

THE COMPANY TODAY

GAZPROM NEFT IS A VERTICALLY INTEGRATED OIL COMPANY (VIOC) WHOSE PRINCIPAL ACTIVITIES INCLUDE THE EXPLORATION, DEVELOPMENT, PRODUCTION, AND SALE OF CRUDE OIL AND GAS AS WELL AS OIL REFINING AND THE PRODUCTION AND SALE OF PETROLEUM PRODUCTS.

The Company operates in Russia's largest oil and gas regions and also has production projects outside of Russia in such countries as Iraq and Venezuela, among others. The Company's primary refining facilities are located in Russia's Omsk, Moscow, and Yaroslavl Regions in addition to Serbia.

Gazprom Neft is a major player on the energy market. The Company produces and supplies a broad range of petroleum products for a number of industries both in Russia and abroad.

In terms of proven hydrocarbon reserves according to PRMS-SPE classification, Gazprom Neft is comparable with the world's largest oil companies.

8

**MAJOR PRODUCTION
PROJECTS IN RUSSIA¹**

>2,000

OUTLETS

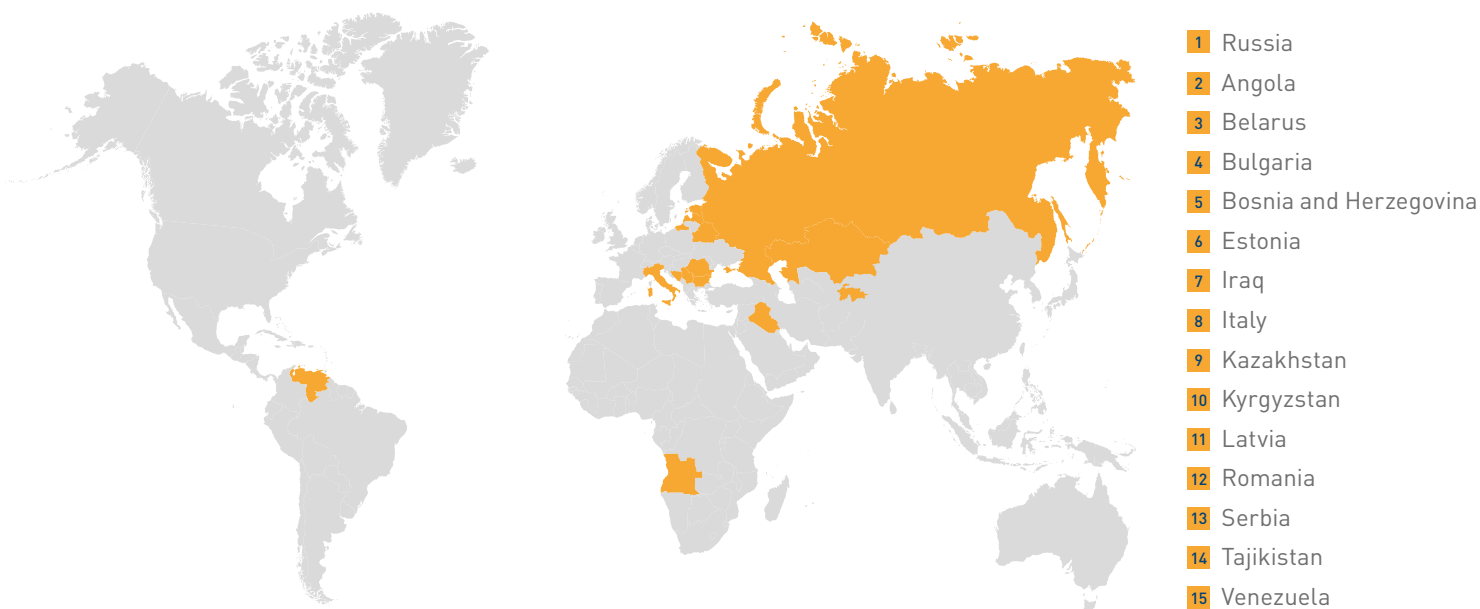
IN THE PETROLEUM PRODUCT
WHOLESALE AND RETAIL SALES
NETWORK

5

OIL REFINERIES²



REGIONS OF OPERATION

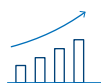


¹ — Only includes projects for which reserves have been estimated.

² — Oil refining takes place at three of the Company's oil refineries – the Omsk Oil Refinery, Moscow Oil Refinery, and NIS. In addition, Gazprom Neft owns stakes in Stavneft-YANOS and utilizes part of the refining facilities of Mozyr Oil Refinery (only on the conditions of customer-supplied raw materials).

³ — According to data of the Central Dispatching Department of the Fuel and Energy Complex among VIOCs.

⁴ — In recent years, the Company has spent 25% of its consolidated IFRS results on dividends.



LEADERSHIP ON THE RUSSIAN MARKET

No. 1

17.38%

ROE (RETURN ON EQUITY)

13.9%

ROACE (RETURN ON AVERAGE CAPITAL EMPLOYED)

20.1

T/DAY
PUMPED THROUGH 1 FILLING STATION IN RUSSIA

No. 2

64.1%

YIELD OF LIGHT PETROLEUM PRODUCTS²

83.5%

OIL REFINING DEPTH³

1,051.33

RUB
EBITDA PER BARREL OF OIL PRODUCED

No. 3

89.75

MN TOE
HYDROCARBON PRODUCTION

62.43

MN T
OIL PRODUCTION

36.69

MN T
OIL REFINING IN RUSSIA

For more, see the 'Oil industry of the Russian Federation' section, p. 46



CAPITALIZATION AND INCOME FOR SHAREHOLDERS

The common shares of Gazprom Neft circulate in Russia on the main trading platforms of the unified exchange Moscow Exchange PJSC. Globally the Company's shares trade in the form of American Depositary Receipts (ADRs) in OTC trading in the UK via the LSE IOB system and in the U.S. via the OTCQx system as well as in other countries.

According to the dividend policy of Gazprom Neft PJSC, at least 15% of the consolidated IFRS result, or 25% of RAS net profit, is distributed for dividends.⁴

For more, see the 'Interaction with investors and shareholders' section, p. 172

RUB 1.16^{TN}

THE COMPANY'S CAPITALIZATION AS OF 31 DECEMBER 2017

RUB 50.64^{BN} +65%

TOTAL DIVIDENDS PAID FOR 2016



INVESTMENT APPEAL

WELL-DEVELOPED INNOVATIVE INFRASTRUCTURE

- Multi-fold increase in the yield of fields and the incorporation of difficult reserves in production due to new technologies.
- More new opportunities for logistics, refining, and marketing through digitalization.

SUCCESSFUL PROJECT MANAGEMENT AT ALL STAGES OF THE LIFE CYCLE

- Effective development of a mature resource base.
- Ensuring a maximum return on investment for new projects.

For more, see the 'Strategy in action' section, p. 18

HIGH REFINING EFFICIENCY

- Modernization of oil refineries with increased refining depth and yield of light petroleum products.
- Minimization of environmental risks.

BUSINESS MODEL

ADVANTAGES OF THE BUSINESS MODEL

UNIQUE FEATURES OF ASSETS

BALANCED PORTFOLIO OF PRODUCTION ASSETS

Gazprom Neft's portfolio includes conventional and offshore oil as well as oil and gas fields in different stages of development (ranging from exploration to mature fields) in Russia and abroad, which enables the Company to increase production in an effort to maximize profit based on market conditions.

MODERN AND EFFICIENT OIL REFINERIES

An advantageous location, modernized facilities, and ongoing projects to improve operating efficiency ensure a high level of oil refinery efficiency.

DIRECT SALES NETWORK IN MOST RUSSIAN REGIONS AND TEN COUNTRIES

Having a large sales network in Russia and around the world allows for maximizing the margin from the sale of oil and petroleum products to a wide range of customers – from retail consumers to major traders.

1 — According to PRMS-SPE standards.
2 — At oil refineries in Russia.

DEVELOPMENT STRATEGY

ENSURING EFFICIENCY IN ANY MARKET CONDITIONS



PROVEN RESERVES¹

The level of hydrocarbon production was maintained due to revision and successful geological exploration.

1,522 MN TOE



PRODUCTION

The development of new major fields in the Arctic zone made the biggest contribution to production growth.

89.75 MN TOE



REFINING²

The refining depth at Russian enterprises will close in on 100% by 2025.

36.69 MN T

83.51%
refining depth in Russia

64.05%
yield of light petroleum products
in Russia



SALES

16.8% increase in oil sales. Significant growth in sales of light petroleum products and bitumen on the domestic market.

26.53 MN T OF OIL

43.48 MN T OF
PETROLEUM
PRODUCTS



ADJUSTED EBITDA

Increased production at major projects as well as growth in retail sales and the prices of oil and petroleum products made it possible to generate a record level of adjusted EBITDA over 5 years.

RUB 550,967 MN
+20.8%

STRATEGIC GOALS FOR 2025

CREATING VALUE
FOR STAKEHOLDERS

MAJOR PROGRESS TOWARDS STATED GOALS

1,500 MN TOE
OF PROVEN
RESERVES

At least 15 years
proven reserve life

Implementation risks: 1.1 1.2 1.4 1.5 1.6 2.1 2.3 3.2

Technologies: A.1 A.2 E.2

At least 100%

annual replacement ratio of proven
and probable reserves excluding
acquisitions

- Key risks
- Technologies facilitating the implementation of strategic goals

 For more on key risks as well as the Company's risk management activities, see the 'Risk management' section, p. 162

For a list of key technologies of Gazprom Neft, see p. 25

100 MN TOE
PER YEAR

Implementation risks: 1.3 1.4 1.5 1.6 2.1 2.2 2.3

Technologies: A.1 A.2 B.1 B.2 B.3 B.4 B.5 B.6

40 MN T OF OIL
OF OIL AT RUSSIAN
OIL REFINERIES

95%
refining depth in Russia

Implementation risks: 1.4 1.5 1.6 2.1 2.3

Technologies: C.1 C.2 C.3 C.4 C.5 C.6 C.7 C.8 D.2 E.1

80%

yield of light petroleum products
in Russia

100%

PRODUCTS FROM
THE COMPANY'S RUSSIAN
OIL REFINERIES ARE SOLD
VIA SALES CHANNELS
TO ENCOMPASS THE ENTIRE
VALUE CHAIN

Implementation risks: 1.4 1.5 1.6 2.1 2.3 2.4

Technologies: C.4 C.6 C.7 C.8 D.1 D.2 D.3

Implementing the plans outlined in the Strategy until 2025 is designed to create the greatest added value on the invested capital of shareholders in the oil and gas industry of the Russian Federation.

Implementation risks: 4.6 4.7 5.1

"In 2017, Gazprom Neft strengthened its leading position in the Russian oil industry and became one of the top three oil producers in the Russian Federation".

Alexey Miller

Chairman of the Board of Directors
Gazprom Neft PJSC

CREATING VALUE FOR STAKEHOLDERS

STRATEGIC GOALS FOR 2025

VALUES



Long-term growth in the Company's value and a high level of dividend yield.

SHAREHOLDERS AND INVESTORS



Good availability and a stable supply of petroleum products with excellent consumer and environmental properties.

CONSUMERS AND CUSTOMERS



Stable employer that allows for effective development.
Respectable compensation package.

PERSONNEL



Responsible business and development of the regions of operation.

SOCIETY AND REGIONS OF OPERATION



Energy security.
Tax payments.
Technological development of the Russian oil and gas industry.

GOVERNMENT

1 — Paid by the Group's Russian companies taking into account proportionally consolidated and joint ventures in accordance with equity participation, including taxation/fees, export duties and insurance contributions.

HOW WE DO IT

- Constant communication with investors, shareholders, and analysts to support a fair price for the Company's securities.
- Development of a corporate governance system that balances compliance with the best Russian and international practices with a high level of industry specificity.
- Information transparency in covering the results of the development strategy.
- Equitable dividend policy.
- Observance of minority shareholder rights.
- Continuous development of a risk management system with a detailed elaboration of responsibility.

- Expanded direct sales to corporate clients through the Company's own distribution network.
- Expanded network of Gazprom Neft petrol stations and a loyalty programme.
- Partnership with leading petroleum product consumers.
- Development and production of products with enhanced consumer and environmental features.
- Increased efficiency of sales channels through the digitization of business processes and the development of communication channels with customers and counterparties.

- Systematic recruitment and rotation of personnel.
- Talent management, competency development, and training.
- Development of motivation systems and establishment of a culture of engagement.
- Growth in labour productivity and organizational effectiveness.
- Enhanced effectiveness of HR relations function.

- Ensuring a significant volume of tax revenue to local budgets.
- Contribution to the development of social infrastructure.
- Creation of highly efficient jobs.
- Minimizing any negative environmental impact.
- Ensuring a high level of production safety.
- Growth in the energy efficiency of the Company's enterprises.
- Support for the population and key stakeholders.

- Stable growth in production and effective oil refining with a broad petroleum product sales network in Russia.
- Implementation of the first major offshore project – the Prirazlomnoye platform and the comprehensive development of Russia's Arctic shelf.
- Development of a centre of technological competencies and technological import substitution.

RESULTS

- Fair share valuation: quotes of RUB 244.1 per share as of 31/12/2017.
- Dividend payments of 25% of consolidated IFRS result for 2016.
- Total shareholder return of 14.5% for 2017.

- Leading positions on premium markets.
- Best petrol pumping in Russia of 20.1 t/day per petrol station.
- Consumer loyalty index (NPS) of 59 points.
- 12.4 million participants in the Gazprom Neft petrol station loyalty programme.
- All motor fuel complies with Euro-5 emission standards.

- In 2017, the Company ranked first among energy sector employers in the Randstad Award-2017 rating.
- Personnel turnover rate of 15.1% (same as in 2016).
- Average monthly salary of RUB 112,900 (+7.6%).
- Corporate University working in based on the innovative marketplace model. 55,900 employees underwent training in 2017 (+6.3%).

- Gazprom Neft is one of the largest taxpayers in the regions where it operates.
- Social investments as part of the 'Native Towns' project.
- LTIFR of 0.326 with a downward trend.

- Hydrocarbon production of 89.75 mn TOE.
- Availability of petroleum products for the population and business in 51 Russian regions.
- Meeting the demands of the domestic market.
- RUB 721 bn in tax payments¹ in 2017.
- Thanks to the use of modern technologies, Gazprom Neft has extended the service life of mature fields.
- The Downstream Efficiency Control Centre opened (process optimization as a result of an integrated digital platform).

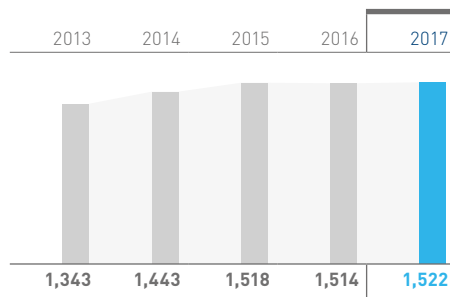
KEY INDICATORS



LEADING POSITIONS IN EXPANDED HYDROCARBON PRODUCTION

PROVEN HYDROCARBON RESERVES (PRMS-SPE)¹ (MN TOE)

1,522 +0.5%

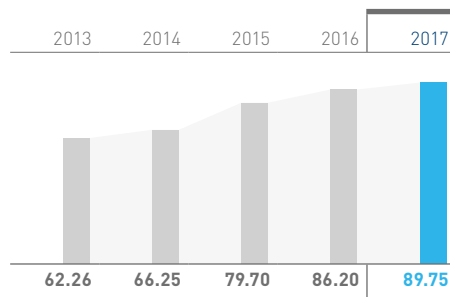


The resource base of the Company's current assets has deteriorated in terms of the remaining commercial reserves as most fields are in a late stage of development. Nevertheless, the Company managed to improve the efficient development of these reserves through high-tech drilling and the use of tertiary methods for boosting oil recovery.

For more, see the 'Raw materials base and production' section, p. 52

HYDROCARBON PRODUCTION (MN TOE)

89.75 +4.1%



Increased production at the Novoportovskoye, Messoyakha, and Prirazlomnoye fields as well as in Iraq enabled the Company to increase hydrocarbon production YoY.

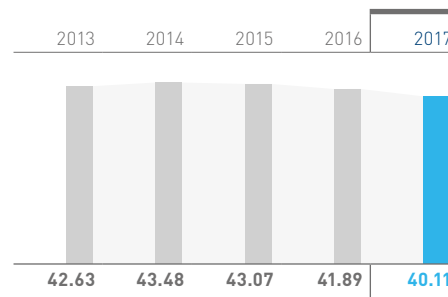
For more, see the 'Oil and gas production' section, p. 54



BALANCED REFINING

OIL REFINING² (MN TOE)

40.11 -4.2%



Oil refining decreased by 4.2% due to modernization and scheduled repairs at the Group's oil refineries.

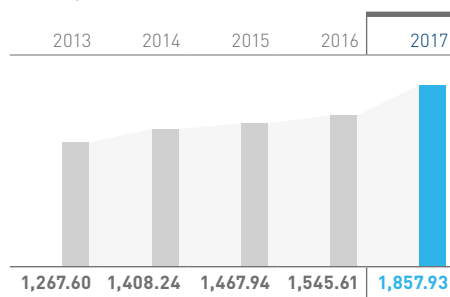
For more, see the 'Oil refining' section, p. 64



STRONG FINANCIAL RESULTS

SALES REVENUE (RUB BN)

1,857.93 +20.2%

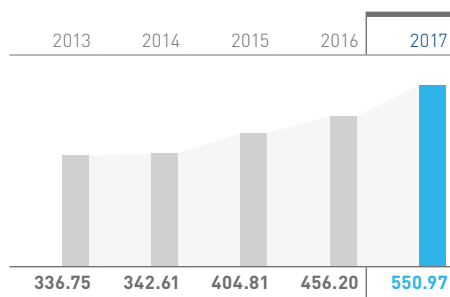


Revenue increased by 20.2% including duties due to increased oil production as well as higher oil and petroleum product prices around the world and on the domestic market.

For more, see the 'Financial results' section, p. 88

ADJUSTED EBITDA (RUB BN)

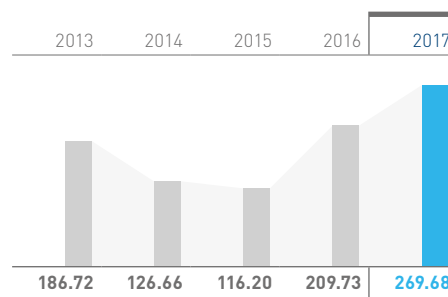
550.97 +20.8%



Increased production at major projects (the Novoportovskoye, Prirazlomnoye, and Messoyakha fields) along with growth in retail sales and higher oil and petroleum product prices resulted in a 20.8% increase in adjusted EBITDA.

NET PROFIT (RUB BN)

269.68 +28.6%



The growth in net profit was mainly due to the higher EBITDA.

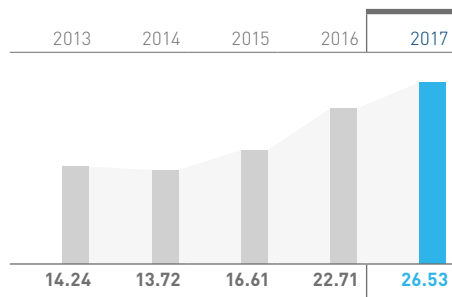
A unique system of continuous improvements as well as digital technologies ensured the Company's improved production and financial performance.



GROWTH IN OIL AND PETROLEUM PRODUCT SALES

OIL SALES (MN T)

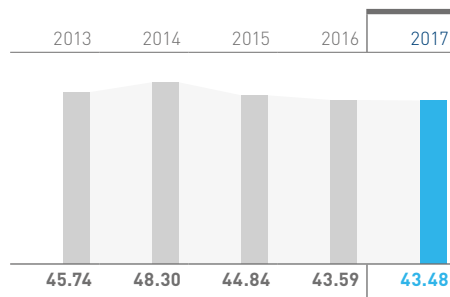
26.53 +16.8%



A 16.8% YoY increase in oil sales resulted from expanded production at the Novoportovskoye, Messoyakha, and Prirazlomnoye fields and a decrease in supplies to oil refineries in Russia.

PETROLEUM PRODUCT SALES (MN T)

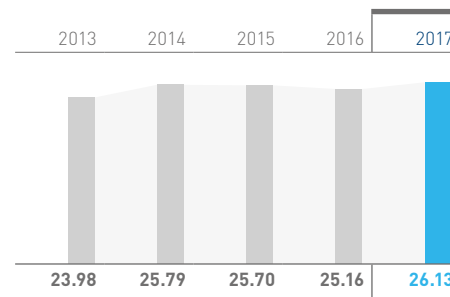
43.48 -0.3%



Sales of petroleum products decreased slightly in 2017 due to a reduction in refining volume and fuel oil production at Russian oil refineries.

PETROLEUM PRODUCT SALES VIA HIGH-MARGIN CHANNELS (MN T)

26.13 +3.9%



Sales via high-margin channels grew by 3.9% YoY primarily due to an increase in retail sales of motor fuels in Russia. In addition, sales of aviation fuel increased due to greater demand for air transportation. Expanded infrastructure construction in Russia and access to new foreign markets, in turn, resulted in increased sales of premium bitumen products.



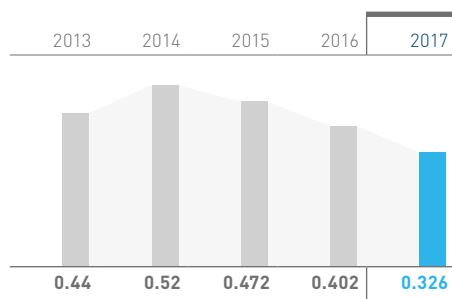
For more, see the 'Sales of oil and petroleum products' section, p. 68



COMMITMENT TO SAFETY, RESOURCES, AND THE ENVIRONMENT

LTIFR INJURY RATE

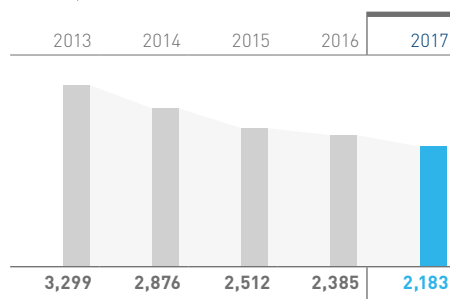
0.326 -0.076 p. p.



The use of the latest technologies and a commitment to occupational safety helped to achieve good results.

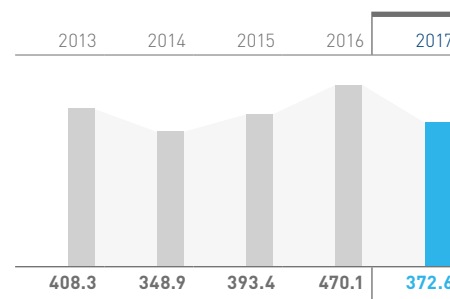
NUMBER OF INCIDENTS AT HAZARDOUS PRODUCTION FACILITIES (INCIDENTS)

2,183 -8.5%



TOTAL GROSS AIR POLLUTANT EMISSIONS (1,000 T)

372.6 -20.7%



For more, see the 'Safe development' section, p. 98

1 — Data does not include reserves and production volume at NIS.

2 — For the Group as a whole, including refining both at its own refineries and joint venture refineries.