

STATEMENT BY THE CHAIRMAN OF THE MANAGEMENT BOARD



DEAR SHAREHOLDERS AND INVESTORS,

True to its key principles of efficiency, technology and safety, Gazprom Neft kept on steadily expanding in 2018 across all of its business lines. The Company managed to deliver strong operating and financial results despite a challenging environment in the global market of crude oil and petroleum products.

Over the last year, Gazprom Neft increased its output by 3.5% to 92.9 mtoe. The continuous growth of production is due to active development of our Arctic projects on the Prirazlomnoye field, the Novoportovskoye field and the Vostochno-Messoyakhskoye field. The Novoportovskoye field is one of the Company's fastest growing assets. Its output rose by more than 40% y-o-y as we continue large-scale investments developing this strategic project. In 2018, two Russian-made cutting-edge icebreakers Alexander Sannikov and Andrey Vilkitsky entered service to support uninterrupted oil shipment from the Novoportovskoye field.

The Company was stepping up its resource base, having obtained over 20 licence blocks in 2018, including those in the Karabashsky zone, south of Yamal, the Krasnoyarsk Territory and the Orenburg Region. A new field named Triton and containing an estimated 137 mtoe in reserves was discovered offshore the Sea of Okhotsk. The reserves of the Neptune field discovered on the same Ayashsky licence block a year before now stand at 415.8 mtoe, which is 1.6 times more than the initial estimate. Thus, total oil in place across the Company's offshore projects in Sakhalin now exceeds 550 mtoe.

In 2018, Gazprom Neft increased refining throughput by 7% to 42.9 mt due to a balanced refining capacity utilisation as we keep on upgrading our refineries and implementing high-impact environmental projects.

The Company went on developing its retail network. We started building up our own bitumen terminal network on the basis of the newly acquired high-tech manufacturing and logistics terminal in the Rostov Region. Gazprom Neft was the first Russian vertically integrated oil company to launch its own mobile app to facilitate online payments at its filling stations.

In 2018, we commissioned Lakhta Centre, Europe's tallest building. The Company proved that its underlying project-based approaches focused on technology and talent management are equally efficient for the oil industry and complex projects elsewhere.

For many years, Gazprom Neft has been at the leading edge of the national oil industry in terms of maximising the efficiency of all business processes. In 2018, the Company achieved record-high financial performance, greatly boosting revenues, net profit and free cash flows while also reducing its leverage. In 2018, Gazprom Neft posted the highest profit in its history surpassing the 2017 record figures.

The Company's achievements won the praise of investors. 2018 saw Gazprom Neft's rouble-denominated share price adding 43% and reaching an all-time high. The partnership of Gazprom Neft, Mubadala Petroleum and RDIF using the capacities of Gazpromneft-Vostok is strongly corroborative to the Company's investment case among foreign investors.

In 2019, the Company sets off to achieve new ambitious goals. At the end of last year, Gazprom Neft's Board of Directors approved the new 2030 development strategy. We intend to grow ahead of the market aiming to become a Top 10 public player in terms of liquid hydrocarbon production volumes, maximise value creation per barrel and maintain our return on average capital employed (ROACE) of least 15%. To achieve these goals, we are going to transform our entire governance system by reviewing its digital model, operations, organisation, and corporate culture.

I am confident that Gazprom Neft will keep on growing at a fast pace steadily working towards its strategic goals.

Alexander Dyukov
Chairman of the Management Board,
CEO of Gazprom Neft PJSC