

SALES OF OIL, GAS AND PETROLEUM PRODUCTS

Gazprom Neft is engaged in the wholesale distribution of crude oil and petroleum products both in Russia and abroad. Small wholesale and retail sales, including through its filling station network, are managed by dedicated subsidiaries.

Oil sales

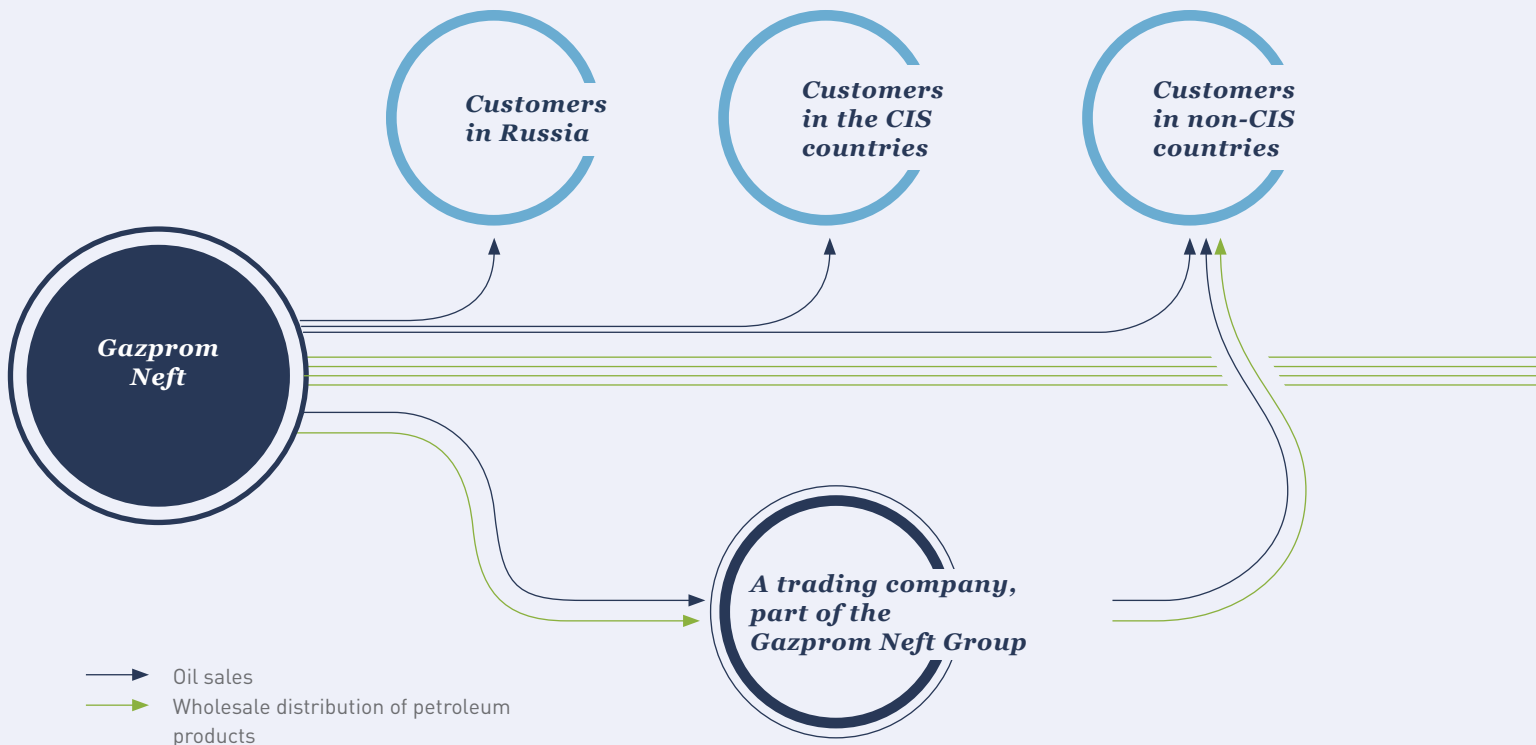
Oil sales increased by 8.8% year on year to 26.4 mt in 2019, as a result of increased oil production at the Novoportovskoye and Vostochno-Messoyakhskoye fields, and a slight decrease in refining throughput across the company's refineries.

Oil sales on international markets totalled 22 mt, up by 10.4% year on year. The growth was driven by a 12.4% increase on 2018 in exports to non-CIS countries. Oil sales on the domestic market grew by 1.4%.

Gazprom Neft had previously completed the establishment of its

own fleet, designed to support and service the company's Arctic fields. Two new-generation icebreakers of the Icebreaker 8 class — the Alexander Sannikov and the Andrey Vilkitsky — built to order for the company are transporting Arctic oil. In addition to this, the fleet includes seven "Shturman"-series Arc7-class tankers,

DISTRIBUTION OF OIL AND PETROLEUM PRODUCTS

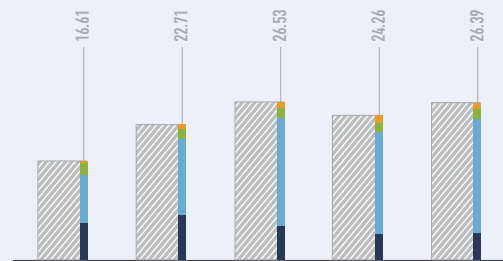


each of which has a cargo-bearing capacity of 42,000 tonnes, and one Arc5 ice-class tanker with a capacity of 19,800 tonnes.

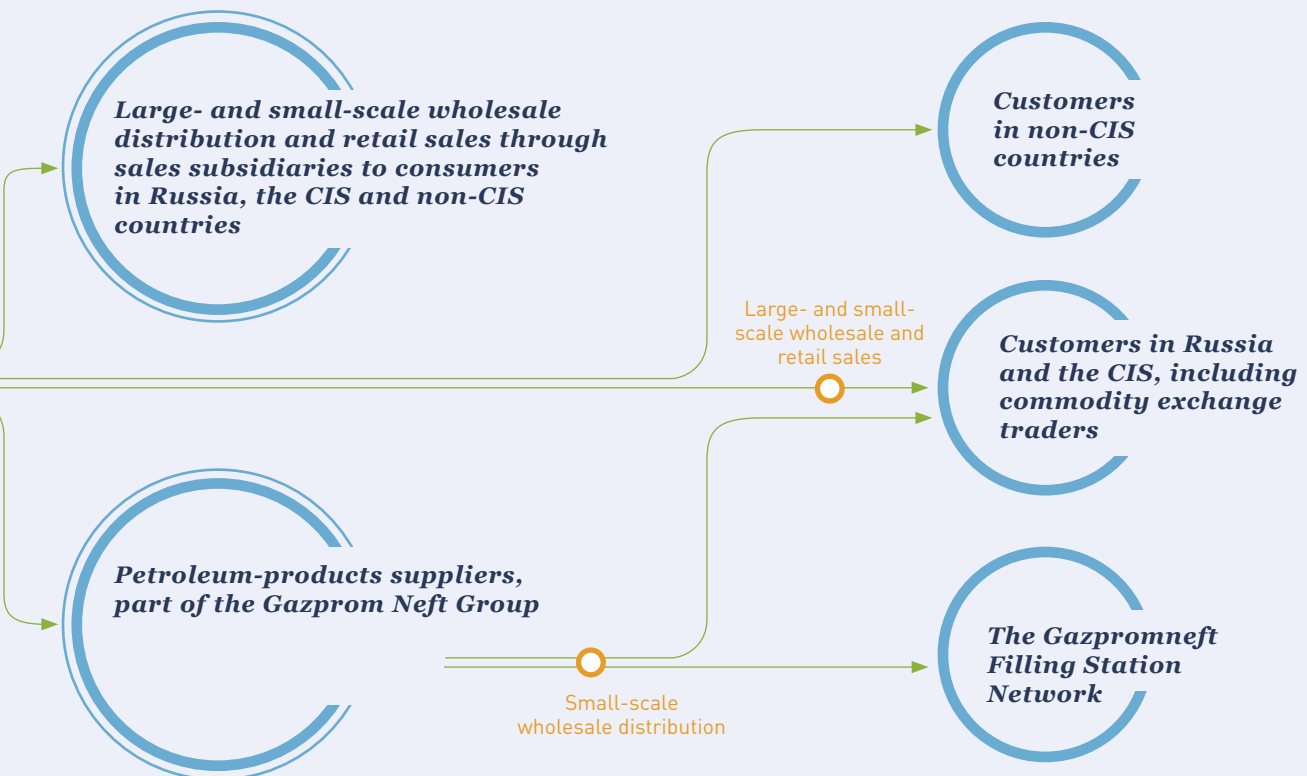
A unique logistical arrangement created by Gazprom Neft has enabled year-round, maximum-efficiency transportation of oil from the Arctic fields to the global market, and has reduced the risk of logistical disruptions caused by negative external factors. The core objective of the new digital Arctic-logistics management system is to manage logistics in the Arctic safely, and to ensure that all oil produced is dispatched at the lowest possible cost.

Oil sales, mt

Source: company data



Metric	2015	2016	2017	2018	2019
● Domestic sales	6.14	7.43	5.57	4.31	4.37
● Non-CIS exports	8.11	12.89	18.19	17.05	19.16
● CIS exports	1.88	1.66	1.71	1.65	1.71
● International sales	0.48	0.73	1.06	1.25	1.15
TOTAL OIL SALES	16.61	22.71	26.53	24.26	26.39



The “Captain” digital Arctic-logistics management system

Gazprom Neft has launched the world’s first digital Arctic-logistics management system. This innovative project has been developed to ensure uninterrupted year-round shipments of all ARCO and Novy Port crude produced.

Every hour, the system collates all the necessary information in real time, and develops an optimal schedule for the fleet and for oil shipments from terminals. The system analyses over 65 million potential options per hour, factors in about 300 parameters and prepares the optimal schedule. The system’s accumulated historical data and predictive capabilities make it possible to predict potential

constraints that vessels may face along the route, and to offer optimal routes that are safe.

By optimising vessel speed, reducing fuel consumption and sub-leasing surplus capacities in the summer, over the past two years (2018 and 2019) the company made additional savings exceeding ₺3.5 billion.

« The question of uninterrupted and effective logistics is critically important for Gazprom Neft’s Arctic fields, which are some distance from accessible infrastructure: production volumes are directly dependent on the timely shipment of hydrocarbons. Using digital technologies has allowed us to increase efficiency in the company’s operations in the Russian Arctic: pilot tests have already allowed Gazprom Neft to achieve cost reductions of 10% under the existing logistics strategy for year-round shipments of Arctic crude blends.

Vadim Simdyakin
Head of Crude Oil Supply
Department, Gazprom
Neft PJSC