RAW MATERIALS BASE
AND PRODUCTION

RAW MATERIALS BASE

The resource base of the Company’s current assets has deteriorated in terms of the remaining commercial reserves as most fields are in a late stage of development. An increase in high-tech drilling and the use of tertiary methods for boosting oil recovery has enhanced the efficient development of these reserves.

The Company’s reserves are audited according to PRMS-SPE standards and the more conservative SEC standards. Based on the report of DeGolyer and MacNaughton’s independent reservoir engineers, total proven and probable hydrocarbon reserves (including the Company’s stake in the reserves of affiliates accounted for using the equity method) amounted to 2.719 billion TOE (1.867 billion tonnes of oil, 1.07 trillion m³ of gas), excluding NIS, as of 31 December 2016.

DYNAMICS OF THE RAW MATERIALS BASE FOR 2015–2016 (mn TOE)

Source: Company data

OIL AND GAS PRODUCTION

The Company is increasing its reserves in addition to the volume and efficiency of production at its own and shared assets. Gazprom Neft is active in the exploration, development and production of oil and gas in Russia and abroad.

HYDROCARBON PRODUCTION (mn TOE)

Source: Company data

Growth in hydrocarbon production in 2016 was due to:
> current assets — further drilling of the Priobskoye field and Orenburg assets;
> major projects — increased production at the Prirazlomnoye and Novoportovskoye fields, at assets belonging to SeverEnergy LLC (Arcticgas), Northgas CJSC and Badra, and the launch of the East Messoyakha field.

Key objectives in 2017:
> to ensure at least 3% growth in hydrocarbon production at the Company;
> to integrate 34.28 million tonnes of hard-to-recover reserves (HTRR) into development.

Factors contributing to growth in production:
> Novy Port:
   - the start of year-round oil shipments via the Gates of the Arctic marine terminal;
   - launch of technological infrastructure facilities for 5.5 million tonnes;
   - start of operations by two Arc7 tankers to ensure year-round oil shipments;
> Messoyakha:
   - launch of commercial production;
   - start of oil delivery to the Transneft pipeline system;
   - exemption obtained for export duty;
   - commissioning of a gas turbine power plant with total capacity of more than 90 MW.

---

1 Data does not include reserves and production volume of NIS.
2 Consolidated companies.
3 Share in production.
4 Average daily production by the Gazprom Neft Group.
5 JV and joint activities include Tomskneft, Slavneft, Salym Production Development, Northgas and Messoyakhaneftegaz.
OIL PRODUCTION

Gazprom Neft assumed the leading position in the industry in terms of oil production growth rates among Russian oil companies in 2016. Oil production increased by 7.2% over the reporting year.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom Neft</td>
<td>50.78</td>
<td>50.58</td>
<td>52.06</td>
<td>55.67</td>
<td>59.85</td>
</tr>
<tr>
<td>Slavneft</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>SeverEnergy (Arcticgas)</td>
<td>0.06</td>
<td>0.18</td>
<td>0.88</td>
<td>3.42</td>
<td>3.77</td>
</tr>
<tr>
<td>Northgas</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Messoyakhaneftegaz</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Average daily production</strong></td>
<td>138.75</td>
<td>138.57</td>
<td>142.62</td>
<td>152.52</td>
<td>163.52</td>
</tr>
</tbody>
</table>

In 2017, the target oil production profile includes:
- 5.5 mn t for the Novy Port field;
- 2.6 mn t for the Prirazlomnoye field;
- 1.5 mn t for the East Messoyakha field (based on Gazprom Neft’s stake).

FACTORS CONTRIBUTING TO GROWTH IN PRODUCTION IN 2017

- Current assets – further drilling of the Priobskoye field;
- Major projects – increased production at the Prirazlomnoye and Novoportovskoye fields and the development of the East Messoyakha field and Badra assets.

GAS PRODUCTION

The Company is actively developing its gas business with a focus on commercialising the reserves of associated and natural gas produced at fields. The Gazprom Neft Group’s gas programme envisages accelerated growth in gas production in Russia.

The development of small gas deposits that make up larger fields at which Gazprom Neft operates will further enhance the cost-effectiveness of the utilisation of the Company’s reserves and help increase hydrocarbon production to 100 million TOE per year, as envisioned by the Company’s Development Strategy until 2025.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom Neft</td>
<td>10.25</td>
<td>12.90</td>
<td>13.43</td>
<td>14.15</td>
<td>15.18</td>
</tr>
<tr>
<td>Slavneft</td>
<td>0.42</td>
<td>0.41</td>
<td>0.44</td>
<td>0.46</td>
<td>0.47</td>
</tr>
<tr>
<td>SeverEnergy (Arcticgas)</td>
<td>0.45</td>
<td>1.24</td>
<td>3.31</td>
<td>10.85</td>
<td>12.09</td>
</tr>
<tr>
<td>Northgas</td>
<td>0.00</td>
<td>0.00</td>
<td>0.50</td>
<td>4.46</td>
<td>5.07</td>
</tr>
<tr>
<td>Messoyakhaneftegaz</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
</tr>
</tbody>
</table>

1 Including gas condensate.
2 Consolidated companies.
3 Production share.
4 Gas production consists of commercial gas and gas used for internal needs.