

## COMPANY PROFILE

STRATEGIC REPORT  
 PERFORMANCE  
 TECHNOLOGICAL DEVELOPMENT  
 GOVERNANCE SYSTEM  
 SUSTAINABLE DEVELOPMENT  
 APPENDICES

## LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



### Dear shareholders and investors,

In 2019, Gazprom Neft continued developing its business in line with its new long-term Strategy adopted by the Board of Directors.

In the reporting year, Gazprom Neft increased hydrocarbon production by 3.5%, to almost 100 million tonnes of oil equivalent. This growth was driven both by more efficient development of mature fields and by new major projects such as the Novoportovskoye, Vostochno-Messoyakhskoye and Prirazlomnoye fields. Arctic assets were responsible for a significant contribution to the company's total production, with about 30% of all of today's oil production occurring within the Arctic Circle. A stable supply of Arctic oil to the global market is made possible by the world's first digital Arctic logistics management system developed by Gazprom Neft specialists.

# 32

new licence  
 areas

# > $\text{₽}400$ billion

net profit attributable to Gazprom Neft shareholders



Today, a major priority for the industry is to produce technological solutions for the economically viable development of non-traditional and hard-to-recover reserves. In 2019, Gazprom Neft continued to make progress towards this goal. By developing and introducing new technologies, the company's year-end results showed a 2.5-fold year-on-year increase in oil production at the Bazhenov Formation, whereas production costs almost halved.

The company expanded its resource base in 2019. Thirty two new licence blocks were added to the Gazprom Neft portfolio, including in new prospecting areas on the Gydan and Taymyr Peninsulas. One of the key areas for developing Gazprom Neft's resource base is the development of oil-rim deposits, Achimovsky deposits, and Necomian-Jurassic gas and gas-condensate deposits at Gazprom's flagship assets in Western and Eastern Siberia; these include the Chayandinskoye, Bovanenkovskoye, Yamburgskoye and Kharasaveyskoye fields. This has been possible thanks to the introduction of new forms of cooperation – namely long-term risk-based operatorship contracts – that allow Gazprom Neft to develop hydrocarbon production projects at fields belonging to its parent company, on terms identical to the licences it owns.

Construction of a number of modern process units at the company's refineries entered their final stages in the reporting year. Once they have been commissioned, the company will be able to make significant improvements to the operational and environmental performance of its refineries. Construction of Russia's first cutting-edge catalyst production facility in Omsk moved into an active phase in 2019. This project will help

the entire Russian oil-refining industry to achieve its overarching goal of allowing Russian refineries to see an end to their dependency on imports of catalysts; at the moment most are being supplied from abroad.

In the reporting year, Gazprom Neft made significant progress in developing its petrochemical segment, as the company and its partner, SIBUR, consolidated a 100% shareholding in the Poliom plant in Omsk. Integrating Poliom and the Gazprom Neft Omsk Refinery's technological capabilities and resources will allow the company to improve efficiency by using refinery feedstocks to produce high-value-added products.

Gazprom Neft is becoming increasingly prominent in the global petroleum-products market. The company offers its consumers products that meet the highest international standards. New restrictions on sulphur content in bunker fuels are a global challenge for the oil and shipping industries. Gazprom Neft responded to this challenge in 2019 by launching the production of a new fuel containing less than 0.5% sulphur. High-technology marine oils produced by the company are also consistent with the International Convention for the Prevention of Pollution from Ships, and are in demand on the global market. Gazprom Neft currently supplies bitumen products to 57 countries worldwide. The company is working systematically to develop bitumen technology, and has a proven track record in developing and using innovative bitumen materials.

Strong operational performance was reflected in Gazprom Neft financial results: in 2019, Gazprom Neft net profit exceeded ₪400 billion for the first time in the company's

history. The company continues to increase dividend payments to shareholders: dividends for 1H 2019 totalled as much as 40% of Gazprom Neft's net profit for the period.

Gazprom Neft celebrates its 25th anniversary in 2020. During that time, the company has increased the sheer scale of its business; it has evolved from a regional player with a number of local operating assets into a world-class company and an industry leader in technology. In the face of constantly changing market conditions, Gazprom Neft continues to give priority to safety, environmental responsibility and business efficiency. It does this by applying new technologies across the entire value chain. I believe that this will enable Gazprom Neft to remain resilient and to continue its steady progress towards achieving its strategic goals, despite momentous new challenges that the entire world is facing.

### Alexey Miller

Chairman of the Board  
of Directors  
Gazprom Neft PJSC