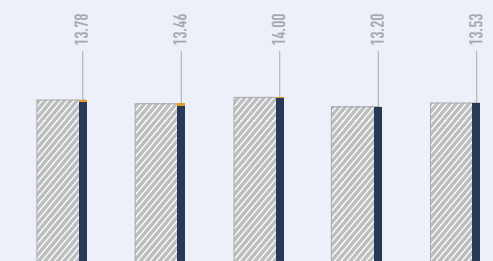


Gas sales

Gas¹ sales on the domestic and international markets grew by 2.5% year on year as a result of an increase in associated petroleum gas and natural gas production by Gazprom Neft subsidiaries.

Gas sales, bcm

Source: company data



Metric	2015	2016	2017	2018	2019
● Domestic sales	13.56	13.28	13.89	13.13	13.48
● Global sales	0.22	0.18	0.11	0.07	0.05
TOTAL GAS SALES	13.78	13.46	14.00	13.20	13.53

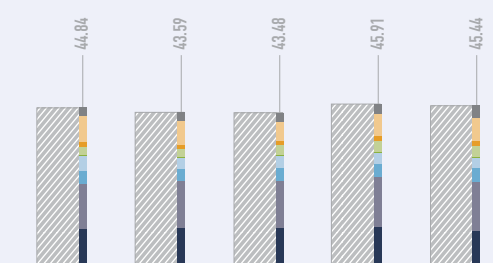
Petroleum-products sales

Petroleum-products sales remained almost flat year on year in 2019 and totalled 45.4 mt. The company focused on improving the efficiency of petroleum-products sales, improving margins on retail and small-scale wholesale distribution of motor fuels, and increasing premium sales of jet and bunker fuels and bitumen materials. Favourable market conditions enabled the company to increase fuel-oil and petrochemical sales.

In 2019, product sales on the Russian and international markets totalled 28.6 mt and 16.8 mt respectively. Sales on foreign markets grew by 3.5% year on year, driven by an increase in jet-fuel, diesel-fuel, bitumen and petrochemicals exports.

Sales breakdown by product, mt

Source: company data



Metric	2015	2016	2017	2018	2019
● Motor gasoline	10.83	11.08	11.09	11.32	10.22
● Diesel fuel	12.81	13.27	13.37	14.01	13.91
● Aviation fuel	3.62	3.36	3.51	3.84	3.90
● Bunker fuel	3.98	2.87	3.29	2.89	2.65
● Oils and lubricants	0.43	0.45	0.41	0.49	0.47
● Bitumen products	2.05	2.17	2.65	2.97	2.92
● Petrochemicals	1.45	1.35	1.25	1.35	1.55
● Fuel oil	7.42	6.62	5.23	6.09	6.40
● Other petroleum products	2.25	2.42	2.68	2.95	3.41
TOTAL SALES	44.84	43.59	43.48	45.91	45.44

/ 1 / Natural and associated petroleum gas. Excluding the Gazprom Neft share in Northgas and Arcticgas joint ventures.

In implementing the programme of transferring reciprocal settlements with counterparties using Russian roubles, the company has now switched payments for petroleum product exports under export contracts with companies in the EAEU and CIS member states to the currency of the Russian Federation. In April 2019 Gazprom Neft received its first such payment in roubles, totalling almost ₺255 million, for the delivery of 6,000 tonnes of diesel fuel by tanker to Armenia.

Sales breakdown by channel

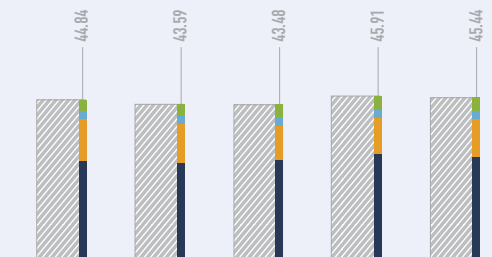
Premium sales¹ in 2019 reached 26.5 mt. While premium sales of motor-fuels decreased slightly in the reporting period, the company increased premium sales of aviation and marine fuels, bitumen materials and lubricants. Sales of aviation fuel through premium channels were up 3.2% as a result of growth in volume on both the domestic and international markets. Improved business efficiency in the North-West and Black Sea regions saw a 2.4% year-on-year increase in premium sales of marine fuel. Expanding the geographic range of company's export routes led to a 20% increase in sales of premium bitumen products.

/ 1 / Premium sales include the following:

- sales of petroleum-products through premium distribution channels, including both retail and small-scale wholesale. This segment includes all sales through filling stations and distribution centres, as well as “wing-tip” and “deck-to-deck” sales, and small wholesale through refuelling terminals at airports and seaports;
- sales of packaged products. This segment includes all sales of oil in barrels and canisters, polymer-modified asphalt cement (PMAC) in Clovertainer® containers, etc;
- sales of premium petroleum products, i.e. value-added products that have certain advantages over other products in the same category in terms of quality. This group includes sales of premium-branded liquid lubricants (Gazpromneft, G-Family, Texaco), premium-branded bitumen materials (PMAC, PMB, bitumen emulsion, etc), all brands of bitumen-based products, and premium-branded motor fuels (G-Drive, etc.) available for wholesale distribution.

Petroleum products sales, mt

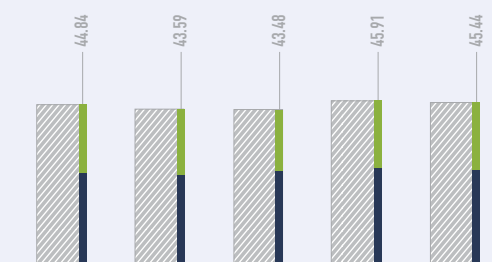
Source: company data



Metric	2015	2016	2017	2018	2019
● Domestic sales	27.50	27.11	27.96	29.67	28.63
● Non-CIS exports	11.81	10.77	9.54	10.00	10.76
● CIS exports	2.28	2.41	2.50	2.49	2.35
● Global sales	3.25	3.30	3.48	3.75	3.70
TOTAL PETROLEUMPRODUCTS SALES	44.84	43.59	43.48	45.91	45.44

Sales breakdown by channel, mt

Source: company data



Metric	2015	2016	2017	2018	2019
● Premium channels	25.70	25.16	26.13	27.10	26.46
● Large-scale wholesale channels	19.14	18.43	17.35	18.81	18.98
TOTAL SALES	44.84	43.59	43.48	45.91	45.44

Sales of motor gasolines and diesel fuels in Russia in 2019 were optimal in view of market conditions, and ensured an increase in the efficiency of retail and small wholesale of motor fuels.

Retail and small wholesale distribution of motor fuels

Key areas in developing the company's retail and small wholesale distribution of petroleum products in 2019 included expanding the company's retail network, developing new forms of cooperation with independent market players, improving efficiency in fuel sales, digitalising customer services, and developing the company's product storage facilities.

Filling station network

In 2019, the company accelerated the development of its retail network, having opened 198 new filling stations under Gazpromneft and OPTI brands throughout Russia. With new filling stations launched on a franchise basis, the company has expanded the geographic coverage of its retail business to 46 regions throughout Russia. Gazpromneft filling stations began operating in seven new regions: the Kursk, Lipetsk, and Voronezh Oblasts, Republics of Bashkortostan, Mordovia, Tatarstan, the Chuvash Republic and the Perm Krai.

In addition to conventional filling-station formats developed in recent years (full-service filling stations, stations with a cafe and a shop, automated filling stations), in 2019, the company launched several new filling-station formats that are innovative for the Russian market, including mixed-format filling stations, automated modular

New filling-station formats

Gazprom Neft is the first fuel retailer in Russia to launch mixed-format filling stations. These operate as service stations with a cafe and a shop during the day, and as automated stations at night. The mixed format is used widely around the world, and helps to improve the efficiency of filling stations by optimising their operation. After switching to the mixed format, fuel throughputs at filling stations increased by 2%.

In 2019, Gazprom Neft started developing a network of fully automated modular filling stations, which have been designed by Russian manufacturers specifically for the Gazprom Neft retail network. Investment required to launch a modular filling station is three and a half to four times less than for a conventional station. It takes only a week to instal the module, which occupies a 150–300 square-metre plot. A filling station of this kind can refuel up to 350 vehicles per day with gasoline and diesel fuel. The

advantage of such filling stations is that, given their small size, they can be installed on parking lots next to shopping malls and housing estates. The company plans to scale up the project in 2020.

In 2019, the Gazpromneft network launched a filling-station redesign project in Moscow and St Petersburg, which involves transforming filling stations into digitally-enabled interactive facilities. Filling stations are being converted to the interactive format as part of the Gazprom Neft digital network-transformation strategy aimed at making filling-station services more customer-friendly. Media screens which serve as a modern tool for interaction with customers are one of the highlights of this new format. By the end of 2020, media screens will be installed at more than 50 flagship stations in key regions across Russia in which the network operates.

filling stations and digitally-enabled interactive filling stations.

In 2019, the Gazpromneft filling station network made a step change in the development of its retail network across a number of business areas. For instance, the network became the first fuel retailer in Russia to introduce mixed-format filling stations. These operate as service stations with a cafe and a shop during the day, and at night as automated stations, where customers refuel their cars themselves using payment terminals. The mixed format helps to improve the efficiency of filling stations by optimising staff workloads. After switching to the mixed format, fuel throughputs at filling stations increased by 2%.

As at the end of 2019 the company's filling station network comprised 1,458 Gazpromneft and OPTI

stations, of which 1,251 stations are directly owned by the company and 207 are franchisee-operated. As the company expanded into new large regional markets—the Republic of Bashkortostan and the Republic of Tatarstan—in the second half of the year, the company's share of the retail motor-fuels market in those regions in which the network operates decreased from 24.0% to 20.3% as at end 2019.

Outside Russia, the Gazprom Neft retail network comprises 619 filling stations, including 205 filling stations in the CIS countries (Belarus, Kazakhstan, Tajikistan and Kyrgyzstan) and 414 in South-East Europe (Serbia, Bosnia and Herzegovina, Bulgaria and Romania). The number of filling stations in Europe decreased as a result of a retail network optimisation programme that made the network more cost-effective.

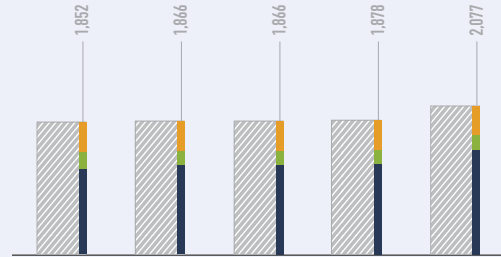
The company continued to expand its autogas sales network by increasing the number of filling stations selling liquefied petroleum gas (LPG). The number of autogas filling stations integrated into multi-fuel filling facilities under Gazpromneft brand grew by 11 to 156 stations.

The reporting year saw the completion of the transaction with Gazprom Gazomotornoye Toplivo LLC for the sale of the main portion of the company’s compressed natural gas (CNG) production and distribution assets. Under this deal Gazprom Neft sold its gas-filling compressor station network.

2019 marked an important milestone in the development of the infrastructure of the company’s fuel-supply terminals. The new and the most technologically advanced in

Filling station network¹, units

Source: company data



Metric	2015	2016	2017	2018	2019
● Russia ²	1,189	1,244	1,255	1,260	1,458
● CIS	243	200	188	201	205
● Europe ²	420	422	423	417	414
TOTAL	1,852	1,866	1,866	1,878	2,077

Russia “Gladkoye” fuel terminal in the Leningrad Oblast was commissioned, allowing the transshipment of up to one million tonnes of petroleum products every year.

Developing the OPTI filling station network

In 2019, the number of filling stations in the OPTI network reached 120, and now covers 27 regions across Russia. The OPTI filling station network offers a unique approach to the retail fuel market. The partnership model developed by Gazprom Neft involves managing stations through a bespoke IT platform, operating under a highly popular brand, and ensuring high standards of service and fuel quality. The key principle behind the OPTI business model is mutually beneficial cooperation: partnership

agreements, fair profit distribution, and technological solutions to optimise filling-station management. The terms of the partnership include a one-time membership fee and a monthly fee calculated as a percentage of revenue. Within two or three months of the start of their operation under a new brand name, some filling stations show a 40% increase in daily fuel sales and an average two- or three-fold increase in non-fuel revenue; in some cases this growth may be ten-fold.

OPTI filling station network in 2019

120

outlets

in 27

regions across Russia



Despite the challenging market environment, we invest in the development of this project and support our partners, because we believe that OPTI is a promising model for modern fuel retailing. It is based on a platform solution and the principles of fair profit distribution and business transparency.

Alexander Krylov
Head of Regional Sales Directorate, Gazprom Neft PJSC

/ 1 / Operating stations only.
/ 2 / Including franchisee-operated filling stations.

Motor-fuel and natural-gas motor-fuel sales

Total small-scale wholesale and retail sales of motor fuels decreased by 4.4% year on year to 19.5 mt. This change in motor-fuel sales volumes was shaped by current conditions in the Russian market, as well as those measures taken to improve sales efficiency and maximise profit margin. Despite the decrease in sales volumes, operating profit from this business grew by more than 20% thanks to the improved cost-effectiveness of retail sales and small-scale wholesale of motor fuels.

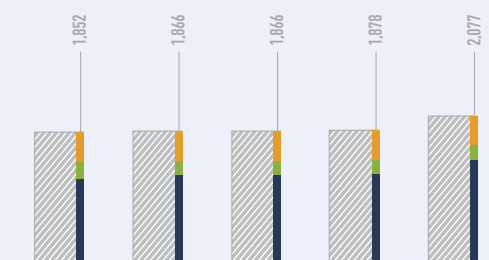
In 2019, retail sales of motor fuels through filling stations declined by 7.5% year on year to 10.5 mt, including 8.3 mt in Russia. A deteriorating market environment and the company's focus on improving retail sales margins resulted in average per-station sales in Russia decreasing to 18.5 tonnes per day (tpd). The Gazprom Neft filling station network nevertheless maintained its market-leading position in Russia in terms of this metric. In Europe, average daily sales increased by 6.5% to 6.6 tpd in 2019.

Despite this trend in motor-fuels sales, sales of G-Drive premium branded fuel were maintained at 2018 levels. In 2019, branded-fuel sales throughout Russia and the CIS totalled 722,000 tonnes (-1% on 2018), with the share of G-Drive fuel in total sales growing from 7.3% to 7.9%. Year-end results show the G-Drive-brand family accounting for every third litre of AI-95 or higher grades of gasoline sold at filling stations, with the number of filling stations offering this fuel reaching 1,235 outlets.

The market environment caused LPG sales to decline by 11,300 tonnes, to 108,000 tonnes – a drop of 10%.

Retail and small-scale wholesale distribution of motor fuels and LPG

Source: company data



Metric	2015	2016	2017	2018	2019
Retail sales and small-scale wholesale of motor fuels (mt)	18.58	19.26	20.01	20.40	19.51
– sales in Russia only	14.76	15.17	15.92	16.16	15.39
Retail sales of motor fuels (mt)	10.16	10.45	11.04	11.34	10.49
– sales in Russia only	8.08	8.25	8.84	9.12	8.30
LPG sales (thousand tonnes)	105	115	97	120	108
– sales in Russia only	66	69	56	75	64

A high-technology fuel terminal

The new “Gladkoye” fuel terminal has been commissioned in the Tosnensky District of the Leningrad Oblast. This facility, which is unique in terms of the technological capabilities supporting its management processes, has become Gazprom Neft’s first asset built as part of the company’s comprehensive terminal infrastructure development strategy.

Gladkoye is the only fuel terminal in Russia equipped with metering facilities allowing oil products’ volumes and other metrics to be controlled automatically. A digital twin of this fuel terminal contains all project information since the start of construction. The terminal’s infrastructure allows the transshipment of up to one million tonnes of petroleum products every

year, and has storage facilities capable of holding up to 40,000 cubic metres of manufactured goods at any one time.

All of the company’s target terminals will be upgraded on the basis of the Gladkoye model by 2025. It is expected that once the comprehensive terminal reconstruction programme is complete, transshipment through the company’s own network will see an increase of more than 20%, with average per-terminal transshipment volumes rising by 58%.

Today, Gazprom Neft operates a wide network of terminals comprising 172 own and partner facilities throughout Russia and the CIS.

1 mt

oil-products transshipment capacity/year

40,000 cubic metres

tank farm storage capacity

Customer relations

The more sensitive customers are to fuel prices at filling stations, the more relevant are marketing programmes and campaigns aimed at retaining various customer segments and increasing customer loyalty towards the Gazpromneft filling station network. In 2019, the penetration of the "On Our Way" loyalty programme grew, with about 800,000 new members joining the programme.

At year-end 2019, the number of loyalty card holders throughout Russia and the CIS increased by 7% year on year, to 11.9 million. Participants in the loyalty programme accounted for 79% of total sales to individuals through the filling station network. According to Ipsos data, "On Our Way" is Russian motorists' favourite loyalty programme, with popularity levels¹ reaching 30% over the past year (up 5% on 2018).

Marketing campaigns and sales promotions conducted by the company in the reporting year to stimulate sales of petroleum-products reached a total of 14.3 million customers and generated additional sales exceeding 200,000 tonnes.

An important focus of the company's customer-relations initiatives is the development of digital sales channels and digitalisation of customer services. In 2019, the share of digital channels (the virtual loyalty card, the virtual co-branded card and the AGS.GO app) in total retail sales through the Gazpromneft filling station network was about 6%. The number of active users of the Gazpromneft filling station network's mobile app reached 1.6 million.

As the company expanded its range of additional goods and services offered at shops across the Gazpromneft filling station network, non-oil sales increased by 6.1% year on year. In

2019, revenue from non-oil sales totalled ₺20.6 billion (including value-added tax).

In addition, the Gazpromneft filling station network has for several years been offering opportunities for the management of its own filling stations to third-party retailers. In 2019, 117 stations were transferred to partnership-based management models. By changing filling-station management models, the company has been able to improve operational efficiency and increase revenue across the Gazpromneft network by reducing the fill-up costs. As a result of putting filling stations under various management models, the company's 2019 year-end results will see EBITDA increase by ₺222 million.

Smart equipment-monitoring system

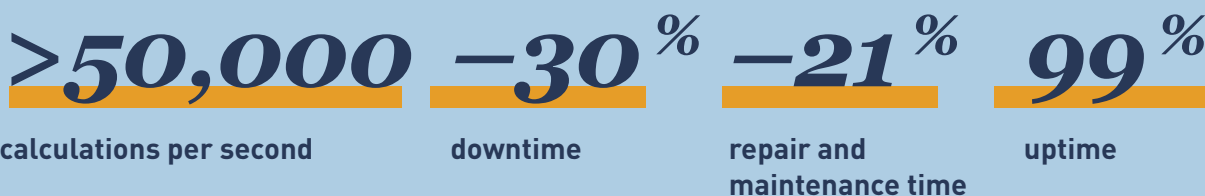
In 2019, Gazprom Neft was the first vertically integrated oil company (VIOC) in Russia to bring the monitoring of all equipment at automated filling stations together in a single "smart" system: its "Infrastructure Monitoring Centre" (IMC). The automated monitoring and predictive analytics capacities mean filling stations' operational processes

can be monitored online, and downtime and maintenance lead-times reduced.

The IMC's software core processes up to 100,000 signals, and makes more than 50,000 calculations, every second. Information on oil-product stocks is received continuously from every station in the Gazpromneft filling station network connected to the IMC, and this

data is transferred to the Gazprom Neft "Neftekontrol" system, online.

It is expected that by 2021 all equipment at service and automatic filling stations – from coffee machines to fuel tanks – will be connected to the Infrastructure Monitoring Centre.



/ 1 / Share of motorists covered by the Ipsos survey who are familiar with the Gazprom Neft "On Our Way" loyalty programme brand.

The company uses the following partnership-based filling-station management models:

- COPO (company-owned, partner-operated): a filling station is managed by a network employee acting as an individual entrepreneur;
- CODO (company-owned, dealer-operated): a station is managed by a professional dealer selling fuel supplied by Gazprom Neft and benefiting from the company's brand, and growth is driven by a high volume of petroleum-products sales;
- CORO (company-owned, retailer-operated): filling stations are managed by a non-fuel retailer under its brand name, and the retailer earns revenue from non-oil sales.

Digital products and services for motorists

In 2019, Gazprom Neft introduced an innovative product: NFC-enabled virtual co-branded Gazpromneft-Gazprombank cards, which are available through the Gazpromneft filling station network mobile app. This card can now be issued through the Gazpromneft filling station network mobile app, added to the virtual wallet, and used as a method of payment for fuel ordered through the app and any other purchases. In addition, the card functions as the "On Our Way" loyalty card. In the first five months after this function was made available, customers issued 290,000 virtual co-branded cards, which is almost 100,000 more than the number of plastic co-branded cards.

As part of customer-service development, the functionality of the Gazprom Neft mobile app was also expanded. For example, users of the mobile app became the first customers in Russia to be able to operate coffee machines via their smartphones in Drive Cafes at Gazpromneft filling stations. Another addition to the app is the Space.GO game, in which motorists can answer questions on various subjects to earn additional bonus points under the "On Our Way" loyalty programme.

The digitalisation initiative covered not only customer services, but also filling stations themselves: equipment at filling stations was integrated into a single smart system: the Infrastructure Monitoring Centre (IMC). The automated monitoring and predictive analytics capacities of the IMC make it possible to monitor the status of equipment and the operation of filling stations online, which helps to improve the reliability and longevity of equipment.

« Strategic priorities for the development of our network include diversifying management models, developing filling stations as hubs offering additional services, introducing specialised station formats, and digitalising customer experience.

Alexander Krylov,
Regional Sales Director,
Gazprom Neft PJSC

Petroleumproducts sales to corporate customers

Aviation fuel supplies

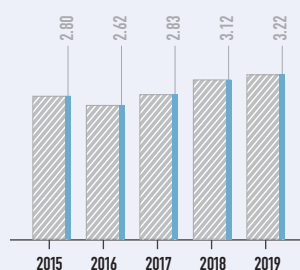
Growth in premium sales is the result of both higher sales on the internal market, and higher “wing-tip” sales abroad.

At year-end 2019, the Gazpromneft-Aero distribution network covered 283 airports in 67 countries, including Russia. In 2019, the network grew by 17 units, including two airports in

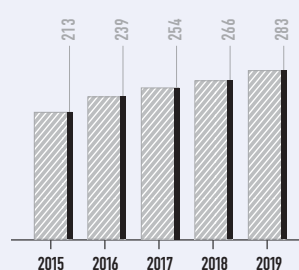
Russia (Tunoshna and Gagarin) and 15 airports abroad (nine in China, two in Saudi Arabia, one in each of Egypt, France, Italy and Tunisia). At end-2019, the Gazpromneft-Aero distribution network comprised 61 refuelling terminals in Russia and another in Kyrgyzstan. In addition, Gazpromneft-Aero supplies aviation fuel to its customers at 10 Russian airports through third-party refuelling terminals and at 211 airports abroad.

Under its long-term business development strategy to 2030, Gazpromneft-Aero is committed to becoming one of the top-10 companies on the international aviation refuelling market, expanding its international sales network to cover 350 airports, and increasing direct sales of aviation fuels to 5.3 million tonnes per year.

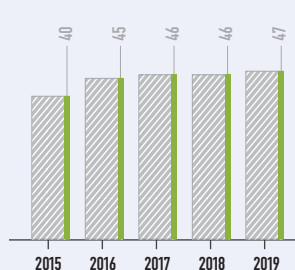
Premium sales, mt



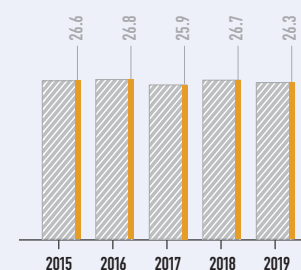
Airports of presence²



Number of refuelling terminals³



Share of the Russian market, %⁴



Aircraft refuelling, mt¹

Source: company data

Metric	2015	2016	2017	2018	2019
Premium sales, mt	2.80	2.62	2.83	3.12	3.22
Number of airports at which the company has a presence ²	213	239	254	266	283
Number of refuelling terminals ³	40	45	46	46	47
Russian market share, % ⁴	26.6	26.8	25.9	26.7	26.3

/ 1 / Hereinafter, figures reflect total petroleum-product sales and premium sales by the Gazprom Neft Group.

/ 2 / In 2020, the company changed its procedure for calculating the number of airports/aerodromes at which it has a presence. Figures on airports where the company has a presence have been adjusted accordingly for all reporting periods.

/ 3 / In 2020, the company changed its procedure for calculating the number of airports/aerodromes at which it has a presence. Figures on the company's own refuelling terminals have been adjusted accordingly for all reporting periods.

/ 4 / In 2020, the company reviewed its market-share calculation procedure, taking into account Petromarket data with respect to market volumes, as well as other internal adjustments.

Development of the aviation refuelling business abroad

Total international sales volumes were up 30% by the end of the year, reaching more than 315,000 tonnes. The company has developed a strategic partnership with China's national fuel supplier, China Aviation Oil Hong Kong Co. Ltd. (CAOHK), which is designed to supply aviation fuel to CAOHK-partner airlines at those airports at which Gazpromneft-Aero operates. This partnership with CAOHK will allow Gazpromneft-Aero to increase the amount of refuelling it offers its clients at Chinese airports every year. In 2019, the company had already seen a three-and-a-half-fold increase in sales of aviation fuels in China compared to 2018, reaching 78,000 tonnes. In China, Gazpromneft-Aero has established its largest in-country sales network outside Russia, covering 32 airports throughout the country's major cities.

Gazpromneft-Aero also saw a significant increase in refuelling volumes for Russian and international airlines in India, Malaysia, Montenegro, Serbia, South Korea, Spain, Thailand and Vietnam. The company has begun supplying TS-1 jet fuel to Uzbekistan's national airline, Uzbekistan Airways. Overall, Gazpromneft-Aero will supply 100,000 tonnes of this product to Uzbekistan throughout 2019-2020.

Gazpromneft-Aero's clients include more than 190 airlines, including Russian market leaders Aeroflot, S7 Airlines, Ural Airlines, and Volga-Dnepr, as well as leading international carriers including Lufthansa, Emirates, Air France and KLM.

Aviation refuelling volumes abroad in 2019.

+30% **tonnes**
315,000

« Gazpromneft-Aero is a technological leader in Russia's aviation refuelling industry. We are implementing the concept of full automation in technological process management at Gazprom Neft's state-of-the art aviation refuelling complexes. In addition, the company is implementing another two projects that are important for the industry. The first involves implementing – together with IATA – XML standards to enable paper-free document management. The second is a transition to a new form of contracts, and a new form of settlements based on blockchain technology. It will accelerate settlements, reduce operating expenses and make cash transactions transparent. Airlines will be able to pay for fuel instantly when refuelling aircraft, without any prepayment, bank guarantees or financial risks for the parties to the transaction.

Vladimir Egorov,
CEO, Gazpromneft-Aero



Bunkering

Gazpromneft Marine Bunker, the operator of the Gazprom Neft bunkering business, provides bunkering services at all key ports in Russia (including 20 sea and 12 river ports), as well as in the ports of Constanța (Romania), Riga (Latvia) and Tallinn (Estonia). The company's clients include major Russian and international shipping companies. The company's own fleet comprises:

- 12 bunkering vessels, including one Arctic-class vessel for refuelling ships in the White and Barents Seas;
- four Arctic-class shuttle tankers and two icebreakers to ensure uninterrupted oil shipments from the Novoportovskoye field.

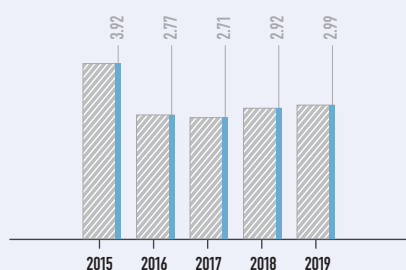
Improved business efficiency across the key markets in the North-West and Black Sea regions enabled the company to increase bunkering volumes by 2.4% year on year to 2.99 mt in 2019. An important area of focus in the development of the company's bunkering business concerned bunkering of vessels transporting oil from the company's fields in the Arctic.

2019 saw the keel of Russia's first LNG-bunkering vessel, the Dmitry Mendeleev, laid down as part of the implementation of the company's development strategy in LNG bunkering. This pilot LNG-bunkering vessel with a cargo-bearing capacity of 5,800 cubic metres is expected to be commissioned in 2021. In addition

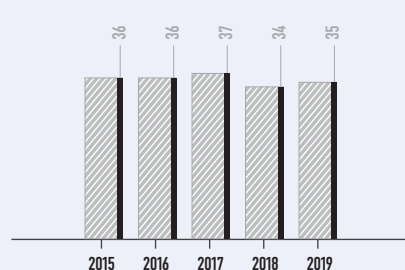
to its flagship vessel, Gazpromneft Marine Bunker plans to commission two additional LNG bunkers by 2030.

At the end of 2019, the company started selling a new marine fuel with sulphur content not exceeding 0.5%. It is in demand with shipowners, especially in light of a new version of the International Convention for the Prevention of Pollution from Ships (MARPOL 2020) taking effect from 1 January 2020, setting a limit on sulphur content in emissions from vessels in international waters.

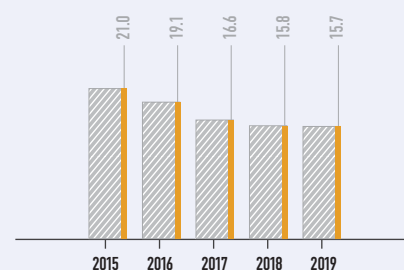
Premium sales, mt



Ports of presence



Russian market share, %⁴



Bunkering

Source: company data

Metric	2015	2016	2017	2018	2019
Premium sales (bunkering, million tonnes)	3.92	2.77	2.71	2.92	2.99
Ports at which the company has a presence	36	36	37	34	35
Russian market share, %	21.0	19.1	16.6	15.8	15.7

Marine fuels compliant with the MARPOL 2020 requirements

With effect from 1 January 2020 the requirements of the MARPOL Convention forbidding the use of fuels with sulphur content above 0.5% are introduced throughout international navigation. In December 2019, in order to supply marine fuel compliant with these requirements, the company started selling marine fuel with sulphur content not exceeding 0.5% produced at the Omsk Refinery. Gazpromneft Marine Bunker — the operator of the Gazprom Neft bunkering business — bunkered the first vessel with this new environmentally-friendly fuel in the port of Murmansk.

The composition of the RMG-180 (type M) hybrid fuel has been developed by Gazprom Neft specialists. Ultra-low-sulphur and heavy petroleum products are used as components; these are mixed to produce a low-sulphur product meeting international

environmental standards. Following testing, this fuel has been certified as conforming with the Eurasian Economic Union requirements.

In December 2019, the company sold 100,000 tonnes of this new marine fuel with sulphur content of less than 0.5%. It is expected that supplies of this fuel to the Russian market in 2020 may exceed 1.5 mt.

In 2019, the company also introduced a new marine oil for engines operating on ultra-low sulphur fuel oil with sulphur content not exceeding 0.1%. The Gazpromneft Ocean CCL17 high-technology product fully meets the new MARPOL requirements. This oil has been approved by the world's leading manufacturers of marine equipment and is currently available in more than 200 ports worldwide.

>1.5^{mt}

of the new marine fuel to be supplied to the Russian market in 2020



Thanks to the advanced infrastructure of terminals at its refineries, Gazprom Neft will meet the growing demand for environmentally friendly marine fuels on the Russian market. Following completion of the construction of the deep processing complexes at the Moscow and Omsk refineries, we expect to abandon fuel-oil production completely.

Alexey Medvedev
CEO, Gazpromneft Marine Bunker

Oils and lubricants production and sales

The company has an extensive modern production base for the manufacturing of oils and lubricants, and a widespread sales network in the B2C and B2B segments. Oils and lubricants are sold through the Gazpromneft filling station network, retail outlets and online shops, and service stations, as well as supplied directly to enterprises, including car assembly lines. Gazpromneft-Lubricants aims to become a top-10 global lubricants manufacturer by 2030.

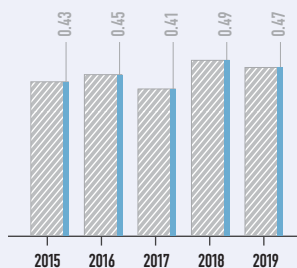
Its continuously growing product line currently includes over 950 oils, grease lubricants and service fluids. Over the past year, 70 new premium products were launched on the market. Furthermore, in 2019, the company increased by 26,000 tonnes per year the capacity of its facilities producing oils packaged in large and small plastic containers at the Moscow Lubricants Plant.

In 2019, oils and lubricants sales totalled 0.47 mt, with premium sales totalling 0.32 mt. The Gazprom Neft share of the packaged-oils and lubricants market in Russia increased by 1.4 percentage point year on year

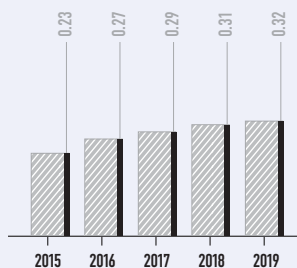
to 23.4%. The company exported oils to 80 countries.

In 2019, the Gazprom Neft Omsk Lubricants Plant started producing new Gazpromneft Drill Flow drilling fluids, with 4,000 tonnes of these products supplied to drilling services companies. The company was awarded a prize by Gazprom PJSC as part of its annual competition for projects in science and technology for designing a production method and base formulation used in Gazpromneft DrillLine drilling fluids.

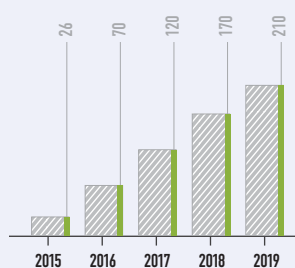
Total oils and lubricants sales, mt



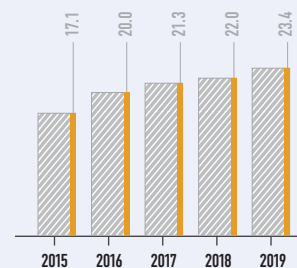
Premium sales, mt



G-Energy Service garage network, outlets



Share of the Russian packaged-oils and lubricants market, %



Oils and lubricants sales, mt

Source: company data

Metric	2015	2016	2017	2018	2019
Total oils and lubricants sales (mt)	0.43	0.45	0.41	0.49	0.47
Premium sales (mt)	0.23	0.27	0.29	0.31	0.32
G-Energy Service network (outlets)	26	70	120	170	210
Share of the Russian packaged-oils and lubricants market, %	17.1	20.0	21.3	22.0	23.4

Developing the international oils and lubricants distribution network

In 2019 Gazprom Neft registered Gazpromneft Marine Lubricants, an operating company with an office in Singapore. This new enterprise will enable Gazprom Neft to develop its international marine-oils production and logistics network effectively, including in Southeast Asia and Europe. The company's products, which are approved by key marine equipment manufacturers, are already available in more than 250 ports worldwide.

The range of marine oils and lubricants under Gazpromneft and Gazpromneft Ocean brands includes 43 high-technology products for all types of marine equipment, including 15 types of Gazpromneft Ocean motor oils for two- and four-stroke engines. The composition of these oils has been developed taking into account the needs of the international shipping industry and the MARPOL 2020 requirements.

250

The company's marine lubricants are available at 250 ports worldwide

Over the past year, Gazprom Neft expanded its international Gazpromneft Ocean marine-oils business, as it launched production and subsequent sales in Singapore, the Netherlands, Turkey and South Korea. The company established a subsidiary in Singapore in 2019 to enable further efficient development of its international marine-oils production and logistics network.

Thanks do the development of its international marine-oils business, Gazprom Neft is already present at more than 250 ports worldwide.

43

The company's product range includes 43 high-tech Gazpromneft and Gazpromneft Ocean branded marine lubricants

Further expansion of the production and logistics network will allow Gazprom Neft to build up production volumes significantly, expand its distribution coverage and, by 2030, secure a 4% share in the global marine-oils market.

The company also continues to develop a network of its own premium-brand G-Energy Service service stations. In 2019, 40 new service stations were added to the network, with the total number of branded service stations reaching 210 at year-end.



Gazprom Neft's development strategy to 2030

includes expanding the international geographical reach of marine-oil sales. The company plans to increase its production and sales of specialised lubricants significantly. An operating company established in Singapore, a centre of international shipping where one of the world's largest port hubs is located, will enable Gazprom Neft to develop its production and logistics network in the most efficient way, including its own lubricant production plants in Russia and partner blending facilities abroad.

Alexander Trukhan
CEO,
Gazpromneft-Lubricants



Bitumen materials

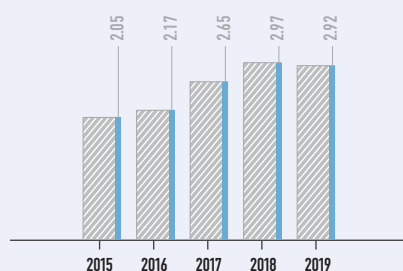
Gazprom Neft is one of the largest manufacturers and suppliers of bitumen products in Russia. Gazprom Neft has its own bitumen production facilities in Russia (in Moscow, Omsk, Yaroslavl, Ryazan, Vyazma, and Salsk), Serbia and Kazakhstan.

In 2019, sales of bitumen materials exceeded 2.9 mt. Premium sales of bitumen materials reached 0.42 mt, up 20% year on year. The growth was driven by the development of the distribution network (ensuring availability of bitumen-derived products throughout all Federal Okrugs of Russia), growth in exports, as well as by cooperation with regions to introduce modern bitumen materials into construction.

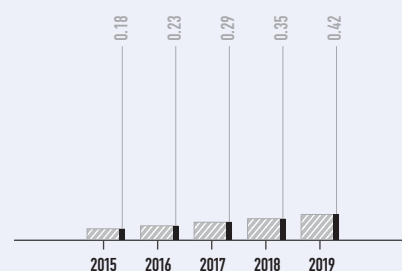
2019 marked the start of premium product sales in Latvia, Lithuania and Armenia. Supplies to Latin America, under strategic transnational projects, saw a 2.5-fold growth. In 2019, Gazprom Neft expanded the geography of bitumen-products sales to cover all 85 Russian regions, and 57 countries worldwide.

In 2019, the range of products manufactured at the Moscow Refinery's large bitumen unit was expanded to three types of bitumen binders, and the maximum daily capacity was maintained at 5,500 tonnes per day. A high-technology

Total sales of bitumen materials, mt



Premium sales, mt



Sales of bitumen materials, mt

Source: company data

Metric	2015	2016	2017	2018	2019
Total sales of bitumen materials, mt	2.05	2.17	2.65	2.97	2.92
Premium sales, mt	0.18	0.23	0.29	0.35	0.42

production and logistics terminal in Salsk also demonstrated strong performance, with more than 172,000 tonnes of bitumen shipped during the first year of the asset's operation under Gazprom Neft's management. Expanding geography and entering new global markets enabled the company to increase the productivity of its Ryazan Bitumen Binders Plant significantly by as much as 33% to 109,000 tonnes, with binder shipments in Clovertainer containers and other types of packaging from the

Ryazan Plant rising by 60% year on year to 64,000 tonnes. Key markets for packaged products include remote regions of Russia, Europe, and countries of Latin America.

The company continues to make steady progress towards the introduction of products for a new volumetric asphalt-mix design system currently being implemented in Russia. In addition to facilities in Ryazan and Vyazma, the bitumen terminal in Salsk and

Supplying bitumen materials to Latin America

Gazprom Neft has supplied polymer-bitumen binders (PBB) for the construction of the largest infrastructure facility in Latin America: the Bi-Oceanic Corridor. This highway will connect the east and west coasts of the South American continent and make them into a single transport network.

Innovative bitumens produced by the Gazprom Neft Ryazan Bitumen Materials Plant are being used in asphalt road coverings throughout the 277-kilometre border section of the highway, in Brazil and Paraguay. The specialist formulation of the PBBs used on the Bi-Oceanic Corridor highway was developed at Gazprom Neft's Science and Technology Centre in Ryazan, under the international Superpave mix design method. The composition of this innovative bitumen has been adapted to the

region's climatic conditions: high air temperature coupled with tropical humidity. The region's mountainous terrain, as well as future car and HGV traffic, were also taken into account in developing the PBBs. The binders' special formulation is expected to ensure the highway's reliable operation for a period of more than 10 years.

PBB deliveries to Latin America from Russia were undertaken by sea and road transport, in special patented medium-tonnage cuboid containers – Clovertainers, which guarantees that the high-performance features of bitumen are preserved.

a processing site in Omsk have also started manufacturing products graded in accordance with the PG (Performance Grade) classification (based on performance at different temperatures).

In expanding the product range and areas of application, the specialists at the Gazprom Neft bitumen-business operator have developed an innovative bitumen sealant, Brit

BPG-50 Plus, intended for use in the Arctic, at temperatures ranging from -50 to +30°C. The properties of this sealant will ensure the stability of piles supporting storage tanks in the construction of facilities in the Arctic.

« Many of the products in our bitumen-products line have no equivalents in Russia or anywhere else. This competitive advantage – alongside technologies, modern production capacity, an extensive logistics network, and scientific and technical expertise – mean we can expand geographic coverage of our business and be involved in implementing major international infrastructure projects.

Dmitry Orlov
CEO, Gazpromneft
Bitumen Materials

Petrochemicals

Sales of basic petrochemical products, mt

Source: company data

Metric	2015	2016	2017	2018	2019
Total petrochemicals sales (mt)	1.45	1.35	1.25	1.35	1.55

Gazprom Neft is Russia's largest producer of a number of basic petrochemicals: aromatic hydrocarbons (benzene, paraxylene, orthoxylene, toluene) and the propane-propylene fraction (PPF, propylene-containing LPG). Basic petrochemicals are produced at all Gazprom Neft refineries (in Omsk, Moscow and Yaroslavl). Downstream petrochemical products (polypropylene) are produced at integrated enterprises: NPP Neftekhimiya (Moscow) and Poliom (Omsk).

The development of petrochemical production is a growth area that is strategically important to the company. In order to strengthen Gazprom Neft's position on the petrochemicals market, the company, together with

SIBUR Holding, consolidated a 100% shareholding in Poliom LLC in 2019.

In 2019, polypropylene production totalled 139,000 tonnes at Neftekhimiya (+4% year on year) and 213,000 tonnes at Poliom (flat year on year). In addition, Neftekhimiya achieved a maximum hourly production rate of 17.4 tonnes per hour in 2019.

Developing the petrochemicals business is part of the Gazprom Neft's long-term strategy to 2030. By that time, the share of petrochemicals in the product mix is expected to increase to 15%.

Consolidation of a 100% shareholding in Poliom

Launched in 2013, Poliom is one of Russia's most important polypropylene producers. With annual capacity of 218,400 tonnes, the plant produces and supplies up to 80 different grades of polypropylene. The main feedstock in polypropylene production is the propane-propylene fraction which is supplied to the plant by the Gazprom Neft Omsk Refinery. Having been certified to international standards,

Poliom makes use of the best available solutions and zero-waste production technologies.

In 2019, Gazprom Neft together with SIBUR Holding purchased a 50% shareholding in Poliom from a partner on a parity basis. As a result, Gazprom Neft and SIBUR Holding became 100% owners of the plant.

Increasing the holding in Poliom is an important milestone in implementing Gazprom Neft's long-term strategy, the key priorities of which include developing the petrochemicals business. The integration of refining and petrochemical assets will allow the company to improve efficiency in using feedstocks supplied by our own refineries to produce high value-added products. Strengthening the company's technological partnership with SIBUR will, at the same time, give our products a competitive advantage on the Russian and international markets.

Levan Kadagidze

Head of Commercial Affairs Directorate, Downstream Division, Gazprom Neft

Catalyst production

Construction of a cutting-edge catalyst production facility in Omsk

Gazprom Neft has begun active construction of its modern high-tech oil-refining catalyst production facility in Omsk. The new 21,000-tonne per-year capacity plant will be producing modern catalysts for key processes in deep oil refining and the production of Euro 5 fuels.

Gazprom Neft's project is designed to meet Russian refineries' demand for modern and efficient cat-cracking and hydrotreatment catalysts necessary in producing Euro-5-standard gasoline and diesel fuels, as well as hydrocracking catalysts used in deep oil refining processes. The project's configuration envisages production of 4,000 tonnes of hydrotreatment catalysts, 2,000 tonnes of hydrocracking catalysts, and 15,000 tonnes of cat-cracking

catalysts every year. The catalyst production technologies developed by Gazprom Neft in conjunction with leading Russian scientific and technology institutions are protected by international patents; products will be manufactured using raw materials from Russian suppliers.

The Ministry of Energy of the Russian Federation has awarded the initiative the status of a National Project. Construction is expected to be completed in 2020. The project includes modern treatment, hermetic containment and control and monitoring systems, as a result of which environmental emissions will be almost cut in half, despite a seven-fold increase in output.

« The new production facility will allow us to reduce our heavy dependence on the supply of imported catalysts. Gazprom Neft catalysts will outstrip foreign alternatives on a number of criteria. Eventually, the company's share of the cat-cracking and hydroprocessing catalysts market may exceed 70%. Theoretically, the company is in a position to fully meet domestic demand. Any surplus will be exported.

Alexander Chembulaev
CEO, Gazpromneft
Catalytic Systems