STRATEGY IN ACTION

THE FOUNDATION OF THE COMPANY'S ACTIVITIES IS THE GAZPROM NEFT DEVELOPMENT STRATEGY UNTIL 2025, WHICH WAS APPROVED BY THE BOARD OF DIRECTORS IN 2013 AND UPDATED IN 2017. BY IMPLEMENTING THE PLANS OUTLINED IN THE STRATEGY, THE COMPANY AIMS TO CREATE THE HIGHEST ADDED VALUE IN THE OIL AND GAS INDUSTRY IN RUSSIA ON THE CAPITAL INVESTED BY ITS SHAREHOLDERS.

A focused strategy based on technological leadership and continuous improvements to operational efficiency and safety are the decisive factors in the Company's success given the variability in the external environment and the challenges it poses.

In recent years, the Company has made significant progress in industrial safety and has become a leader in operating efficiency in Russia. Now the Company is committed to becoming one of the global leaders in terms of efficiency.

To this end, the Company has introduced an operational management system (OMS) that facilitates the overall development of the organization and encompasses such important areas as enhancing occupational safety, improving asset reliability, boosting efficiency, and optimizing the Company's operations as a whole. The OMS is designed to integrate these activities into a unified system and strengthen the links between different systems, standards, and regulations.

KEY DEVELOPMENT PROJECTS

PRIRAZLOMNAYA

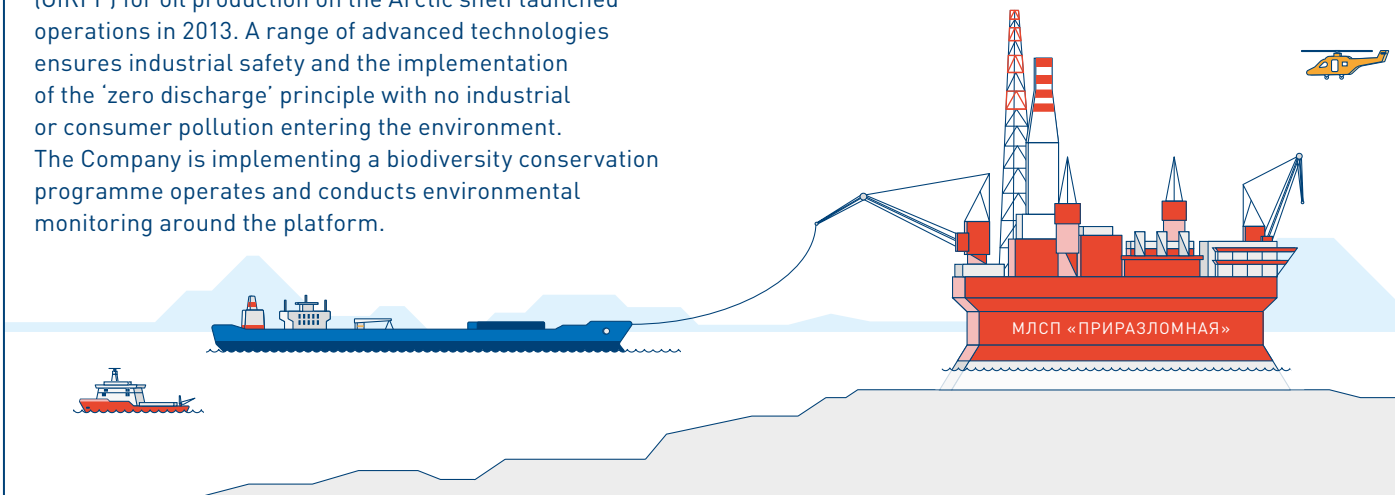
THE WORLD'S FIRST ARCTIC ICE-RESISTANT PLATFORM

PRIRAZLOMNOYE FIELD

79
MN T OF OIL
RECOVERABLE RESERVES[1]

2.64
MN T OF OIL
PRODUCTION IN 2017

The world's first offshore ice-resistant fixed platform (OIRFP) for oil production on the Arctic shelf launched operations in 2013. A range of advanced technologies ensures industrial safety and the implementation of the 'zero discharge' principle with no industrial or consumer pollution entering the environment. The Company is implementing a biodiversity conservation programme operates and conducts environmental monitoring around the platform.



1 — The national classification of reserves and resources of oil, gas, condensate and components contained therein, from the industrial value.

EAST MESSOYAKHA

RUSSIA'S NORTHERNMOST CONTINENTAL FIELD

EAST MESSOYAKHA FIELD

RECOVERABLE RESERVES (100%)[1]

353.3
MN T OF OIL

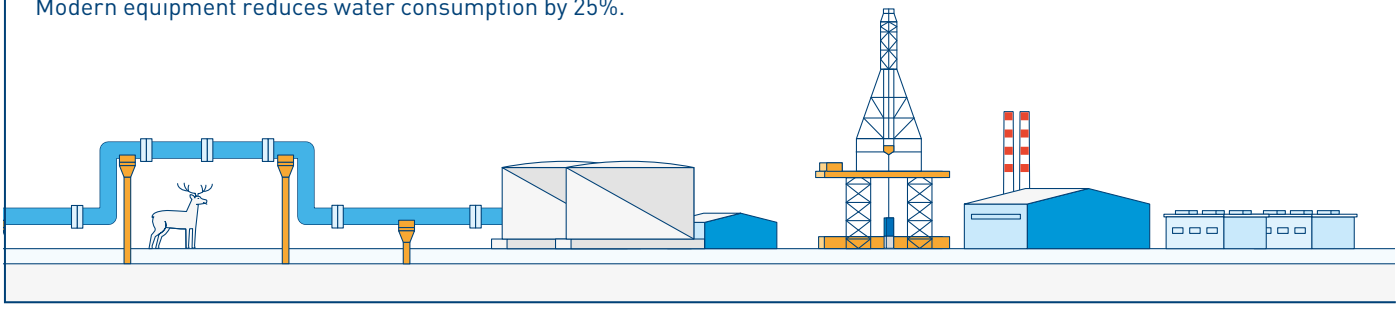
2.9
MN T OF CONDENSATE

119
BN M³ OF GAS

3.16
MN T OF OIL (100%)
PRODUCED IN 2017

Complex technical and logistical solutions were used to develop the field located beyond the Arctic Circle in order to minimize the impact on the Arctic ecosystem. The Company built special deer crossings when routing pipelines in areas of deer migration as well as underground crossings under the large Muduyahu and Indikyahu rivers. Modern equipment reduces water consumption by 25%.

The first stage of the East Messoyakha field was put into operation in 2016. Fishbone technology was used in the field's development to build wells with multiple horizontal branches that lead to separate oil fields without without penetrating the layers containing gas or water.



GATES OF THE ARCTIC

THE WORLD'S ONLY ARCTIC OIL LOADING TERMINAL

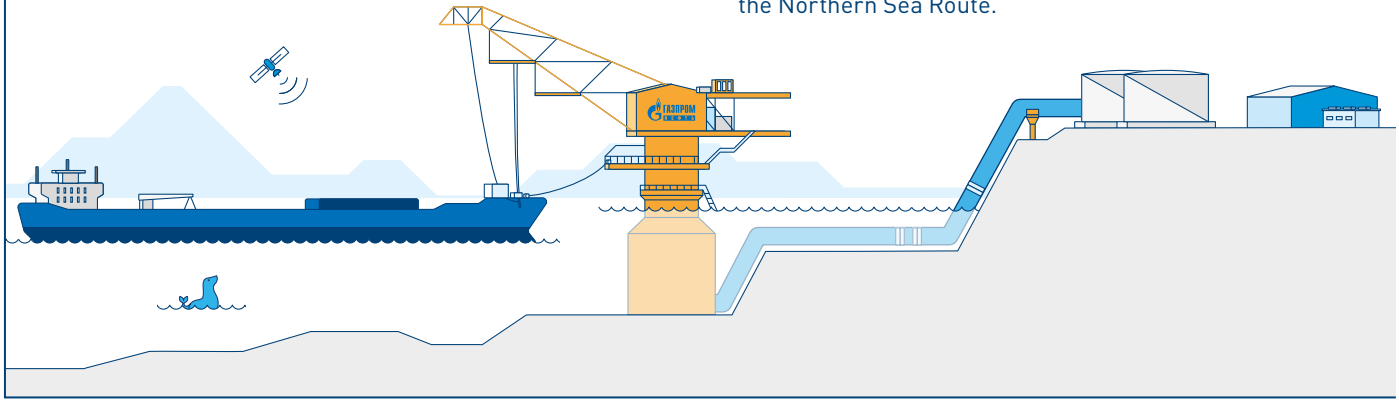
NOVOPORTOVSKOYE FIELD

490
MN TOE
RECOVERABLE RESERVES[1]

5.95
MN T OF OIL
PRODUCED IN 2017

1.26
BN M³ OF GAS
PRODUCED IN 2017

The Novoportovskoye field is the northernmost and one of the largest oil and gas condensate fields on the Yamal Peninsula. Novy Port light crude oil is produced at the field with a low sulphur content (about 0.1%). The Gates of the Arctic, a unique marine terminal that is designed to operate at low temperatures, handles year-round shipments of crude oil. 'Zero discharge' technology prevents pollutants from entering the waters of Ob Bay. The Company is building its own fleet, including modern icebreakers and Arctic tankers, in order to transport oil along the Northern Sea Route.



BAZHEN TECHNOLOGICAL CENTRE

NEW INDUSTRIALIZATION OF WESTERN SIBERIA

BAZHENOV FORMATION

760

MN T
CONSERVATIVE FORECAST FOR RECOVERABLE RESOURCES AVAILABLE WITH THE CURRENT LEVEL OF TECHNOLOGY

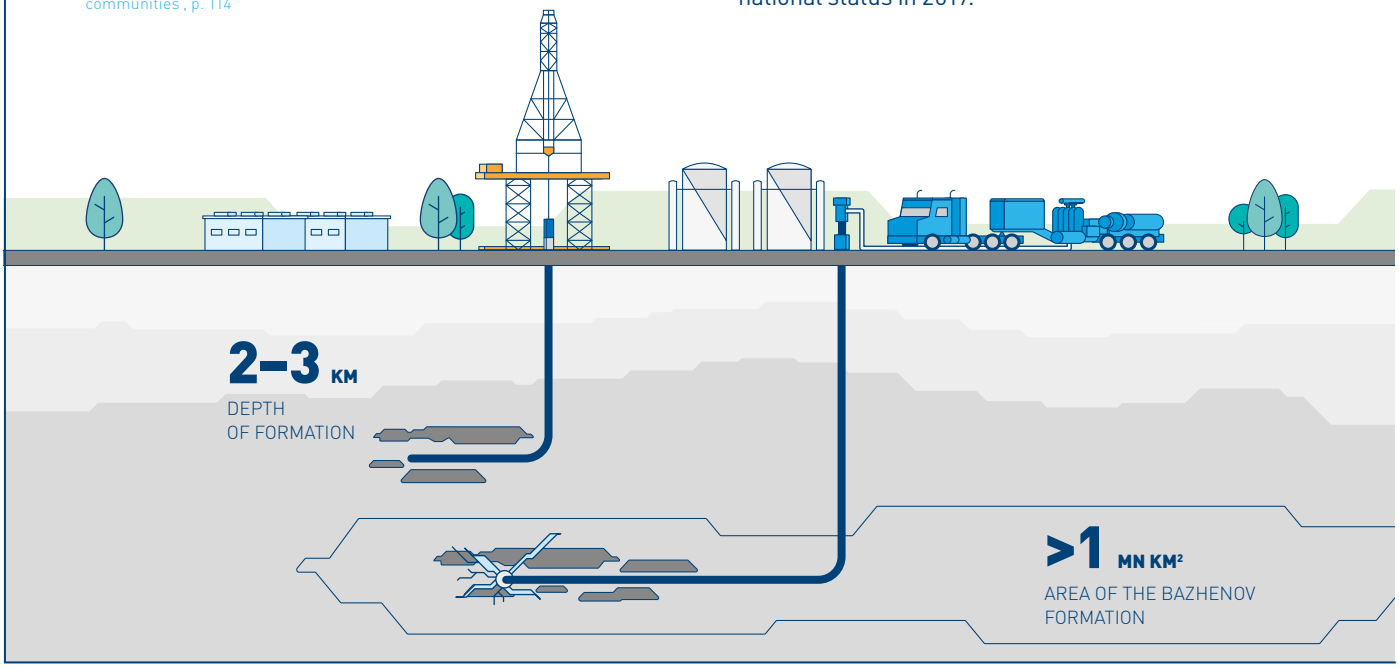
18–60

BN T OF OIL
GEOLOGICAL RESOURCES

The Bazhenov formation consists of a bed of rocks that is 30-80 m thick in Western Siberia at depths of 2,000-3,000 metres over an area of more than 1 million square km. Its oil resources are classified as non-conventional: oil is located in small, disjointed pores with rock permeability that is 99.9% less than that of traditional deposits.

A scientific consortium consisting of Moscow State University, Moscow Institute of Physics and Technology, Gubkin Russian State University of Oil and Gas, the Skolkovo Technical Centre, and Gazprom Neft as a production partner was established to study the Bazhenov formation. Gazprom Neft and its partners are setting up the Bazhen Technological Centre at the key test site – the Palyanovskaya area of the Krasnoleninskoye field in Yugra – as an open platform for the development of technologies. The project was granted national status in 2017.

For more on the Bazhen project, see the section 'Regional policy and the development of local communities', p. 114



Development of mature fields

The resource base of the Company's current assets has been marked by a deterioration in the structure of the remaining industrial reserves as most fields enter into the late stage of development. Fields in the third and fourth stages of development accounted for more than 30% of the oil produced at Gazprom Neft's current assets (100%) in 2017. However, due to the increased use of high-tech drilling and tertiary methods for boosting oil recovery, the Company is consistently enhancing the efficiency of the development of these reserves.

In addition, gas production increased by 1.2 billion cubic m in 2017 versus the previous year due to an additional programme involving geological and technical measures at mature fields.

MODERNIZATION OF OIL REFINERIES

INCREASED PRODUCTION EFFICIENCY

AT THE MOSCOW AND OMSK OIL REFINERIES BY 2025

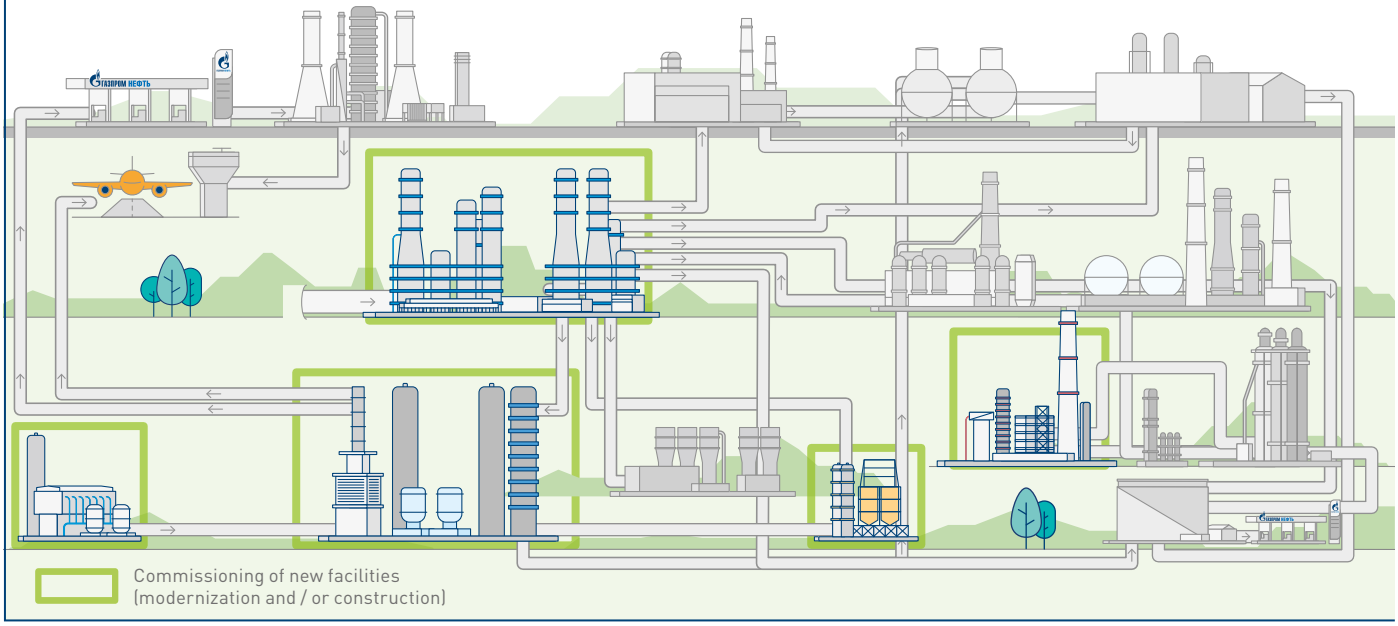
99%
REFINING DEPTH

UP TO 81%
YIELD OF LIGHT PRODUCTS

In 2011, Gazprom Neft launched the large-scale modernization of the Moscow Oil Refinery for a total cost of more than RUB 250 billion in an effort to achieve the best production and environmental safety standards. The first stage of modernization resulted in the Moscow Oil Refinery transitioning to the production of high-class Euro-5 fuel in 2013 ahead of schedule. The second stage, which will last from 2016 to 2023, is designed to increase the operational and environmental efficiency of production while further increasing refining volumes and improving product quality. A key project of the second stage is the construction of a new combined Euro + oil refinery that will replace several existing previous generation installations and will reduce pollutant emissions by 11% per 1 tonne of refined oil. As part of the second stage of modernization, a deep oil refining complex will be built within the hydrocracking unit and delayed coking unit. Projects are also being implemented to modernize the primary refining unit of crude vacuum unit 6 and to rebuild the catalytic cracking complex G-43-107.

For more on the Biosphera project, see the chapter 'Safe development', p. 84

DIAGRAM OF THE MOSCOW OIL REFINERY AFTER STAGE II OF MODERNIZATION



The successful implementation of the projects making up the first stage of the Omsk Oil Refinery's modernization enabled the refinery to fully switch to the production of Euro-5 motor fuels and significantly increase energy efficiency and eco-friendliness. The second stage, which will run from 2015 to 2025, aims to increase the depth of oil refining to 99% and involves the construction of new facilities, the renovation of production facilities, and the improved eco-friendliness, reliability, and safety of production processes.

Projects to increase refining depth at the Omsk Oil Refinery shifted to the stage of practical implementation in 2016. A deep oil refining complex is being built at the refinery within hydrocracking units that have capacity of 2 million tonnes of vacuum gas oil per year. A delayed coking plant with capacity of 2 million tonnes per year is also under construction. These projects will increase the production of high-margin products and provide the market with raw materials for group 2 and 3 base oils as well as petroleum coke, a valuable raw material for the aluminium industry.

The most important project resulting from the ecological modernization of the Omsk and Moscow Oil Refineries was the construction of the Biosphera modern treatment facilities, which will ensure 99.9% efficiency for wastewater treatment. In 2017, Gazprom Neft completed the construction of treatment facilities at the Moscow Oil Refinery and began implementing a similar project at the Omsk Oil Refinery.

Gazprom Neft intends to invest over RUB 400 billion in the development of the Omsk and Moscow Oil Refineries over the next five years.

CONSTRUCTION OF A CATALYST PRODUCTION FACILITY

IMPORT SUBSTITUTION OF OIL REFINING CATALYSTS

RUB 23 BN
INVESTMENT
IN THE COMPLEX'S
CONSTRUCTION

21,000
T PER YEAR
CAPACITY
OF THE COMPLEX
UNDER CONSTRUCTION

15,000
T PER YEAR
CATALYTIC
CRACKING CATALYSTS

6,000
T PER YEAR
HYDROGENIZATION PROCESSES
CATALYSTS

Gazprom Neft's project to establish the high-tech production of modern and efficient domestic catalysts for secondary refining processes in Omsk transitioned to the practical implementation phase in 2017. The Russian Ministry of Energy granted national status to the Gazprom Neft project.

The project's implementation will enable the Company to create a new high-intensity business line for the production and maintenance of catalytic cracking, hydrotreatment, and hydrocracking catalysts. In addition, a reactivation unit for regenerated hydrotreating catalysts is also to be built within the complex. The new complex is scheduled to be commissioned in 2020.

The Company is developing innovative catalysts and technologies for their production in cooperation with leading Russian catalytic process research centres. The Company successfully introduced the new catalysts and technological solutions for a number of industrial processes at its refineries in 2017.

CATALYST PRODUCTION COMPLEX UNDER CONSTRUCTION (OMSK OIL REFINERY)