

Crude oil sales

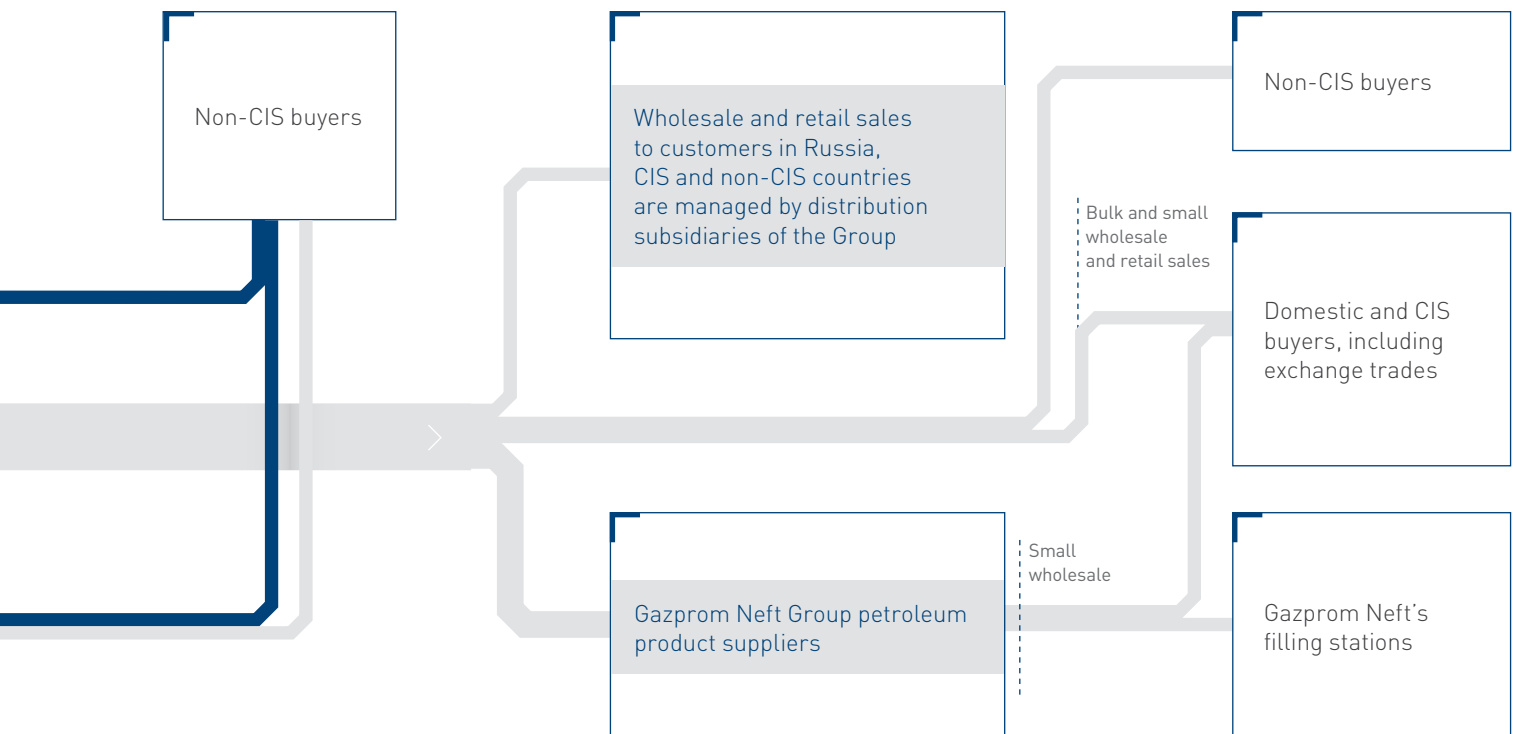
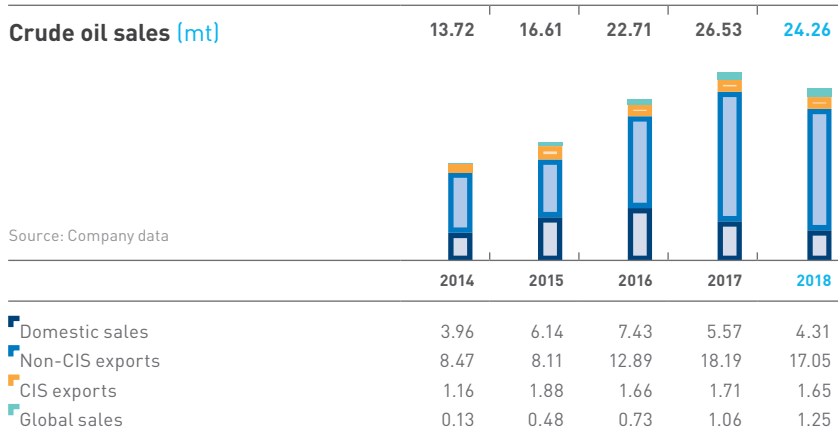
In 2018, crude oil sales decreased 8.6% year-on-year to 24.26 mt as production increased at Russian refineries of the Group.

Domestic sales dropped 22.6% to 4.31 mt, and total oil exports decreased 6% to 18.70 mt. By contrast, oil sales to global markets rose 17.9% to 1.25 mt on the back of increased production in Iraq.

In 2018, Gazprom Neft's fleet received enough vessels to ensure uninterrupted service of the Company's fields in the Arctic region. Two cutting-edge icebreakers Alexander Sannikov and Andrey Vilkitsky entered service in the reporting year.

In addition to that, Gazprom Neft's vessels operating in the Arctic include six Arc7 tankers of the Shturman (Navigator) series (with a capacity of 42,000 t each) and one Arc5 tanker with a capacity of 19,800 t.

With the fully-fledged Arctic fleet, Gazprom Neft ensures year-round oil delivery to global markets with maximum cost efficiency and minimal risk of interruptions caused by external negative factors. In 2018, Novy Port crude was shipped to nine countries, including the UK, France, Norway and Netherlands.



Technology

Russian-made state-of-the-art icebreakers

22

MW

diesel electric
propulsion capacity

Max. 30

km/h

speed

40

days

autonomous
operation

-50

°C

extremely low
temperature
operation

Comprehensive logistics is an essential element of the Company's projects in the Arctic region as it ensure continuous year-round transportation of crude oil from the Arctic fields.

In 2018, Gazprom Neft's Arctic fleet was joined by Alexander Sannikov, a high-tech icebreaker built at the Vyborg shipyard (Leningrad Region). The vessel is named after Alexander Sannikov, an ex-head of Gazprom Neft Oil Refining Division, who supervised large-scale projects of the Company.

In August, Alexander Sannikov started escorting tankers in the Gulf of Ob from the Arctic Gates terminal to the storage tanker moored in the Kola Bay. In December, the fleet was joined by the second icebreaker named after Russian hydrographer, geodesist and polar explorer Andrey Vilkitsky.

The two icebreakers are state-of-the-art vessels in their class. They are highly manoeuvrable and need just 60 seconds to make a 360-degree turn. Capacity of their propulsion units is comparable to those of nuclear icebreakers and allows them to move through 2-meter thick ice.

The icebreakers are equipped with state-of-the-art automatic power supply and navigation systems. Their electronic equipment can be controlled remotely. Like other Gazprom Neft's facilities, the vessels are designed around the zero-waste principle: all ship-generated waste is either recycled or stored until the ship returns to the port.

On-board equipment includes:

- > 2 motor boats for spill response activities;
- > A helipad for heavy helicopters of Mi-8 class;
- > Fire-fighting systems with a capacity of 2,500 cubic meters per hour;
- > 2 lifeboats, 1 auxiliary motor boat, and 6 rescue rafts.

Tasks of Gazprom Neft's icebreaker fleet include:

- > Escorting tankers in ice-covered seas;
- > Safety measures during tanker mooring and loading;
- > Protection of the Arctic Gates terminal from ice field movement;
- > Transportation of personnel and small cargoes to the terminal;
- > Automated remote control of the terminal.

The icebreakers are equipped for rescue and emergency response missions and are capable of:

- > Fighting fires at vessels and onshore facilities accessible from sea;
- > Managing oil spill response activities;
- > Rescuing vessels in distress;
- > Searching and rescuing people.

“We expect a one-third increase in market demand for transportation services along the Northern Sea Route by 2030. Our own fleet will allow the Company to maintain leadership in the Russian Arctic in the long term”.

Alexander Dyukov
Chairman of the Management Board and CEO
Gazprom Neft

Technology

Captain of the Arctic

66.5

million

solutions analysed hourly by the system to select the best option

2

hours

required to build a 3-year hour-by-hour shipment schedule

5

minutes

required to build a monthly shipment schedule

3

years

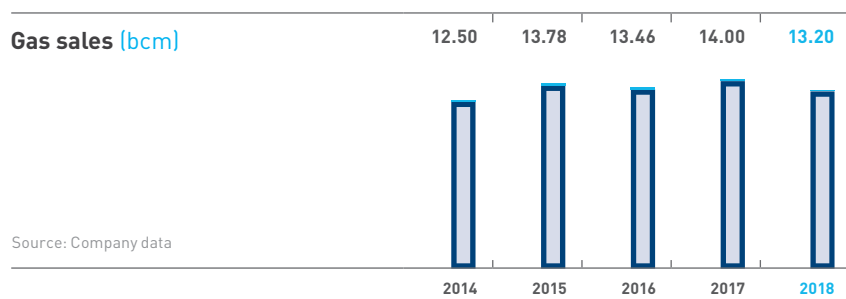
maximum planning horizon

To manage its Arctic fleet, the Company has developed Kapitan (Captain), an interactive oil transportation planning system. The system is intended to maximise efficiency of oil transportation from the fields to end customers by fully synchronising the entire logistics chain of production and tanker availability, minimising downtime and improving the fleet utilisation.

The Kapitan system has fleet planning and scheduling capabilities and provides analytics based on accumulated statistical data. It analyses available cargo capacity and generates monthly oil shipment schedules for a period of up to three years. The shipment scheduling and approval time was reduced from three business days to two hours.

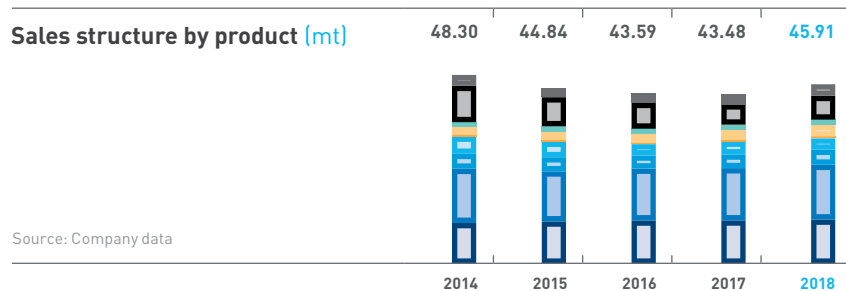
The Kapitan system boosts revenues by increasing the number of trips while reducing their duration, cuts costs through efficient utilisation of the fleet and tank farms, and manages operational and environmental risks.

In the future, the Kapitan system will be integrated into a comprehensive program for modernisation and expansion of the transport infrastructure in the Russian Arctic and contribute to fulfilling Russia's strategic goal of increasing cargo traffic along the Northern Sea Route.



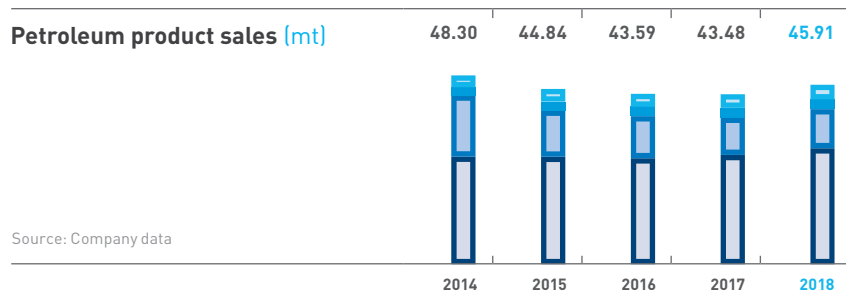
Source: Company data

	2014	2015	2016	2017	2018
Domestic sales	12.37	13.56	13.28	13.89	13.13
Global sales	0.13	0.22	0.18	0.11	0.07



Source: Company data

	2014	2015	2016	2017	2018
Gasoline	9.37	9.75	10.57	10.68	10.87
Diesel fuel	13.87	12.81	13.27	13.37	14.01
Jet fuel	3.82	3.62	3.36	3.51	3.84
Bunker fuel	4.42	3.98	2.87	3.29	2.89
Lubricants	0.39	0.43	0.45	0.41	0.49
Bitumens	2.02	2.05	2.17	2.65	2.97
Petrochemicals	1.26	1.45	1.35	1.25	1.35
Fuel oil	9.31	7.42	6.62	5.23	6.09
Other products	3.84	3.33	2.93	3.09	3.40



Source: Company data

	2014	2015	2016	2017	2018
Domestic sales	27.54	27.50	27.11	27.96	29.67
Non-CIS exports	15.64	11.81	10.77	9.54	10.00
CIS exports	2.09	2.28	2.41	2.50	2.49
Sales by NIS	3.03	3.25	3.30	3.48	3.75

GAS SALES

In 2018, domestic and international sales of gas (natural and associated gas, excluding Gazprom Neft's share in Northgas and Arcticgas joint ventures) declined 5.7% year-on-year on the back of declining production of associated petroleum gas and natural gas by the Company's subsidiaries.

PETROLEUM PRODUCT SALES

In 2018, sales of petroleum products rose 5.6% year-on-year to 45.91 mt due to an increase in the volume of oil refined at the Company's refineries. Sales were growing across the entire range of products.

Jet fuel sales were up 9.4% reaching 3.84 mt. Key drivers behind the growth were higher passenger traffic at Russian airports during the 2018 FIFA World Cup and the launch of new airline routes from Russia to Europe and Asia. Consistent development of the Group's cooperation with airlines, conclusion of new contracts and an increasing number of serviced airports both in Russia and abroad also contributed to the growth.

Bitumen sales rose 12.08% to 2.97 mt on the back of development of integrated supply and logistics services and conclusion of long-term direct contracts with leading national market players.

The growth of sales in 2018 was mostly associated with demand on the domestic market where petroleum product sales increased 6.1%.

Cumulative exports of petroleum products and international sales grew 4.6% to 16.24 mt in 2018. The biggest driver of exports was growing sales of naphtha, fuel oil and jet fuel to non-CIS countries. In 2018, actual sales of fuel oil on the domestic and international markets were driven by cost considerations and deemed optimal given the existing demand and price levels.