

MOTOR FUEL AND FILLING STATIONS

MOTOR FUEL SALES

One of the key areas of the Company's activities is the development of the small-scale wholesale and retail segment of petroleum product sales. Having its own national brand as well as a high level of awareness and trust in the quality of its product helps Gazprom Neft achieve one of its strategic goals of joining the leaders in Russia and the CIS in terms of the volume of retail sales and efficiency of the filling station network by 2025.

Total small-scale wholesale and retail sales increased by 4.8% in 2016 compared to the previous year and amounted to 19.76 million tonnes. The Company managed to increase premium sales both domestic market and foreign markets where the Company has a sales network.

FILLING STATION NETWORK

In the Russian Federation, the Company has one of the largest and most geographically diversified sales networks on the retail petrol market. As of the end of the year, the Gazpromneft filling station network included 1,244 filling stations, including 1,197 Company-owned stations and 47 stations managed by franchise partners. The filling station network increased by 55 stations in 2016 and expanded its presence to 37 regions of the Russian Federation.

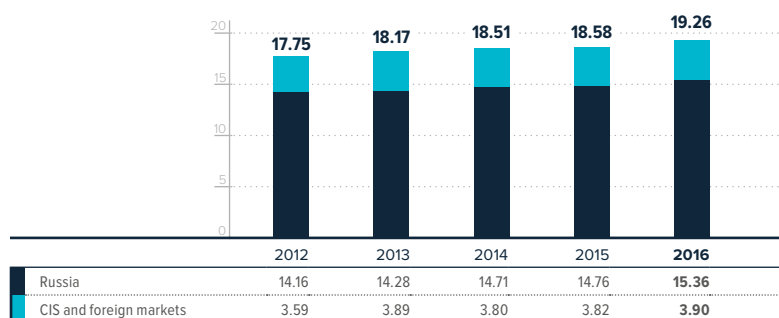
Developing the network, maintaining control over partner filling stations and continuously working to improve the efficiency of business processes has enabled the Company to increase its market share in the regions where it operates. As of the end of the year, the Company had increased its share of the retail motor fuel market by 1.4 percentage points to 26.1% excluding franchises.

¹ Data only presented for existing filling stations.
² Data as of the end of the year.

In foreign markets, the Company's filling station network consists of 624 stations, including 200 filling stations in CIS countries (Belarus, Kazakhstan, Tajikistan and Kyrgyzstan) and 424 stations in southeast Europe (Serbia, Bosnia and Herzegovina, Bulgaria and Romania) under the NIS Petrol and GAZPROM brands.

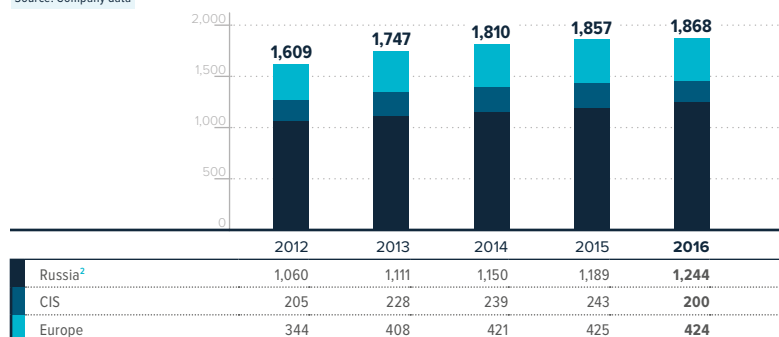
PREMIUM SALES OF MOTOR FUELS BY REGION (mn t)

Source: Company data



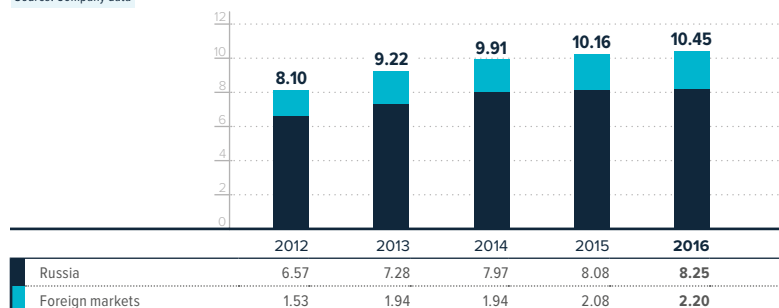
FILLING STATION NETWORK¹ (stations)

Source: Company data



FILLING STATION SALES (mn t)

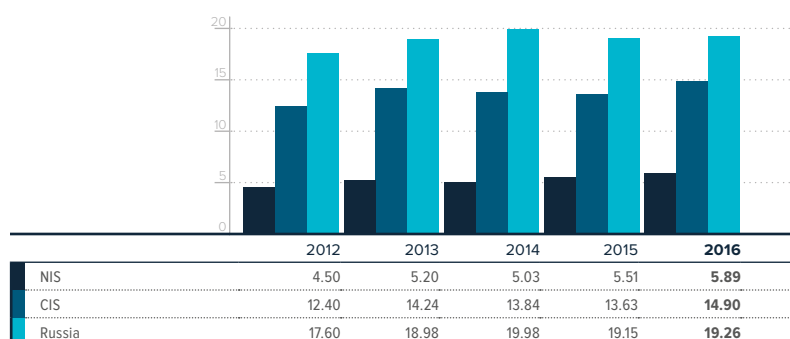
Source: Company data



As the volume of the motor fuel market in the Russian Federation decreases overall, the Company's highly efficient filling station network has shown stable growth in the volume of retail petrol and diesel fuel sales. Total sales increased by 2% for the year to 10.4 million tonnes, including 8.2 million tonnes in Russia.

AVERAGE DAILY SALES VIA FILLING STATIONS (t/day)

Source: Company data



Despite the negative trends on the Russian retail fuel market, average daily sales for the Gazpromneft filling station network grew by 0.6% per station.

The stable growth in sales resulted from marketing campaigns and measures as part of the 'Both Better and Cheaper' strategy.

CROSS-SELLING

Cross-selling is one of the most promising and rapidly growing segments of the retail business. Total revenue via the 'Cross-selling business' channel has steadily demonstrated significant growth in Russia and the CIS. This figure expanded by 15% last year to more than RUB 18 billion.

The target efficiency indicator of 'Covering payroll with gross income from cross-selling at filling stations and stores' also increased by 6% to an average of 70%, including 72% in Russia and 52% in the CIS.

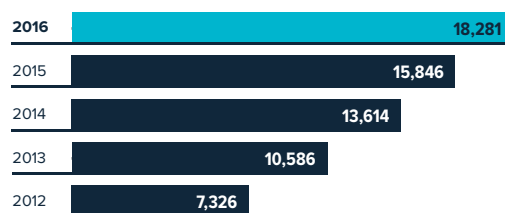
The most significant changes were seen in the development of the Drive Café brand of non-fuel products at Gazpromneft filling stations. In 2016, the network's Russian filling stations sold 21 million cups of coffee, an 18% increase versus the previous year, while total revenue from hot beverages amounted to RUB 2 billion.

The large number of items offered under the Drive Café and Gazpromneft Filling Station Network trademarks (281 items) accounted for a significant overall share of annual revenue at 28%.

KEY CROSS-SELLING EFFICIENCY INDICATORS OF THE FILLING STATION NETWORK IN RUSSIA AND THE CIS

Source: Company data

REVENUE (RUB mn including VAT)



REVENUE PER 1 T OF PETROLEUM PRODUCTS SOLD TO INDIVIDUALS (RUB 1,000 including VAT)



REVENUE PER 1 M² OF RETAIL SPACE (RUB 1,000 including VAT)



NUMBER OF FILLING STATIONS WITH A STORE AT THE END OF 2016 (stations)



LOYALTY PROGRAMME

The 'Going the Same Way' loyalty programme for clients of the Gazpromneft filling station network is the undisputed leader among vertically integrated oil companies in terms of the number of members. The programme considerably strengthened its positions over the last year thanks to marketing and IT measures and included some 7.7 million cardholders at the end of 2016, a 13% increase from 2015.

Loyalty programme members account for 83% of total sales to individuals at the Company's filling station network in the Russian Federation, a 14% increase compared with the previous year.

All loyalty programme members have the opportunity to purchase fuel and merchandise at the Gazpromneft filling station network at a discount ranging from 3% to 5% by accumulating bonus points and using them to make purchases at filling stations. In addition, nationwide sales promotions are regularly held for 'Going the Same Way' cardholders, enabling them to receive unique prizes and privileges on top of additional benefits in the form of bonus points. Loyalty programme members can also accumulate bonus points outside of the filling station network with the co-branded Gazprombank-Gazpromneft bank card.

The loyalty programme's technological platform was updated in early 2016. The checkout time for customers was reduced by 88% thanks to the introduction of Pure contactless technology. Now the bonus accumulation time does not exceed 5 seconds, and the number of bonus points can be viewed online in a personal user account.

The Company continued work throughout the year to expand the geography of the loyalty programme, which is now available to motorists in Serbia, Kazakhstan, Kyrgyzstan and Tajikistan.

BRANDED FUEL

Branded G-Drive fuel was introduced to the Russian market in 2010 and since that time has become increasingly popular with support coming from the world motor sport platform. An important feature of the G-Drive formula is the presence in the petrol of an integrated technological mixture as a result of which the energy generated by the engine is not wasted on friction and virtually becomes fully mechanical. As a result, G-Drive can provide increased capacity of up to 12% with improved acceleration dynamics. In addition, the premium fuel formula includes powerful components that reduce the amount of deposits on internal engine components by more than 90% and slow the formation of new deposits. The fuel also has improved environmental properties: exhaust contains 32% less carbon monoxide, 8% less hydrocarbons and 16% less nitrogen oxide compared with standard fifth-class emission standard fuel. Another effect from the use of G-Drive in terms of environmental benefits is a reduction in fuel consumption.

The Company increased sales of premium branded fuel at its filling stations by 5% in 2016.

The number of filling stations offering G-Drive 95 increased by 84 stations to 1,149 filling stations in 2016 compared with 2015. Approximately 30% of high-octane petrol customers purchased G-Drive during the reporting period.

PREMIUM FUEL SALES (mn t)

Source: Company data

	2012	2013	2014	2015	2016
G-DRIVE 95	0.21	0.38	0.51	0.57	0.59
number of filling stations selling fuel	600	789	998	1,065	1,149
G-DRIVE 98	–	0.01	0.06	0.06	0.06
number of filling stations selling fuel	–	322	416	464	494
G-DRIVE 92	–	–	–	0.02	0.03
number of filling stations selling fuel	–	–	–	46	56



30%
of high-octane petrol
customers preferred
G-Drive fuel

AIRCRAFT FUELING

GAS ENGINE FUELS

Environmental friendliness and cost-effectiveness play a key role in municipal and commercial transportation in large cities, making these segments major consumers of gas engine fuels. Gazprom Neft pays close attention to developing sales of gas engine fuels, in particular liquefied petroleum gas (LPG) and compressed natural gas (CNG).

The Company increased sales of LPG by 9.5% to 115,000 tonnes in 2016, while sales of CNG expanded by 2.5% to 17.5 million m³.

In 2016, there were a total of 163 vehicle filling stations under the Gazpromneft brand within multi-fuel filling complexes.

SALES OF GAS ENGINE FUEL AND NUMBER OF VEHICLE STATIONS

Source: Company data

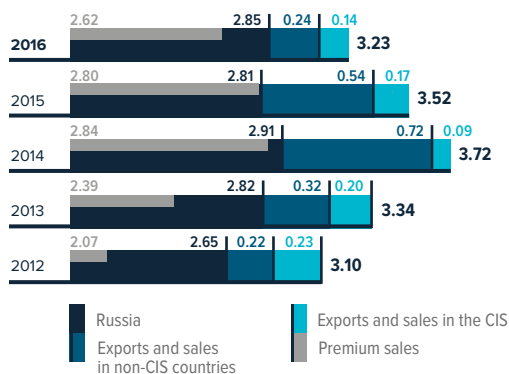
	2012	2013	2014	2015	2016
LPG, 1,000 t	92	93	97	105	115
CNG, 1,000 m ³	11,611	12,749	15,106	17,080	17,500
Number of VFS ¹	125	123	136	153	156
Number of NGVFS ²	4	4	7	7	7

¹ The number of vehicle filling stations (VFS) under the Gazpromneft brand within multi-fuel filling complexes.

² The number of natural gas vehicle filling stations (NGVFS).

AIRCRAFT FUELING (mn t)

Source: Company data



↑ 0.4 p.p.

26.2%

market share of the Russian Federation

↑ 11.9%

235

airports

airport network

The retail jet fuel market in the Russian Federation continued to contract in 2016, declining by 7.7% compared with 2015 to 7.9 million tonnes. Gazprom Neft is the leader in retail sales of jet fuel in Russia and, despite the overall decline on the market, managed to increase its market share by 0.38 percentage points to 26.24% in 2016.

The network of the Company's refueling complexes includes 47 facilities – 46 in Russia and one abroad (Kyrgyzstan). The refueling complex network in the Russian Federation expanded in 2016 with the acquisition of three refueling complexes in the Chukotka Autonomous District in Anadyr, Pevek and Kerpeyevm.

As of the end of 2016, the Company provided jet fuel supply services at 235 airports in 63 countries located in Southeast Asia, Europe, Africa, Australia as well as North and Latin America.