

IMPORT SUBSTITUTION

THE COMPANY IS ACTIVELY ENGAGED IN IMPORT SUBSTITUTION AND SUPPORTING DOMESTIC MANUFACTURERS. GAZPROM NEFT HAS A TECHNOLOGICAL PARTNERSHIP AND IMPORT SUBSTITUTION DEPARTMENT THAT MONITORS THE RUSSIAN GOODS MARKET IN AN EFFORT TO FIND OPPORTUNITIES TO PHASE OUT IMPORTED EQUIPMENT AND MATERIALS IN FAVOUR OF COMPETITIVE RUSSIAN ANALOGUES.

Starting from 2015, the Company has identified 30 critical areas for import substitution for which it developed and is implementing Alternative Substitution Strategies to stimulate the Russian production of the required goods and services. The Company is also developing cooperation with stakeholders in order to more effectively meet the import substitution challenges.

Gazprom Neft is the moderator of five expert groups within an interdepartmental working group that was formed to address the import substitution objectives set by the Ministry of Industry and Trade of the Russian Federation jointly with the Ministry of Energy of the Russian Federation in such areas as equipment for the development of hard-to-recover reserves, catalysts and additives, software,

and technologies for the manufacturing of spare parts, tools, and accessories. In 2017, Gazprom Neft initiated the establishment of a working group to introduce a methodology for organizing and conducting the qualified selection and accreditation of equipment from foreign licensors and EPC contractors. The group works to stimulate the process of accrediting domestic equipment manufacturers in an effort to increase the proportion of Russian equipment used in the process of modernizing oil refineries, oil and gas chemistry, and LNG from the current 30% to 80%.¹ The group is to be set up in 2018.

Gazprom Neft concluded strategic partnership agreements on import substitution in 2017 with Rosatom State Corporation, St. Petersburg State Maritime Technical University, United

Shipbuilding Corporation, and Siemens AG and continued its activities in the joint working groups of GPB Bank and the GMS Group with Russian enterprises that manufacture import-substituting products.

Significant results of the Company's cooperation with other organizations in 2017 included the testing of the first Russian complex for offshore seismic operations at the Dolginsky license area as well as an alpha version of the hydraulic fracturing simulation software package created by a consortium led by the Moscow Institute of Physics and Technology as part of the development of the Bazhenov formation. Information is also presented in the 'Regional policy and development of local communities' chapter of this Report about import substitution in the regions where Gazprom Neft operates.

¹ — The group was set up after the reporting period in 2018.