

STRATEGY IN ACTION

THE COMPANY'S ACTIVITIES ARE BASED ON THE GAZPROM NEFT PJSC 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 UNTIL 2025, THE COMPANY AIMS TO CREATE THE GREATEST ADDED VALUE ON THE CAPITAL INVESTED BY SHAREHOLDERS IN THE RUSSIAN OIL AND GAS INDUSTRY.

STRATEGIC BENCHMARKS AND PRIORITIES



EXPLORATION AND PRODUCTION

- Effective development of a depleted resource base
- Maximizing the return on investment from new projects



REFINING AND SALES

- Modernization of refining facilities
- Sale of:
 - petroleum products manufactured through the Company's sales channels
 - high-margin sale of petroleum products



SUSTAINABLE DEVELOPMENT

- Improving industrial safety
- Minimizing environmental risks



INNOVATIONS

- Incorporation of hard-to-recover reserves into development and enhanced oil recovery at mature fields
- Creation of new products, refining processes, and solutions for the future

MODERN CHALLENGES

Changes in the global economy and politics as well as the state of the Russian economy pose the following challenges for the Company:

- possible deterioration of the price situation on the oil and petroleum products market;
- the growing tax burden on the oil and gas sector;
- the limited potential of domestic markets for petroleum products due to slower economic growth in Russia;
- increased energy efficiency and the gradual electrification of final consumption.

Demand for oil remains high under all industrial development scenarios, creating opportunities for the business development of leading companies that operate in regions with a relatively low cost of hydrocarbon development and production. The decisive factor for success in a hard-to-predict world is a focused strategy that ensures flexibility in decision-making and investment and relies on leadership in technology as well as continuous improvement in operational efficiency and safety.

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.

TECHNOLOGICAL LEADERSHIP AS THE BASIS FOR EFFICIENCY

New technologies are the foundation for Gazprom Neft to improve its production and financial performance.

The Company systematically introduces the most advanced solutions required to achieve its strategic goals. Many of them not only have no analogues in Russia, but throughout the world. As a result, the Company sets the tone for the technological development of the entire industry. But safety and environmental protection remain unconditional priorities in the introduction of any innovation.

Some of the key technologies that support the Company's efficiency are presented on the following pages of the annual report.

KEY TECHNOLOGIES OF GAZPROM NEFT

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EXTRACTION

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SALES OF CRUDE OIL AND PETROLEUM PRODUCTS

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OIL REFINING

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ENVIRONMENTAL PROTECTION

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See the online version of the Key Technologies of Gazprom Neft PJSC on the website of the 2017 Annual Report in the 'Establishing technological leadership' section: <https://ar2017.gazprom-neft.com>