



The bunkering market in Russia expanded by 2.5% compared with 2016. The Company's share of the Russian market was 16.6% in 2017.

The 14.6% increase in the total volume of ship fuel sales compared to 2016 resulted from a twofold increase in exports and sales in non-CIS countries. Premium sales of marine fuel amounted to 2.7 million tonnes in 2017, a decrease of 2.2%, or 60,000 tonnes, versus 2016. The decline in premium sales primarily resulted from reduced business in the Far East since negative market factors made this region unprofitable for supplies. The remaining fuel was distributed to more high-margin regions such as northwest Russia and the Black Sea. Furthermore, the decrease in sales was partially offset by a revival in sales on inland waterways.

Share of the Russian market in 2017

16.6%

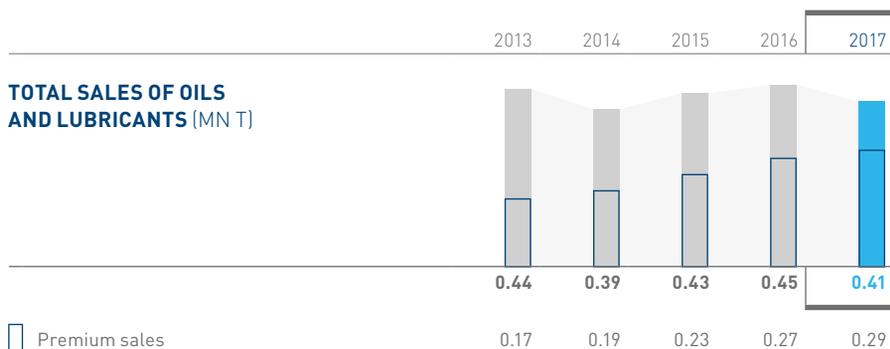
The Company provides bunkering for ships at all key ports of Russia (20 sea and 14 river ports). Gazpromneft Marine Bunker has the most extensive geographical operations in Russia among all domestic bunkering companies.



OILS AND LUBRICANTS PRODUCTION AND SALES

SALES OF OILS AND LUBRICANTS

Source: Company data



Gazprom Neft sells oils and lubricants via its own filling station network and also supplies products to retail chains, online stores, service stations, and the assembly lines of automotive manufacturers. The Company manufactures oils and lubricants at five production facilities in Russia and Italy.

The Company sold 0.4 million tonnes of oils and lubricants in 2017. Premium sales amounted to 0.29 million tonnes, an increase of 7.4% from last year's figure. The growth in premium sales was mainly due to a 10% increase in sales in Russia¹ compared with 2016, including products under the G-Family brand (+11% versus 2016). For the year, Gazprom Neft increased its share of the oils and lubricants market in Russia by 1.3 percentage points to 21.3%.

¹ — Packaged oils market.

Gazprom Neft has significantly expanded its product line. In particular, the Company began producing marine oils under its own brand Gazpromneft Ocean, which are designed for engines that run on various fuels and are installed on all types of vessels. Gazprom Neft was the first company to start producing low viscosity oil-based muds using its own technology. The Company markets import-substituting products under the Gazpromneft Drilline brand. In addition, Gazprom Neft has launched sales of 66 other new premium products, which include synthetic compressor and turbine oils for industrial use as well as hydraulic, transmission, and motor oils (including synthetic oils) for cars and commercial vehicles.

The Company continued working with the Russian regions on the import substitution programme in 2017. The Sakhalin, Bryansk, Ulyanovsk, and Sverdlovsk Regions and the Krasnodar Territory joined the programme, bringing the total number of participating regions to 15. The programme involves concluding agreements with regional and municipal authorities on the supply of Gazprom Neft-produced lubricants instead of imports, which helps to save budget funds on housing and utility services and agriculture. Over the past year, Gazprom Neft has expanded the international geography of its sales to 72 countries. Iran, Peru, Senegal, and Thailand were among the new countries to which supplies began.

The G-Energy Service international network of premium branded service stations expanded by 44 new stations in 2017 and now includes 120 stations in 14 countries.

Share of the Russian market in 2017

21.3%

 For more about new products under the Gazpromneft Ocean and Gazpromneft Drilline brands, see p. 76

Low viscosity oil-based muds

Technology C.7



5,000

T PER YEAR
OF INTERNALLY PRODUCED
OIL-BASED MUDS



-50%

DECREASE IN DRILLING MUD
LOSSES USING THE NEW BASE OILS



-30%

SAVINGS ON OIL-BASED
MUDS

Hydrocarbon-based drilling muds are one of the methods used to enhance the productivity of difficult wells. The main component of such mud is specialized low viscosity oils, which make up 70-90% of the solution.

The oil base for such had previously been imported. In 2017, however, Gazprom Neft started producing its own low viscosity oil-based muds under the brand name Gazpromneft Drilline. The first field tests, which were carried out at one of the wells of the Tsarichanskoye + Filatovskoye oil field, showed excellent performance capabilities. Hydraulic pressure losses decreased by 10%, while drilling fluid losses in the well declined by 50%.

The product was developed by Gazpromneft-Lubricants together with specialists from the Gazprom Neft Research and Engineering Centre as well as with the support of Gubkin Russian State University of Oil and Gas (National Research University). The Company has set up production of the oils at the Slavneft-YANOS Oil Refinery. Now the Gazpromneft Drilline product range includes four brands. The project enabled Gazprom Neft to almost completely eliminate the use of imported base oils in its process chain for the production of drilling mud and to cut expenses on this raw material by 30%.