

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



ALEXEY MILLERChairman of the Board of Directors
Gazprom Neft PJSC**DEAR SHAREHOLDERS AND INVESTORS,**

In 2017, Gazprom Neft consolidated its dominant position in the Russian oil industry. We steadily improved our production and financial performance, and the Company's net profit reached an all-time high. This success is largely due to the development of fields in the Arctic zone – Prirazlomnoye, Novoportovskoye, and East Messoyakha. These Arctic assets are already supporting growth in the Company's output, placing Gazprom Neft among the top three leaders in terms of oil production in Russia as of the end of 2017.

Last year, the Company continued to focus on the active development and introduction of new technologies in all areas of business. As of today, more than 60% of the wells that the Company drills at its fields are high-tech. Drilling processes are remotely controlled from the GeoNavigator Drilling Management Centre in St. Petersburg, which is also home to the unique Logistics, Refining, and Sales Efficiency Control Centre that Gazprom Neft opened last year. More than half a million sensors and dozens of systems transmit information to this centre from the Company's refinery assets, bitumen and lubricant production plants, transport systems, and sales enterprises.

Gazprom Neft's digital solutions and tools are already enabling the Company to gain additional competitive advantages on the markets of the industry and radically improve business efficiency throughout the entire value chain. And with the successful implementation of such projects as the creation of technologies to develop the reserves of the Bazhenov formation and the manufacturing of catalysts for secondary oil refining processes, the Company is making a substantial contribution to ensuring the technological independence of the Russian oil industry as a whole.

The Company's oil refineries continued construction on new production facilities as part of the second phase of a major asset modernization programme. One of the most important focuses of this programme is the introduction of eco-friendly technologies. As part of the Year of Ecology in 2017, Gazprom Neft implemented a federal project at the Moscow Oil Refinery involving the construction of the new Biosphera biological treatment facilities, which have increased the level of wastewater treatment to 99.9%.

In 2017, Gazprom Neft increased sales volumes through high-margin sales channels. Sales of petrol and diesel fuel to Gazpromneft filling stations are up, and the Company has strengthened its positions on the markets for aviation fuel, high-tech lubricants, and bituminous materials.

The growth rates in Gazprom Neft's financial and production performance demonstrate the Company's stable development regardless of external conditions. This proves that the Company was correct in its choice of a strategy centred around the desire to achieve maximum business efficiency. I am confident that Gazprom Neft will continue progressing towards meeting its stated goals and will set new production and financial records in 2018.