

# Company's priorities for strategic development

## ECONOMY, PRODUCTION

- TO ACHIEVE STRATEGIC GOALS
- TO IMPROVE THE OPERATIONAL EFFICIENCY OF CORE BUSINESS
- INNOVATIVE ACTIVITIES

## ENVIRONMENT

- TO MINIMISE THE ENVIRONMENTAL IMPACT OF PRODUCTION ACTIVITIES
- SUSTAINABLE USE OF RESOURCES
- TO PRESERVE BIODIVERSITY
- ENERGY CONSERVATION AND ENERGY EFFICIENCY

## SOCIAL DEVELOPMENT

- TO DEVELOP THE COMPANY'S HR POTENTIAL
- TO IMPROVE INDUSTRIAL AND OCCUPATIONAL SAFETY LEVELS AND REDUCE THE RATE OF INJURIES, ACCIDENTS AND OCCUPATIONAL DISEASES
- SUPPORT FOR LOCAL COMMUNITIES IN REGIONS OF OPERATION AND ASSISTANCE IN THE SOCIOECONOMIC DEVELOPMENT OF REGIONS

## Value chain

Gazprom Neft PJSC is a vertically integrated oil company (VIOC) whose principal activities include the exploration, development, refining, production and sale of crude oil and gas as well as the sale of a wide range of petroleum products. An integrated business model allows Gazprom Neft to maximise the effective use of the Company's resources, increase the value of business and create value for stakeholders during each stage of activities. This enables the Company to maintain its leading positions and competitiveness in the long term. The global economic situation and changes on the oil market in 2015 proved to be significant factors for the Company and may require changes to the project implementation schedule and sequence. Gazprom Neft has not revised its long-term goals and is successfully performing tasks to achieve them with a commitment to generating the maximum added value on the capital that shareholders have invested in the Russian oil and gas industry.

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The foundation of the Company's activities is the Gazprom Neft Development Strategy until 2025, which was approved by the Board of Directors in 2013.

## BUSINESS

### EXPLORATION AND PRODUCTION

The volume of hydrocarbons extracted by the Company increases each year, thereby making it possible to meet the market's demand for oil and gas. The growth in production can be attributed to the large-scale development and introduction of innovations. The Company has increased production at mature fields in Western Siberia and introduced a new brand of Arctic crude oil – ARCO – to the international market from the Prirazlamnoye and Novy Port fields. Gazprom Neft continues to study opportunities to extract hard-to-recover and unconventional reserves. A balanced project portfolio helps to effectively manage production in rapidly changing market conditions.



### REFINING

The Company refines roughly 80% of the crude oil it extracts and remains one of the industry leaders in this regard while reliably meeting the demands of the domestic market. The high proportion of refining is a significant factor in ensuring the Company's economic efficiency. The Company achieves such results by continuously improving its operating efficiency, modernising oil refineries and implementing projects to increase the depth of refining and produce light petroleum products. Production facility modernisation programmes enable the Company to not only enhance the quality of its products, but also improve the environmental performance of motor fuels as well as minimise the environmental impact of its refineries. One promising area for the Company's development is the design of innovative catalysts and processes for processing raw hydrocarbons.



### SALES

The Company has a reliable high-margin sales network to sell petroleum products to industrial consumers and motor fuel via retail and small wholesale channels. Gazprom Neft has separated the following premium businesses: the sale of jet fuel, lubricants, bituminous materials and petrochemical products as well as bunkering.



## CREATION OF VALUE

Meeting the needs of customers for oil, gas and high-quality petroleum products

Dividends for shareholders

Tax revenue for all budget levels

Orders placed with local suppliers

Innovative activities that contribute to the industry's development

Manufacturing of innovative products with reduced environmental impact during consumption

Development of the industry's independence from imports based on the introduction of internal developments in catalytic processes

Creation and regulation of intellectual property that strengthens the Company's innovative image

Jobs, stable salaries and social support for personnel. Employee development and career growth programmes

Contribution to the socioeconomic stability of regions and their development as well as improving the lives of local communities

Nature conservation and contribution to the preservation of biodiversity

## STRATEGIC OUTLOOK FOR THE PERIOD UNTIL 2025

100 million TOE – Hydrocarbon production volume

In order to achieve these goals, Gazprom Neft strives to employ the most cost-effective methods to recover the remaining reserves from the current resource base by utilising the best practices for optimising field development, reducing the cost of proven technologies as well as acquiring and introducing new technologies. The Company plans to set up a new production centre in the northern YNAD and is considering unconventional reserves as significant potential for growth.

Gazprom Neft will continue modernising refining facilities and work to further enhance operational efficiency and implement projects to increase the depth of refining and manufacture light petroleum products using facilities in the Russian Federation.

Gazprom Neft plans to complete construction on a new catalyst production facility and start manufacturing cracking and hydroprocessing catalysts.

In R&D, the Company intends to introduce the high performance results of its own R&D projects into actual production.

In the long term, the Company's own sales channels should sell 100% of the petroleum products manufactured at its oil refineries in Russia for the maximum coverage of the value chain in the oil business.

In the motor fuel segment, Gazprom Neft intends to increase overall sales in Russia and the CIS by 2025 as a result of 20% growth in the retail sales channel. The Company plans to expand its filling station network in Russia and the CIS to achieve this goal.

In the segment for the sale of petroleum products to industrial consumers, the Company is targeting a 30% increase in petroleum product sales by 2025.