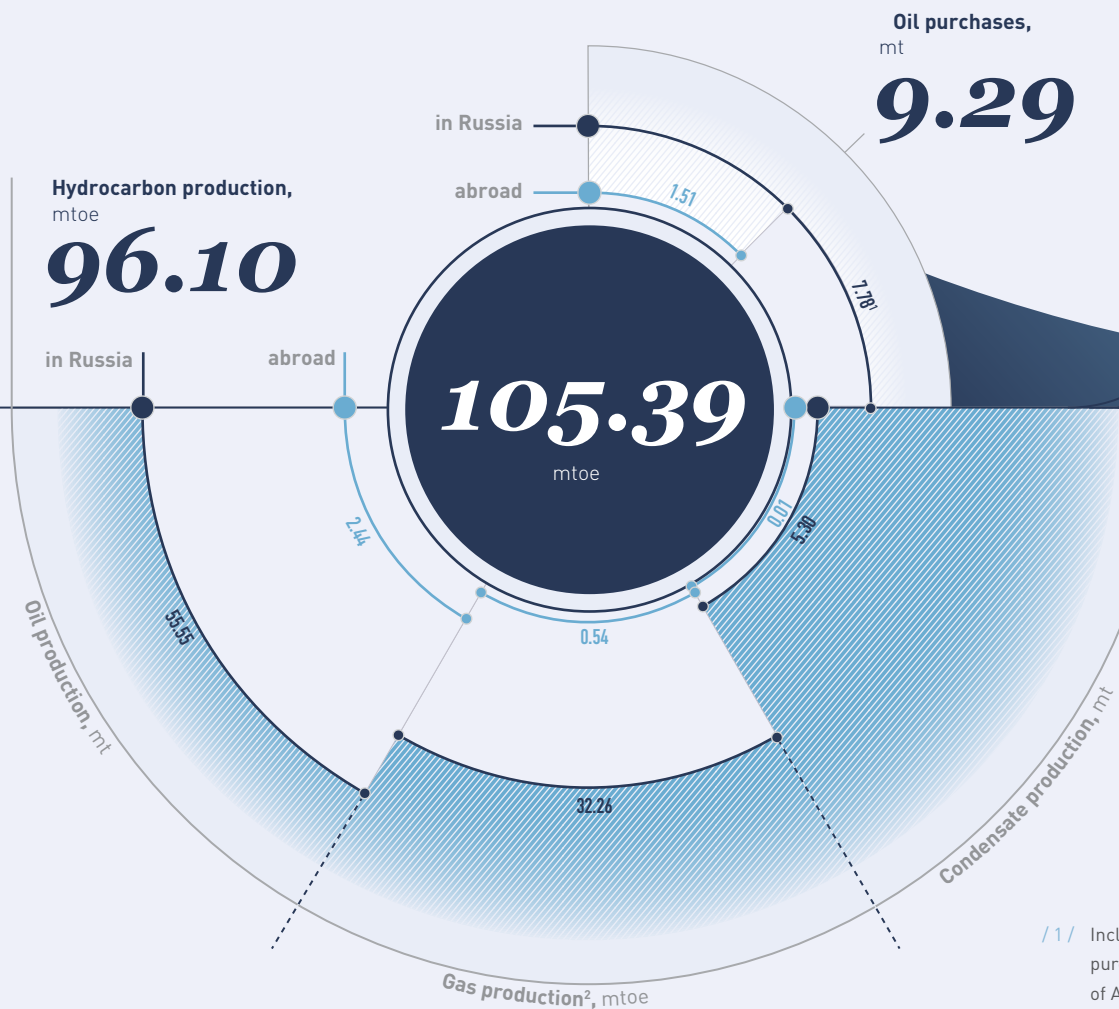


BUSINESS MODEL

Gazprom Neft's business model is based on the principle of vertical integration. Operating at all stages of the production chain (in both the upstream and downstream segments as well as sales and marketing) it allows the company to remain resilient and enhance its operating efficiency in the future.

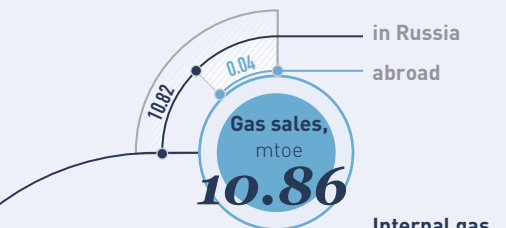
A well-balanced portfolio of upstream assets

The Gazprom Neft portfolio covers an extensive resource base to ensure the sustainable development of the company. The portfolio includes traditional and offshore oil and gas fields in various stages of development (from geological prospecting to mature fields) in Russia and abroad, allowing the company to expand production in order to maximise profit in line with market conditions.



/ 1 / Including stable gas condensate purchases from NOVATEK (25% of Arcticgas production)

/ 2 / The conversion factor (from bcm into mtoe) is 0.803



Internal gas consumption, mtoe

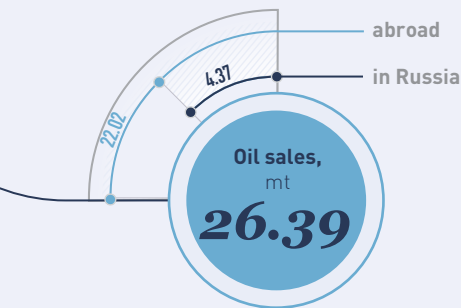
8.87

Oil inventories at year-end, mt

0.32

Gas, oil and condensate sales through joint ventures³, mtoe

18.33

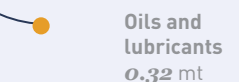
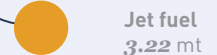
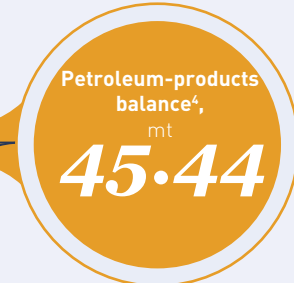
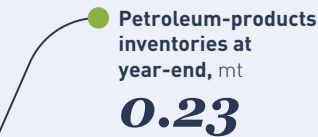
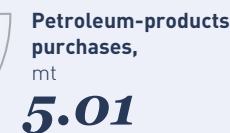
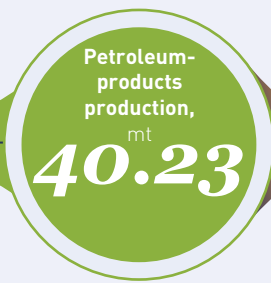


Modern and efficient refineries

The high efficiency of Gazprom Neft refineries is thanks to their strategically located, upgraded facilities and ongoing technological projects. A wide range of high-quality petroleum products offered by the company, and an advantageous geographical location in close proximity to end markets, enable Gazprom Neft to meet demand and cater to the high standards of its customers.

Directly-owned retail network in Russia and abroad

With an extensive distribution network in Russia and abroad, Gazprom Neft is able to maximise margins from sales of crude oil and oil products to a wide range of customers, from retail consumers to major traders. The company offers high-quality products and services on the motor-fuel, bunkering, jet-fuel, petrochemicals, lubricants and bitumen markets.



/ 3/ Sales through the Northgas and Arcticgas joint ventures
/ 4/ Including internal consumption and changes in inventories
/ 5/ Polymer-modified asphalt cement (PMAC) and bitumen emulsions

Creating stakeholder value

Shareholders and investors

Long-term value growth

High level of dividend yield

Customers and consumers

Readily available and stable energy supplies

Good consumer value and environmental performance of products

WHAT WE DO

- Ongoing communications with investors, shareholders and analysts to maintain a fair price for Gazprom Neft securities
- Developing a well-balanced corporate governance system to ensure compliance with Russian and international best practices, taking into account the specifics of the industry
- Transparent reporting of development strategy implementation
- Fair dividend policy
- Respecting minority shareholders' rights
- Continuously developing a risk-management system with highly detailed levels of responsibility
- Expanding direct sales to corporate clients through the directly-owned distribution network
- Expanding the Gazpromneft filling station network and developing its loyalty programme
- Partnerships with leading petroleum-product customers
- Developing and manufacturing products with enhanced consumer and environmental properties
- Increasing the efficiency of distribution channels by business process digitalisation and developing communication channels for customers and contractors

2019 RESULTS

- Gazprom Neft share price as at 31 December 2019: **₽420.2** per ordinary share **(+21.2% year on year)**
- Dividend payout for 6M 2019: **40%** of consolidated IFRS result
- Dividend yield: **8%** for 2019
- **Leading positions** in premium petroleum-products markets
- **11.9 million** participants in the Gazpromneft filling station network's loyalty programme
- All motor fuels are compliant with the **Euro 5** environmental standard
- Jet fuel supplied to **283 airports** in **67 countries worldwide**
- Bunkering in **35 ports** in Russia, Romania, Latvia and Estonia
- Lubricants supplied to **80 countries**
- Gazprom Neft is **the first Russian** oil company to have its own bitumen terminal network

Employees

A stable employer offering professional development opportunities

A competitive compensation package

- Systematic recruitment and employee rotation programmes
- Talent management, competency development and training
- Developing motivation programmes and building a culture of engagement
- Increasing employees' productivity and organisational efficiency
- Increasing efficiency of human resources management

- The company has topped **the Randstad Award** ranking of the most attractive employers in Russia
- The average monthly salary in the company is **₽134,000 (up 9.3%)**.

Local communities

Corporate responsibility and regional development

- Making significant tax contributions to local budgets
- Contributing to the development of social infrastructure
- Minimising negative environmental impact
- Supporting local initiatives

- Gazprom Neft is a major taxpayer in the key regions of its operation
- **₽37 million** allocated in 2019 for grants under the 'Home Towns' Programme; **143 projects** implemented
- Social investments by Gazprom Neft under social and economic agreements with regional governments totalled **₽2.9 billion**

Government

Energy security

Tax payments

Technological development of the Russian oil and gas industry

- Stable production growth and efficient oil refining with an extensive distribution network for petroleum products
- Implementation of the first major offshore project (Prirazlomnoye) and integrated development of the Russian Arctic shelf
- Developing a centre of technological excellence and ensuring technological independence

- Hydrocarbon production: **96.1 mtoe**
- Over **₽700 billion** paid in tax and other statutory payments in 2019
- Extending productive life of mature fields through the use of cutting-edge technologies
- Creating tools to remove regulatory industry barriers through the Digital Oil and Gas industry-wide working group

