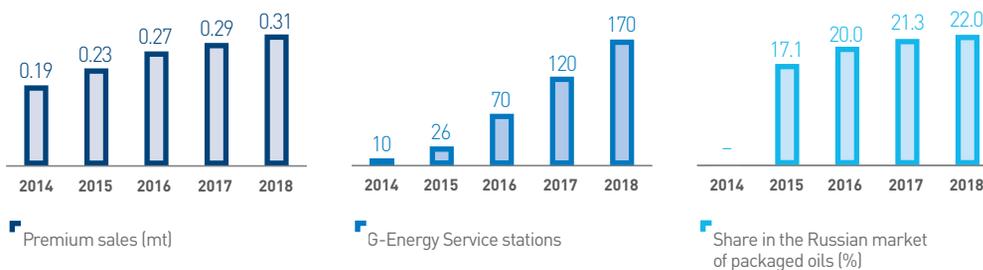
The company continues developing its network of premium branded G-Energy Service stations. In 2018, the network added 50 new stations reaching a total of 170 outlets in 16 countries. Over 360,000 motorists used an express oil change service at partner service stations.



Dakar Rally sand challenge

## Sales of oils and lubricants

Source: Company data



## Technology

## Pilot operational transformation project

**3.5x**

more improvement ideas posted on the Portal of Initiatives in 2018

Omsk Lubricants Plant was one of Gazprom Neft's first subsidiaries to adopt the Operations Management System (OMS) Code of Conduct.

Employees of the plant learnt how to use lean production tools to reduce losses and increase labour productivity. Engineers studied risk analysis to identify the most critical equipment in terms of HSE. Basic reliability measures were developed and implemented at the pilot unit.

**800+****employees**  
involved in the process

Thanks to regular management practices, plant managers could personally demonstrate the new system efficiency. Gradually, all the employees adopted the OMS tools in their everyday work. The Portal of Initiatives was launched leading to an exponential growth in the number of ideas submitted. However, the biggest success of the project was the creation of an environment that actively engages all employees and motivates them to develop improvements.

## Technology

## Efficient engine oils

**-2%**

motorists' fuel expenses

In 2018, the Company successfully launched a new line of G-Energy Synthetic engine oils designed to meet the growing demand for affordable and efficient products for modern passenger cars.

The line includes five new products developed taking into account a variety of parameters, including specifics of vehicle operation, driving habits and recommendations of vehicle manufacturers.

High consumer benefits of the products are achieved by using the G-Base Synthetic Technology. It is based on the use of G-Base proprietary synthetic base oils, unique formulations and multi-level quality control.

The new products were tested by leading independent accredited laboratories in Europe and the USA.

The G-Energy Synthetic Super Start 5W-30 engine oil has successfully passed the NEDC (New European Driving Cycle) fuel economy test. Using the new product will allow a car owner to reduce fuel expenses by up to 2%, which will be relevant for active motorists and owners of large vehicle fleets.

Technology

## Innovative hydraulic fluids

**+12%**  
more load cycles

**15 to 25%**  
increase in equipment productivity

**-6%**  
fuel economy

In 2018, the Company focused on the development of industrial petroleum products that significantly increase equipment productivity and ensure high fuel economy, thereby reducing the negative environmental impact.

In particular, the Company developed G-SPECIAL POWER HVLP, a new line of hydraulic fluids designed for the mining, construction, tree harvesting and agricultural machinery, as well as for industrial equipment. The oils developed using the unique DYNAVIS® technology in collaboration with Evonik, a German manufacturer of specialty chemicals, ensure uninterrupted operation of machinery at extremely high and low temperatures, hydraulic system protection,

and fuel economy. All this decreases operating expenditures by reducing the total cost of ownership and increasing operational efficiency and equipment life.

According to the test results, the G-SPECIAL POWER HVLP hydraulic fluids scored better than a benchmark fluid demonstrating increased load cycles, improved equipment performance, fuel economy, and reduced risk of hydraulic system failure.