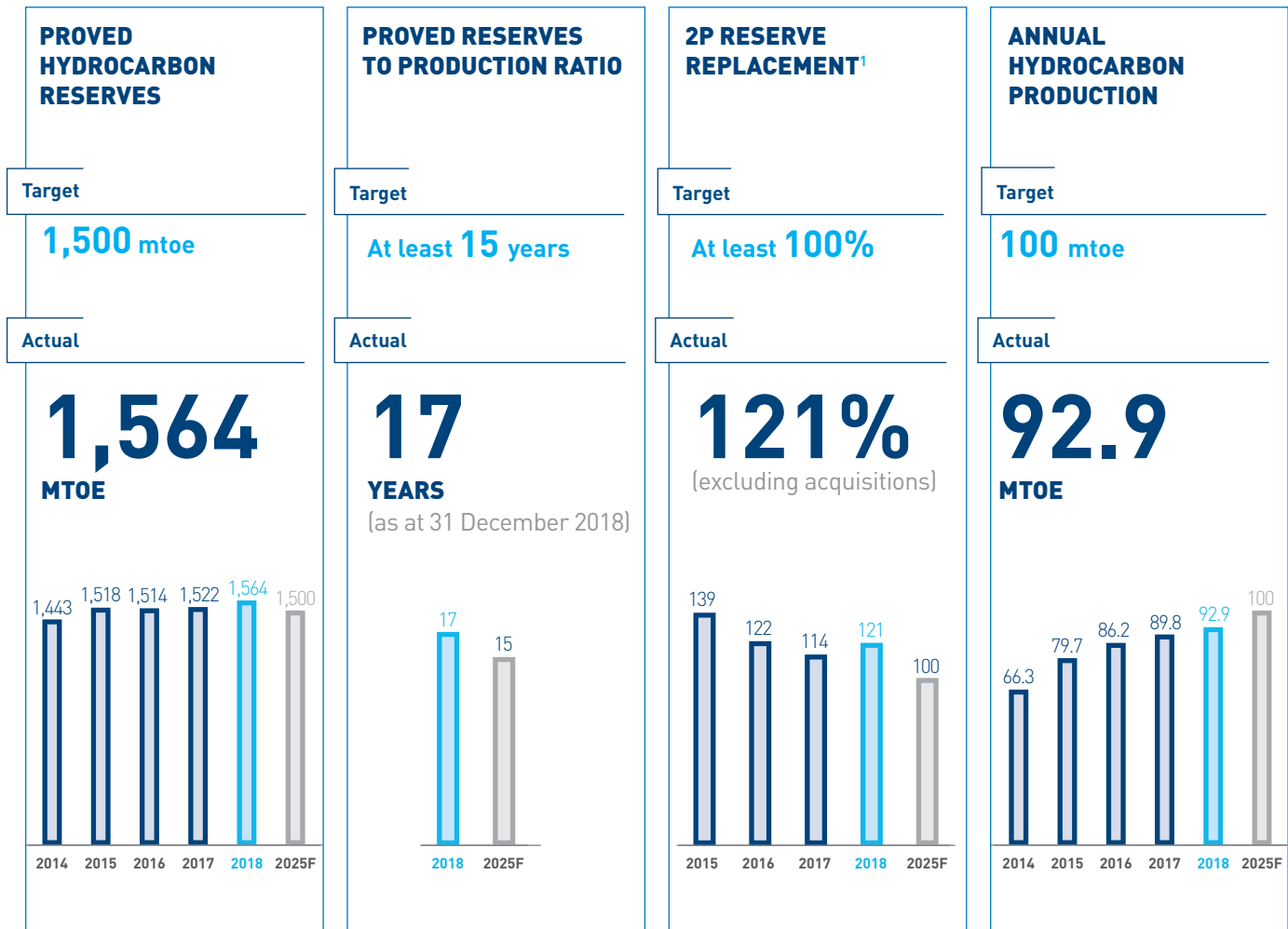


# 2025 STRATEGY IN ACTION

## Exploration and Production

### PROVED RESERVES

### PRODUCTION



The Company relies on state-of-the-art technologies and a balanced investment policy to effectively replace its base of proved reserves. This is key to further growth despite the volatile oil prices, changing tax environment and the deteriorating structure of remaining commercial reserves across its conventional oil production clusters. The Company's 2025 Strategy is on target.

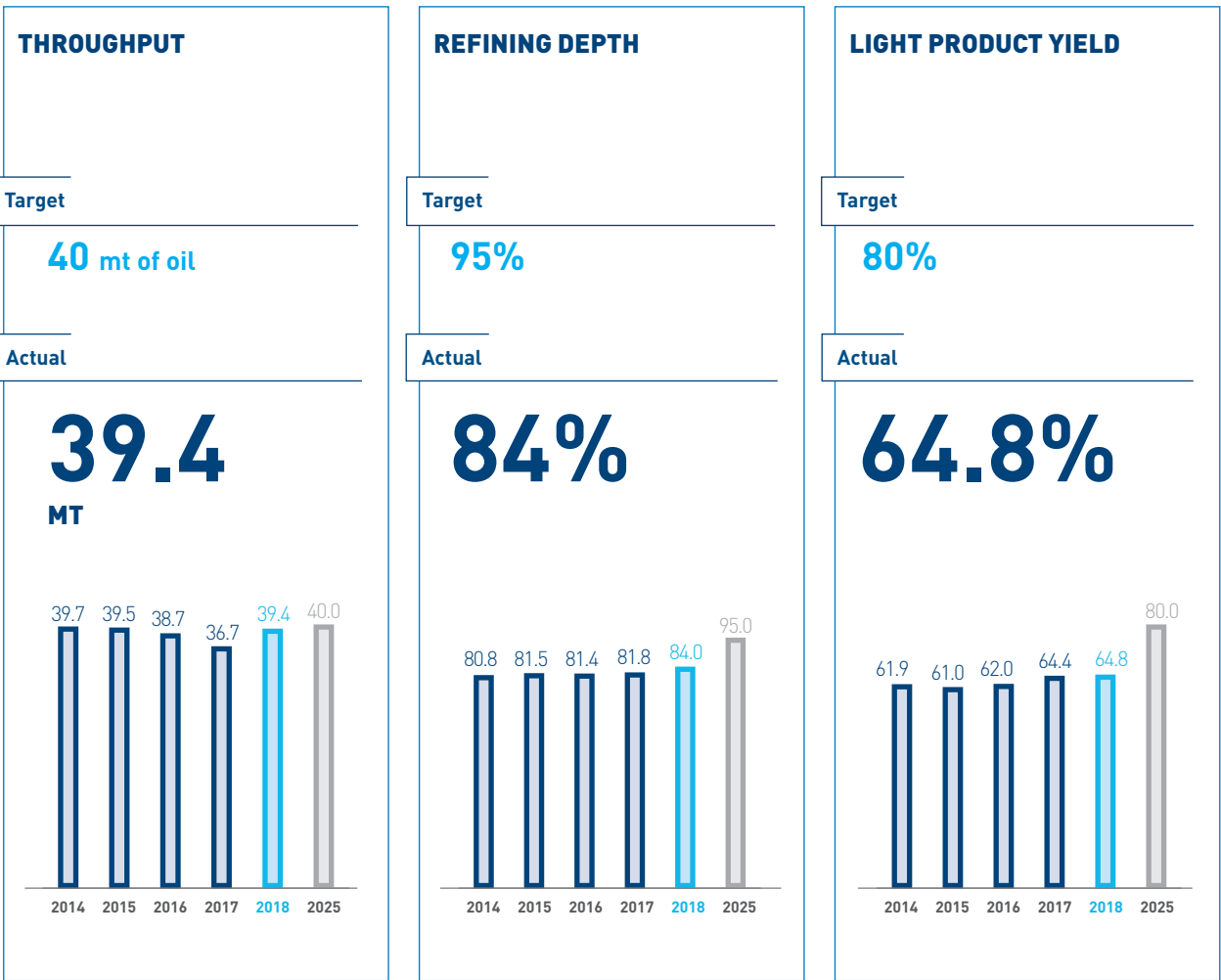
The Company strengthens its leadership in hydrocarbon production both in Russia and globally focusing on high-impact technologies and rational development of the Russian Arctic resources.

Exploration and development: see p. 55  
Discovery of the Triton field: see p. 58

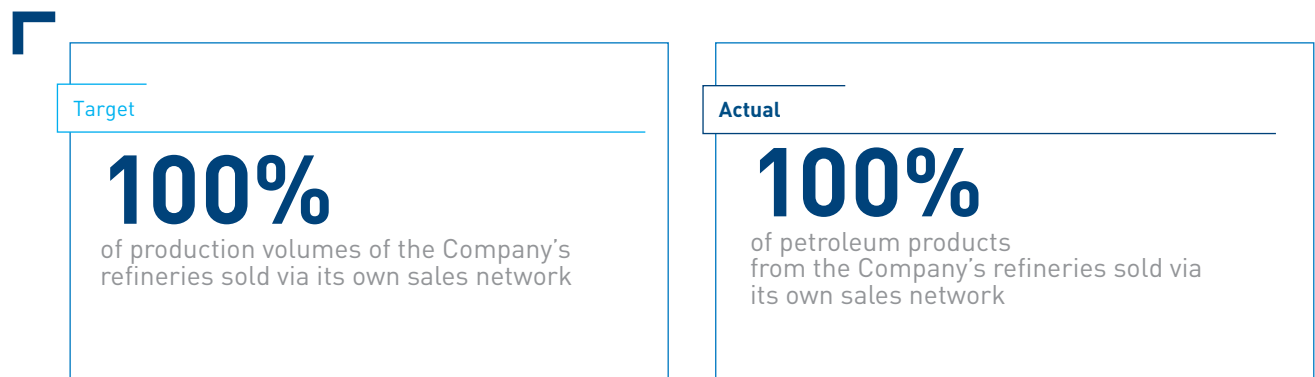
<sup>1</sup> 2P (Proved and Probable) means proved and probable reserves.

## Refining

### REFINING IN RUSSIA



## Sales



## Sustainable development

### HEALTH, SAFETY AND ENVIRONMENT

The Company's key HSE improvement programmes include:

- > equipment safety reviews and alignment of production facility characteristics with workplace safety regulations;
- > upgrade of accident prevention systems;
- > emergency prevention and response plans;
- > control of compliance with HSE safety rules;

- > maintenance of safe working conditions and workplaces that fully meet statutory and corporate safety requirements;
- > provision of personal protective equipment;
- > occupational health initiatives;
- > comprehensive HSE training;
- > analysis and implementation of cutting-edge safety technologies.

Health, safety and environment: see **p. 211**  
Use of neural networks to enhance health and safety: see **p. 212**

### ENERGY CONSUMPTION AND EFFICIENCY

The Company's Upstream Division exceeded 2018 targets under its energy efficiency programme by 72%, with energy savings across the division amounting to 462 m kWh (vs the 2018 target of 269 m kWh).

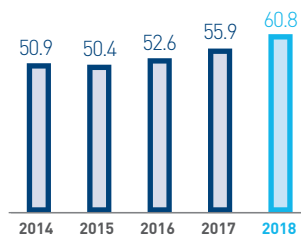
The Downstream Division's energy savings under its energy saving and energy efficiency programme amounted to 170,400 Gcal of heat, 50,900 tonnes of natural fuel and 9.3 m kWh of electric power.

Energy consumption and efficiency: see **p. 219**

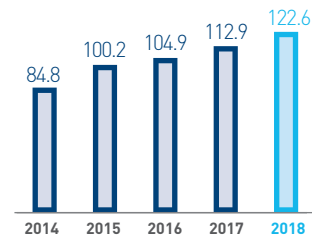
### TALENT POOL DEVELOPMENT

Gazprom Neft's status as one of the country's leading employers was confirmed by high scores in Russian and international rankings such as Randstad Award, HeadHunter Top Employer 2018, and Universum Top 100 Russia 2018.

Employees who completed training ('000 people)



Average monthly salary (₽ '000)



Talent pool development: see **p. 221**

## BUSINESS ECOSYSTEM

### SUPPLY CHAIN RESPONSIBILITY

Compliance with corporate safety standards is a key criterion in selecting Gazprom Neft's contractors. Ensuring conformity with legislative and corporate industrial safety requirements is far from being the only focus area in the Company's contractor relations policies. At Gazprom Neft, we seek to create an environment that would promote workplace safety and encourage suppliers to build long-term partnerships with the Company.

Supply chain responsibility:  
see p. 228

### BUILDING AN ECOSYSTEM TO DEVELOP NEW TECHNOLOGIES IN COOPERATION WITH PARTNERS

Gazprom Neft's project to set up a centre for developing the Bazhenov formation based on domestically produced advanced equipment and technology now qualifies as nationally important.

Bazhen Technology Centre: see p. 119

### IMPORT SUBSTITUTION

Gazprom Neft partners with leading R&D institutions to develop and productionise import-substituting products on an ongoing basis.

#### 2018 MILESTONES:

- > Four import substitution projects funded by the Fund for the Promotion of R&D Start-ups
- > Four strategic partnership agreements signed
- > Cooperation agreements signed with Lukoil and Tatneft
- > Joint working groups with Gazprombank and HMS Group up and running

**34**

import substitution strategies and roadmaps launched in 2018

**50**

unique products developed in the past five years

**170**

products being developed

Import substitution: see p. 122

## SHAREHOLDERS AND INVESTORS

### LEADERSHIP IN THE RUSSIAN OIL AND GAS INDUSTRY BY RETURN ON INVESTED CAPITAL FOR SHAREHOLDERS

In 2018, the Company achieved record-high financial performance vs industry peers consolidating its leadership by ROACE. Further efficiency improvements will help the Company maintain its positions and meet the 2025 Strategy targets.

Investor and shareholder relations: see **p. 198**

2018 results:

**+45.1%**

adjusted EBITDA  
growth

**11%**

dividend yield  
in 2018

**22.0%**

ROE  
(return on equity)

**19.7%**

ROACE (return on average  
capital employed)

## SOCIAL INVESTMENTS

### HOME TOWNS SOCIAL INVESTMENT PROGRAMME

This is one of the most successful and popular business initiatives for the development of local communities in Russia. Under the programme, all projects of any size and scale, be it pint-size volunteer campaigns, town celebrations or major international festivals, seek to tackle very specific and intrinsic problems within the Company's footprint.

2018 RESULTS:

**₽ 6.8**

**BN**  
spent on social  
investments

**250+**

**SOCIAL PROJECTS**  
implemented

Home Towns programme:  
see **p. 226**

## CONTRIBUTING TO A HIGHER SUSTAINABILITY OF THE OIL INDUSTRY

### 2018 MILESTONES:

- > Gazprom Neft actively trades in Urals futures contracts on the SPIMEX<sup>1</sup>
- > The Company supported the commitments of the Russian Federation under the OPEC+ deal
- > Gazprom Neft actively contributed to stabilising prices in the Russian market of petroleum products in 2018
- > Focus on cutting-edge technologies helps extend the productive life of mature fields

### CONTRIBUTING TO TAX REVENUES AT EVERY GOVERNMENT LEVEL

₽ **800+**

**BN**

paid in taxes and other statutory deductions

## ENVIRONMENT

### LAND AND VEGETATION PROTECTION

#### 2018 MILESTONES

In 2018, we continued to implement the Green Seismic project based on seismic exploration technology preserving forested areas. The traditional approach requires broad forest clearings to allow for the passage of heavy all-terrain vehicles, with 4 m wide receiver lines and 4–5 m wide source lines.

Green seismic survey is carried out using wireless recording equipment, which can be installed with the help of lightweight machinery. This enables us to significantly narrow down clearings or not to create them at all. The Green Seismic method introduced by the Company in 2016 reduced the width of the receiver lines to one metre.

At the end of 2017, Gazprom Neft launched a new stage of the project – Green Seismic 2.0, which aims to narrow the source line width to 1–3 m.

**1.8 m**

trees saved thanks to the Green Seismic project

Land and vegetation protection: see p. 218

### BIODIVERSITY PRESERVATION

Biodiversity preservation programmes are rolled out across all of the Company's Russian assets.

Biodiversity preservation: see p. 218  
 Narwhal research programme: see p. 218

<sup>1</sup> Saint-Petersburg International Mercantile Exchange.

## Creating value for stakeholders

	Values	How we do it
<b>SHAREHOLDERS AND INVESTORS</b>	<ul style="list-style-type: none"> <li>&gt; Long-term growth of the Company's value and a high dividend yield</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Ongoing communications with investors, shareholders and analysts to support a fair price for the Company's securities</li> <li>&gt; Developing a corporate governance system that balances compliance with the best Russian and international practices with industry-specific routines</li> <li>&gt; Information transparency in covering the progress of the Company's development strategy</li> <li>&gt; Equitable dividend policy</li> <li>&gt; Respect for minority shareholder rights</li> <li>&gt; Continuous improvement of the Company's risk management system with a detailed elaboration of responsibilities</li> </ul>
<b>CONSUMERS AND CUSTOMERS</b>	<ul style="list-style-type: none"> <li>&gt; Stable supply of available eco-friendly petroleum products with a high consumer appeal</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expanding direct sales to corporate customers through the Company's own distribution network</li> <li>&gt; Expanding Gazprom Neft's filling station network and developing the loyalty programme</li> <li>&gt; Partnership with leading petroleum product consumers</li> <li>&gt; Developing and manufacturing products with enhanced consumer and environmental features</li> <li>&gt; Increasing the efficiency of sales channels through business process digitalisation and enhanced communications with customers and counterparties</li> </ul>
<b>PERSONNEL</b>	<ul style="list-style-type: none"> <li>&gt; Stable employer that offers professional development opportunities to employees</li> <li>&gt; Attractive remuneration package</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Ongoing personnel recruitment and rotation</li> <li>&gt; Talent pool management, competency development, and training</li> <li>&gt; Developing an incentive system and engagement culture</li> <li>&gt; Increasing labour productivity and organisational efficiency</li> <li>&gt; Improving HR effectiveness</li> </ul>
<b>SOCIETY AND LOCAL COMMUNITIES</b>	<ul style="list-style-type: none"> <li>&gt; Responsible business and development of local communities</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Massively contributing to tax revenues for local budgets</li> <li>&gt; Facilitating the development of social infrastructure</li> <li>&gt; Mitigating the environmental impact</li> <li>&gt; Support for local communities</li> </ul>
<b>GOVERNMENT</b>	<ul style="list-style-type: none"> <li>&gt; Energy security</li> <li>&gt; Tax payments</li> <li>&gt; Technological development of the Russian oil and gas industry</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Stable production growth and efficient oil refining with a broad petroleum product sales network</li> <li>&gt; Russia's first major offshore project ongoing at the Prirazlomnaya platform and the comprehensive development of the country's Arctic Shelf</li> <li>&gt; Developing a centre of technology excellence to promote substitution of foreign technologies.</li> </ul>

## Results

- > As at 31 December 2018, Gazprom Neft's closing price was ₺ 346.7 per ordinary share (up +43% vs the beginning of the year)
- > Dividend payout amounting to 35% of Gazprom Neft's 9M 2018 consolidated IFRS financial result
- > 11% dividend yield in 2018

- > Leadership in premium markets
- > Best in Russia sales per filling station at 20.7 tonnes per day
- > 11.1 million consumers participating in the Gazprom Neft loyalty programme
- > All petrols comply with Euro-5 emission standards
- > 260 airports serviced in Russia and 66 countries globally
- > 30 ports serviced in Russia, Romania, Latvia and Estonia
- > 12 bunkering barges, 4 shuttle tankers and 2 icebreakers making up Gazprom Neft's bunkering fleet
- > Gazprom Neft's lubricants sold in 78 countries
- > Russia's first own bitumen terminal network is being launched

- > Recognised as one of the country's leading employers by Randstad Award, HeadHunter and Universum Top 100 Russia 2018
- > Average monthly salary of ₺ 122,600 (+8.5% y-o-y)

- > Gazprom Neft is one of the largest taxpayers across its footprint
- > ₺ 6.8 bn spent on more than 250 social projects under the Home Towns programme in 2018
- > In 2018, the Company put into effect social and economic agreements with governments across 26 Russian regions and 20 municipalities.

- > Hydrocarbon production of 92.9 mtoe
- > ₺ 800+ bn of taxes and other statutory deductions paid in 2018
- > Longer productive life of mature fields enabled by cutting-edge technologies
- > Efficiency Control Centre opened for process optimisation through a single digital platform

## Conclusions

In 2018, the Company developed a clear vision on how to deliver on the 2025 Strategy across all of its business lines, with some of its targets already met.

Gazprom Neft's ongoing projects serve its long-term goals:

- > upstream projects such as Novy Port, the Tazovskoye and Severo-Samburgskoye fields, oil rims, the Orenburgskoye field, the Prirazlomnoye field, the Messoyakha fields as well as value accretive initiatives based on new technologies, high-tech wells, enhanced oil recovery techniques along with putting on stream unconventional reserves;
- > downstream projects focused on refinery upgrades which, if delivered on time, will help increase the refining depth and efficiency, and the catalyst production project;
- > sales initiatives aimed at developing a distribution network for highest value-added petroleum products, launching new products into the market, expanding sales capacities, enhancing the network efficiency and mainstreaming digitalisation.