

**Management's Discussion and Analysis of Financial Condition
and Results of Operations
for the three months ended March 31, 2020 and 2019 and December 31, 2019**

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Definitions and conversions

The following discussion is intended to assist you in understanding the Group financial position as of March 31, 2020 and results of operations for the three months ended March 31, 2020 and 2019 and December 31, 2019, is published and should be read in conjunction with the Interim Condensed Consolidated Financial Statements, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

This report represents Group's financial condition and results of operations on a consolidated basis. In this report the terms "Gazprom Neft", "Company", "Group" represent PJSC Gazprom Neft, its consolidated subsidiaries and joint operations (as defined in IFRS 11) ("Tomskneft", "Salym petroleum development" (SPD) and "Yuzhno-Priobskiy GPZ" (UGPZ)). The term "Joint ventures" represents entities accounted for by the equity method.

Tonnes of crude oil produced are translated into barrels using conversion rates reflecting oil density from each of our oil fields. Crude oil purchased as well as other operational indicators expressed in barrels are translated from tonnes using a conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet are made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil and liquid hydrocarbon into barrels of oil equivalent ("boe") are made at the rate of 1 barrel per boe and of cubic feet into boe at the rate of 6,000 cubic feet per boe.

Since 2020 thousand cubic meters of gas produced are translated into tonnes of oil equivalent ("toe") using conversion rate of 0,825 cubic meter per toe, reflecting the gas component at each of our oil fields. Prior to 2020 thousand cubic meters of gas produced were translated into tonnes of oil equivalent using conversion rate of 0,803 cubic meter per toe. The Group has not restated comparatives as the change in conversion rate didn't influence significantly on data dynamics.

Forward-looking statements

This discussion contains forward-looking statements concerning the financial condition, results of operations and businesses of Gazprom Neft and its consolidated subsidiaries. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning the potential exposure of Gazprom Neft to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. There are a number of factors that could affect the future operations of Gazprom Neft and could cause those results to differ materially from those expressed in the forward-looking statements contained in this Report, inclusively (without limitation): (a) price fluctuations in crude oil and gas; (b) changes in demand for the Company's products; (c) currency fluctuations; (d) drilling and production results; (e) reserve estimates; (f) loss of market and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) economic and financial market conditions in various countries and regions; (j) political risks, project delay or advancement, approvals, and cost estimates; and (k) changes in trading conditions.

Key financial and operating data

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
Financial results (RUB million)						
514,568	613,870	(16.2)	Revenue	514,568	586,359	(12.2)
99,114	179,618	(44.8)	Adjusted EBITDA*	99,114	197,688	(49.9)
3,998	7,431	(46.2)	RUB per toe of production	3,998	8,506	(53.0)
8.17	15.70	(48.0)	USD** per boe of production	8.17	17.42	(53.1)
(13,806)	80,228	-	Profit attributable to Gazprom Neft shareholders	(13,806)	107,894	-
Operational results						
184.13	179.58	2.5	Hydrocarbon production including our share in joint ventures (MMboe)	184.13	171.67	7.3
24.79	24.17	2.6	Hydrocarbon production including our share in joint ventures (MMtoe)	24.79	23.24	6.7
2.02	1.95	3.6	Daily hydrocarbon production (MMboepd)	2.02	1.91	5.8
119.14	116.79	2.0	Crude oil and condensate production including our share in joint ventures (MMbbl)	119.14	113.54	4.9
379.39	376.66	0.7	Gas production including our share in joint ventures (bcf)	379.39	348.80	8.8
10.28	10.39	(1.1)	Refining throughput at own refineries and joint ventures (MMtonnes)	10.28	9.96	3.2

* EBITDA is a non-IFRS measure. A reconciliation of adjusted EBITDA to profit before income taxes is provided in the appendix

**Translated to USD at the average exchange rate for the period

1 quarter 2020 highlights

- In April 2020 the Board of Directors recommended to approve dividends on the ordinary shares for 2019 FY in the amount of RUB 37.96 per share (including interim dividends in the amount of RUB 18.14 per share)
- Received exploration licenses for 6 new license blocks in Yamalo-Nenets Autonomous Okrug
- The Gazprom Neft–Shell transaction on the joint development of the Salym group of fields has been completed. The Salym Petroleum Development (SPD, a Gazprom Neft–Shell joint venture) asset portfolio includes a new license for geological prospecting, exploration and production rights to traditional reserves at the Salymsky-2 field in the Khanty-Mansi Autonomous Okrug
- Installation of key production equipment for the Omsk Refinery's future two-million-tonne-capacity delayed coking unit (DCU) has been completed. This will allow the refinery to minimise fuel oil production, and increase production of motor fuels and petroleum cokes. In result the complex will deliver a two-fold reduction in the environmental emissions, while increasing refining depth (the conversion rate) to 97% and the light product yield to 80%.
- In line with new MARPOL requirements, the Group is expanding production and sales of environmentally-friendly marine fuels. The Omsk Refinery has been producing new low-sulphur fuel – developed by the Group, with less than 0.5% sulphur content – since January 2020
- In February the Group performed 5-year RUB 10 billion 6.20% p.a. coupon bond placement. The coupon rate at the moment of placement has become the lowest in the history of the Russian market for similar maturities for 5 and more years among corporate placements
- The decline in energy prices in early 2020 was further complicated by the spread of COVID-19, which led to a further decline in global energy consumption. The extent, consequences and duration of the impacts of the pandemic remain uncertain, and could impact Group results going forward. Gazprom Neft has undertaken (and continues to implement) an extensive range of initiatives to ensure the safety of its employees, and to ensure the continuous operation of its production facilities. Further initiatives have been undertaken to ensure the safety of contractors, and to support medical personnel, emergency services and volunteers in those locations in which the company operates. To help combat the spread of COVID-19 the company has re-deployed spare capacity to manufacture health care products.

Results for 3 months 2020 compared with 3 months 2019

- Total hydrocarbon production, including Group's share in joint ventures, increased by 6.7% to 24.79 MMtoe due to production growth at Arcticgas fields and oil rim projects, Novoportovskoye field and in Orenburg region
- Total refining throughput increased by 3.2% due to scheduled repairs at Group's refineries during 1Q 2019
- Revenue decreased by 12.2% due to crude oil and petroleum products price decline on the international and domestic markets. The decrease was partly compensated by petroleum products export sales volume growth
- An adjusted EBITDA decreased by 49.9% mainly due to lower crude oil and petroleum products prices, negative export duty lag impact and lower share of EBITDA of joint ventures
- Loss attributable to Gazprom Neft shareholders was mainly due to Russian Rouble weakening for 3 months 2020 and EBITDA decrease.

Results for 1Q 2020 compared with 4Q 2019

- Total hydrocarbon production, including Group's share in joint ventures, increased by 2.6% due to production growth at Arcticgas fields and oil rim projects
- Refining throughput decreased by 1.1% due to lower throughput at Pancevo refinery in result of market conditions impact including worsening epidemiologic situation in the world
- Revenue decreased by 16.2% mainly due to crude oil and petroleum products price decline on the international and domestic markets and petroleum products sales volume decline
- An adjusted EBITDA decreased by 44.8% mainly due to lower crude oil and petroleum products prices, negative export duty lag impact and lower share of EBITDA of joint ventures
- Loss attributable to Gazprom Neft shareholders was mainly due to Russian Rouble weakening for 3 months 2020 and EBITDA decrease.

Analysis of operating results

Production

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
(MMtonnes)			Crude oil, condensate and NGLs*	(MMtonnes)		
2.55	2.26	12.8	Noyabrskneftegaz	2.55	2.47	3.2
3.19	3.15	1.3	Khantos	3.19	3.08	3.6
0.99	1.00	(1.0)	Tomskneft	0.99	1.03	(3.9)
0.81	0.82	(1.2)	SPD	0.81	0.76	6.6
0.78	0.80	(2.5)	Orenburg	0.78	0.72	8.3
0.23	0.23	-	NIS	0.23	0.23	-
0.42	0.44	(4.5)	Vostok	0.42	0.40	5.0
1.91	1.94	(1.5)	Novoportovskoye	1.91	1.90	0.5
0.77	0.83	(7.2)	Prirazlomnoye	0.77	0.80	(3.8)
0.34	0.33	3.0	Badra & Kurdistan	0.34	0.39	(12.8)
0.22	0.13	69.2	Oil rims	0.22	0.01	>200
0.11	0.08	37.5	Others	0.11	0.08	37.5
12.32	12.01	2.6	Total production by subsidiaries and joint operations	12.32	11.87	3.8
1.72	1.74	(1.1)	Share in production at Slavneft	1.72	1.75	(1.7)
1.11	1.06	4.7	Share in production at Arcticgas	1.11	1.00	11.0
0.07	0.06	16.7	Share in production at Northgas	0.07	0.07	-
0.70	0.74	(5.4)	Share in production at Messoyakha	0.70	0.62	12.9
3.60	3.60	-	Share in production at joint ventures	3.60	3.44	4.7
15.92	15.61	2.0	Total crude oil, condensate and NGLs	15.92	15.31	4.0
(bcm)			Gas**	(bcm)		
2.01	2.07	(2.9)	Noyabrskneftegaz	2.01	2.17	(7.4)
0.27	0.28	(3.6)	Khantos	0.27	0.27	-
0.24	0.25	(4.0)	Tomskneft	0.24	0.25	(4.0)
0.04	0.04	-	SPD	0.04	0.03	33.3
0.88	0.86	2.3	Orenburg	0.88	0.74	18.9
0.11	0.11	-	NIS	0.11	0.11	-
0.20	0.11	81.8	Vostok	0.20	0.04	>200
2.25	2.25	-	Novoportovskoye	2.25	1.70	32.4
0.05	0.05	-	Badra	0.05	0.06	(16.7)
0.07	0.04	75.0	Others	0.07	0.05	40.0
6.12	6.06	1.0	Total production by subsidiaries and joint operations	6.12	5.42	12.9
0.12	0.12	-	Share in production at Slavneft	0.12	0.12	-
3.69	3.59	2.8	Share in production at Arcticgas	3.69	3.43	7.6
0.78	0.87	(10.3)	Share in production at Northgas	0.78	0.88	(11.4)
0.03	0.03	-	Share in production at Messoyakha	0.03	0.03	-
4.62	4.61	0.2	Share in production at joint ventures	4.62	4.46	3.6
10.74	10.67	0.7	Total gas production	10.74	9.88	8.7
(MMtoe)			Hydrocarbons	(MMtoe)		
17.38	16.87	3.0	Total production at subsidiaries and joint operations	17.38	16.22	7.2
7.41	7.30	1.5	Share in production of joint ventures	7.41	7.02	5.6
24.79	24.17	2.6	Total hydrocarbon production	24.79	23.24	6.7
184.13	179.58	2.5	Mmtoe ***	184.13	171.67	7.3
2.02	1.95	3.6	Daily hydrocarbon production (MMboepd)	2.02	1.91	5.8

* Crude oil and condensate production includes gas recycling (NGL, LHG and others)

** Gas production includes marketable gas and gas used for the company needs taking into account reinjection for maintaining formation pressure.

Gas production does not include gas used for gas recycling

*** Since January 1, 2020 the Group increased gas conversion rate from thousand cubic meters to tones of oil equivalent from 0,803 to 0,825. The change of conversion rate was approved by independent appraiser DeGolyer and MacNaughton

- Group daily hydrocarbon production increased by 5.8% Y-o-Y and by 3.6% Q-o-Q
- Group oil and condensate production increased by 4.0% Y-o-Y and by 2.0% Q-o-Q due to new wells commissioning and production growth at oil rim projects, at Noyabrsk region and at new oil fields in Khanty-Mansiysk Autonomous Okrug
- Group gas production increased by 8.7% Y-o-Y due to commissioning of a gas compressor station at GPN Vostok fields in 4Q 2019, higher natural gas production at Novoportovskoye oil field, oil fields at Arcticgas and in Orenburg region
- Group gas production Q-o-Q remained at the prior quarter level.

Logistics, refining and marketing

Crude oil purchases

1Q 2020	4Q 2019	Δ, %	(MMtonnes)	3 month 2020	2019	Δ, %
1.56	1.52	2.6	Crude oil purchases in Russia*	1.56	1.94	(19.6)
0.26	0.56	(53.6)	Crude oil purchases internationally	0.26	0.18	44.4
1.82	2.08	(12.5)	Total crude purchased	1.82	2.12	(14.2)

* Crude oil purchases in Russia:

- exclude purchases from the Group's joint ventures Slavneft, Arcticgas and Messoyakha

- include purchase of stable gas condensate from Novatek (25% of Arcticgas production)

- Crude oil purchases on the domestic market decreased Y-o-Y mainly due to sufficient level of own supply to provide refining throughput and sales level
- Change of crude oil purchases on the international markets Y-o-Y and Q-o-Q was due to dynamics of refining throughput volume at Pancevo refinery.

Refining

1Q 2020	4Q 2019	Δ, %	(MMtonnes)	3 month 2020	2019	Δ, %
Refining throughput						
5.18	5.13	1.0	Omsk	5.18	5.13	1.0
2.42	2.26	7.1	Moscow	2.42	2.32	4.3
0.78	0.99	(21.2)	Pancevo	0.78	0.56	39.3
8.38	8.38	-	Total throughput at refineries owned by subsidiaries	8.38	8.01	4.6
1.90	2.01	(5.5)	Share in Yaroslavl	1.90	1.95	(2.6)
10.28	10.39	(1.1)	Total refining throughput	10.28	9.96	3.2
Production of petroleum products						
2.08	1.97	5.6	Gasoline	2.08	1.79	16.2
2.08	1.97	5.6	Class 5	2.08	1.79	16.2
0.47	0.49	(4.1)	Naphtha	0.47	0.56	(16.1)
3.10	3.05	1.6	Diesel	3.10	2.92	6.2
3.08	3.02	2.0	Class 5	3.08	2.90	6.2
0.02	0.03	(33.3)	Class 2 and below	0.02	0.02	-
1.47	1.87	(21.4)	Fuel oil	1.47	1.78	(17.4)
0.75	0.82	(8.5)	Aviation fuels	0.75	0.76	(1.3)
0.86	0.45	91.1	Marine fuels, including	0.86	0.63	36.5
0.30	-	-	Low sulphur marine fuels	0.30	-	-
0.53	0.58	(8.6)	Bitumens	0.53	0.31	71.0
0.12	0.15	(20.0)	Lubricants	0.12	0.13	(7.7)
0.34	0.32	6.3	Petrochemicals	0.34	0.37	(8.1)
0.26	0.40	(35.0)	Other	0.26	0.34	(23.5)
9.98	10.10	(1.2)	Total production	9.98	9.59	4.1

- Total throughput increased by 3.2% Y-o-Y due to scheduled repairs at Group's refineries during 1Q 2019
- Total throughput decreased by 1.1% Q-o-Q mainly due to lower throughput at Pancevo refinery in result of market conditions impact including worsening epidemiologic situation in the world
- High-octane gasoline production volume increased by 16.2% and diesel fuel by 6.2% Y-o-Y due to higher overall refining throughput and pricing environment on the domestic and international markets
- High-octane gasoline production volume increased by 5.6% and fuel oil decreased by 21.4% Q-o-Q due to scheduled repairs of catalytic cracking process units at Omsk and Moscow refineries in 4Q 2019
- Since 2020 the Group starts to produce low sulphur marine fuels in accordance with MARPOL requirements that lead to marine fuels production volume increase by 36.5% Y-o-Y and by 91.1% Q-o-Q. The increase was due to pricing environment on the domestic and international markets and economic efficiency
- Bitumens production volume increased by 71.0% Y-o-Y due to scheduled repairs at Group's refineries in 1Q 2019 and economic efficiency
- Fuel oil production volume decreased by 17.4% Y-o-Y in result of marine fuels and bitumens production increase
- Aviation fuels production volume decreased by 8.5% Q-o-Q due to seasonal factors and air traffic decline in result of worsening epidemiologic situation in the world
- Other products volume decreased by 23.5% Y-o-Y and 35.0% Q-o-Q mainly due to lower vacuum gas oil production during scheduled repairs at refineries during 2019 and higher production of other high-margin products.

Purchases of petroleum products on the international markets

	1Q 2020		4Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	1,705	0.06	4,864	0.13	(64.9)	(53.8)
Aviation fuels	3,622	0.08	3,773	0.08	(4.0)	-
Marine fuels	664	0.02	548	0.01	21.2	100.0
Lubricants	248	0.00	181	0.01	37.0	-
Other	156	0.00	616	0.01	<(74.7)	-
Total	6,395	0.16	9,982	0.24	(35.9)	(33.3)

	3 month 2020		3 month 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	1,705	0.06	1,687	0.04	1.1	50.0
Aviation fuels	3,622	0.08	3,837	0.09	(5.6)	(11.1)
Marine fuels	664	0.02	1,107	0.03	(40.0)	(33.3)
Lubricants	248	0.00	258	0.00	(3.9)	-
Other	156	0.00	19	0.00	>200.0	-
Total	6,395	0.16	6,908	0.16	(7.4)	-

- Diesel purchases on the international markets decreased Q-o-Q due to higher volumes of own supply aiming to facilitate diesel wholesale programme in Europe.

Purchases of petroleum products in the CIS

	1Q 2020		4Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	3,804	0.13	3,085	0.15	23.3	(13.3)
Diesel	3,515	0.08	4,637	0.11	(24.2)	(27.3)
Petrochemicals	361	0.01	313	0.01	15.3	-
Other	53	0.00	62	0.00	(14.5)	-
Total	7,733	0.22	8,097	0.27	(4.5)	(18.8)

	3 month 2020		3 month 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	3,804	0.13	3,386	0.11	12.3	18.2
Diesel	3,515	0.08	4,926	0.12	(28.6)	(33.3)
Petrochemicals	361	0.01	208	0.01	73.6	-
Other	53	0.00	39	0.00	35.9	-
Total	7,733	0.22	8,559	0.24	(9.7)	(8.7)

- Petroleum product purchases in the CIS decreased Q-o-Q due to seasonal factors and worsening epidemiologic situation in the region.

Purchases of petroleum products on the domestic market

	1Q 2020		4Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	13,813	0.34	17,005	0.43	(18.8)	(20.9)
Diesel	9,371	0.21	9,707	0.21	(3.5)	-
Aviation fuels	1,091	0.03	2,926	0.07	(62.7)	(57.1)
Marine fuels	1,835	0.06	2,901	0.10	(36.7)	(40.0)
Bitumens	14	0.00	307	0.01	(95.4)	-
Petrochemicals	525	0.01	915	0.03	(42.6)	(66.7)
Other	588	0.01	281	0.01	109.3	-
Total	27,237	0.66	34,042	0.86	(20.0)	(23.3)

	3 month 2020		3 month 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	13,813	0.34	12,187	0.34	13.3	-
Diesel	9,371	0.21	6,842	0.15	37.0	40.0
Aviation fuels	1,091	0.03	699	0.02	56.1	50.0
Marine fuels	1,835	0.06	790	0.02	132.3	200.0
Bitumens	14	0.00	-	-	-	-
Petrochemicals	525	0.01	721	0.01	(27.2)	-
Other	588	0.01	769	0.02	(23.5)	(50.0)
Total	27,237	0.66	22,008	0.56	23.8	17.9

- Petroleum products purchases volume on the domestic market decreased Q-o-Q due to seasonal factors and worsening epidemiologic situation in the world
- Petroleum products purchases volume increased Y-o-Y due to demand and pricing environment for petroleum products.

Sales of petroleum products through premium channels

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
(units)			Filling stations currently in operation	(units)		
1,253	1,251	0.2	In Russia	1,253	1,191	5.2
204	205	(0.5)	In CIS	204	200	2.0
408	407	0.2	In Eastern Europe	408	409	(0.2)
1,865	1,863	0.1	Total filling stations (as at the end of the period)	1,865	1,800	3.6
			Average daily per-station sales in Russia			
16.28	18.56	(12.3)	(tonnes per day)	16.28	17.96	(9.4)
(MMtonnes)			Sales volume through premium channels	(MMtonnes)		
4.36	4.91	(11.2)	Gasoline and Diesel	4.36	4.41	(1.1)
0.66	0.77	(14.3)	Aviation	0.66	0.69	(4.3)
0.52	0.48	8.3	Bunkering	0.52	0.76	(31.6)
0.09	0.08	12.5	Lubricants	0.09	0.07	28.6
0.04	0.11	(63.6)	Bitumens	0.04	0.03	33.3
5.67	6.35	(10.7)	Total sales volume through premium channels	5.67	5.96	(4.9)

- Sales through premium channels include retail sales (specifically "wing-tip" aviation refuelling), sales through small wholesalers and distributors, and sales of premium bitumen materials (predominantly polymer-bitumen binders (PBBs)), as well as pre-packed oils and lubricants
- The total number of active filling stations in Russia increased by 5.2% Y-o-Y due to new retail stations leased
- Average daily sales per filling station in Russia decreased by 9.4% Y-o-Y due to market conditions and worsening epidemiologic situation in Russia
- Decrease of average daily sales per filling station in Russia by 12.3% and sales volume through premium channels by 10.7% Q-o-Q was due to seasonal factors and worsening epidemiologic situation in Russia
- Bunkering sales volume through premium channels decreased by 31.6% Y-o-Y due to lower demand in small wholesales segment and sales economic efficiency on the international markets.

Analysis of financial results

Interim Condensed Consolidated Statement of Profit and Loss

1Q 2020	4Q 2019	Δ, %	(RUB million)	3 month 2020	2019	Δ, %
495,785	575,309	(13.8)	Crude oil, gas and petroleum products sales	495,785	570,840	(13.1)
18,783	38,561	(51.3)	Other revenue	18,783	15,519	21.0
514,568	613,870	(16.2)	Total revenue*	514,568	586,359	(12.2)
Costs and other deductions						
(137,034)	(162,976)	(15.9)	Purchases of oil, gas and petroleum products	(137,034)	(145,099)	(5.6)
(62,668)	(79,980)	(21.6)	Production and manufacturing expenses	(62,668)	(56,055)	11.8
(27,163)	(35,199)	(22.8)	Selling, general and administrative expenses	(27,163)	(25,538)	6.4
(38,347)	(37,114)	3.3	Transportation expenses	(38,347)	(38,906)	(1.4)
(58,334)	(47,530)	22.7	Depreciation, depletion and amortization	(58,334)	(41,696)	39.9
(156,938)	(141,813)	10.7	Taxes other than income tax	(156,938)	(146,291)	7.3
(19,882)	(18,131)	9.7	Export duties	(19,882)	(18,026)	10.3
(111)	(1,119)	(90.1)	Exploration expenses	(111)	(82)	35.4
(500,477)	(523,862)	(4.5)	Total operating expenses	(500,477)	(471,693)	6.1
14,091	90,008	(84.3)	Operating profit	14,091	114,666	(87.7)
8,951	19,055	(53.0)	Share of profit of associates and joint ventures	8,951	22,690	(60.6)
(31,943)	3,422	-	Net foreign exchange (loss) / gain	(31,943)	5,461	-
4,350	5,357	(18.8)	Finance income	4,350	5,096	(14.6)
(6,568)	(6,451)	1.8	Finance expense	(6,568)	(9,209)	(28.7)
(1,620)	(7,637)	(78.8)	Other loss, net	(1,620)	(6,079)	(73.4)
(26,830)	13,746	-	Total other (expense) / income	(26,830)	17,959	-
(12,739)	103,754	-	(Loss) / profit before income tax	(12,739)	132,625	-
(5,594)	(10,176)	(45.0)	Current income tax expense	(5,594)	(10,610)	(47.3)
5,708	(8,241)	-	Deferred income tax gain / (expense)	5,708	(9,343)	-
114	(18,417)	-	Total income tax gain / (expense)	114	(19,953)	-
(12,625)	85,337	-	(Loss) / profit for the period	(12,625)	112,672	-
(1,181)	(5,109)	(76.9)	Less: Profit attributable to non-controlling interest	(1,181)	(4,778)	(75.3)
(13,806)	80,228	-	(Loss) / profit attributable to Gazprom Neft shareholders	(13,806)	107,894	-

* Sales include sales related excise tax

Revenues

1Q 2020	4Q 2019	Δ, %	(RUB million)	3 month 2020	2019	Δ, %
Crude oil						
106,797	137,997	(22.6)	Export	106,797	145,050	(26.4)
4,878	6,249	(21.9)	International markets	4,878	7,202	(32.3)
-	9,420	-	Export to CIS	-	9,744	-
15,622	19,880	(21.4)	Domestic	15,622	22,463	(30.5)
127,297	173,546	(26.6)	Total crude oil revenue	127,297	184,459	(31.0)
Gas						
32	41	(22.0)	International markets	32	513	(93.8)
8,105	7,898	2.6	Domestic	8,105	7,608	6.5
8,137	7,939	2.5	Total gas revenue	8,137	8,121	0.2
Petroleum products						
81,876	78,015	4.9	Export	81,876	98,791	(17.1)
30,317	42,895	(29.3)	International markets	30,317	31,535	(3.9)
50,229	68,445	(26.6)	Sales on international markets	50,229	51,297	(2.1)
(19,912)	(25,550)	(22.1)	Less sales related excise	(19,912)	(19,762)	0.8
20,045	21,661	(7.5)	CIS	20,045	20,308	(1.3)
20,319	21,863	(7.1)	Export sales and sales in CIS	20,319	20,551	(1.1)
(274)	(202)	35.6	Less sales related excise	(274)	(243)	12.8
228,113	251,253	(9.2)	Domestic	228,113	227,626	0.2
360,351	393,824	(8.5)	Total petroleum products revenue	360,351	378,260	(4.7)
18,783	38,561	(51.3)	Other revenue	18,783	15,519	21.0
514,568	613,870	(16.2)	Total revenue	514,568	586,359	(12.2)

Sales volumes

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
(MMtonnes)			Crude oil	(MMtonnes)		
4.69	4.64	1.1	Export	4.69	4.69	-
0.24	0.23	4.3	Sales on international markets*	0.24	0.25	(4.0)
-	0.41	-	Export to CIS	-	0.40	-
1.08	1.04	3.8	Domestic sales	1.08	1.07	0.9
6.01	6.32	(4.9)	Total crude oil sales	6.01	6.41	(6.2)
(bcm)			Gas	(bcm)		
-	-	-	International markets	-	0.03	-
3.40	3.44	(1.2)	Domestic sales	3.40	3.17	7.3
3.40	3.44	(1.2)	Total gas sales	3.40	3.20	6.3
(MMtonnes)			Petroleum products	(MMtonnes)		
3.41	3.00	13.7	Export	3.41	3.06	11.4
0.78	1.08	(27.8)	Sales on international markets	0.78	0.73	6.8
0.57	0.60	(5.0)	Export to CIS	0.57	0.52	9.6
6.23	6.61	(5.7)	Domestic sales	6.23	6.33	(1.6)
10.99	11.29	(2.7)	Total petroleum products sales	10.99	10.64	3.3

* Sales on international markets include Production-Sharing Agreements

Average realized sales prices

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
22,771	29,741	(23.4)	Export	22,771	30,928	(26.4)
-	22,976	-	Export to CIS	-	24,360	-
14,465	19,115	(24.3)	Domestic sales	14,465	20,993	(31.1)
(RUB per tonne)			Petroleum products	(RUB per tonne)		
24,011	26,005	(7.7)	Export	24,011	32,285	(25.6)
35,647	36,438	(2.2)	Export to CIS	35,647	39,521	(9.8)
36,615	38,011	(3.7)	Domestic sales	36,615	35,960	1.8

Crude oil sales

- Crude oil sales volumes decreased Y-o-Y and Q-o-Q mainly due to absence of crude oil sales to CIS in 1Q 2020.

Gas sales

- Domestic gas sales volume increased Y-o-Y mainly due to higher associated petroleum gas production in result of commissioning of a gas compressor station at GPN Vostok fields at the end of 2019.

Exports of petroleum products

	1Q 2020		4Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	10,357	0.38	11,324	0.37	(8.5)	2.9
Diesel	34,509	1.14	26,415	0.70	30.6	62.9
Fuel oil	17,058	1.16	20,830	1.37	(18.1)	(15.3)
Aviation fuels	5,214	0.12	5,889	0.13	(11.5)	(7.7)
Marine fuels, including	10,880	0.47	5,210	0.18	108.8	161.1
Low sulphur marine fuels	1,053	0.04	-	-	-	-
Bitumens	566	0.03	604	0.03	(6.3)	-
Lubricants	1,248	0.02	1,519	0.03	(17.8)	(33.3)
Petrochemicals	1,646	0.05	1,485	0.04	10.8	25.0
Other	398	0.04	4,739	0.15	(91.6)	(73.5)
Total	81,876	3.41	78,015	3.00	4.9	13.7

	3 month 2020		3 month 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	10,357	0.38	13,887	0.43	(25.4)	(11.2)
Diesel	34,509	1.14	36,974	0.95	(6.7)	20.0
Fuel oil	17,058	1.16	27,191	1.13	(37.3)	2.7
Aviation fuels	5,214	0.12	5,856	0.13	(11.0)	(7.7)
Marine fuels, including	10,880	0.47	5,311	0.16	104.9	193.8
Low sulphur marine fuels	1,053	0.04	-	-	-	-
Bitumens	566	0.03	427	0.02	32.6	50.0
Lubricants	1,248	0.02	1,685	0.03	(25.9)	(33.3)
Petrochemicals	1,646	0.05	3,549	0.08	(53.6)	(37.5)
Other	398	0.04	3,911	0.13	(89.8)	(69.7)
Total	81,876	3.41	98,791	3.06	(17.1)	11.4

- Diesel export sales volumes increased Y-o-Y due to facilitating diesel wholesale programme in Europe
- Diesel export sales volumes increased Q-o-Q due to demand and pricing environment on the international markets

- Marine fuels export sales volumes increased Y-o-Y and Q-o-Q due to economic efficiency of sales on the international markets
- Other petroleum products export sales volumes decreased Y-o-Y and Q-o-Q mainly due to lower vacuum gas oil production during planned repairs at refineries during 2019.

Sales of petroleum products in the CIS

	1Q 2020		4Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,754	0.22	7,618	0.21	1.8	4.8
Diesel	8,539	0.22	8,977	0.21	(4.9)	4.8
Aviation fuels	1,729	0.04	1,684	0.04	2.7	-
Marine fuels	84	0.01	261	0.01	(67.8)	-
Bitumens	766	0.05	1,043	0.06	(26.6)	(16.7)
Lubricants	726	0.01	806	0.02	(9.9)	(50.0)
Petrochemicals and Other	721	0.02	1,474	0.05	(51.1)	(60.0)
Total	20,319	0.57	21,863	0.60	(7.1)	(5.0)

	3 month 2020		3 month 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,754	0.22	8,032	0.22	(3.5)	-
Diesel	8,539	0.22	8,999	0.20	(5.1)	10.0
Aviation fuels	1,729	0.04	999	0.02	73.1	100.0
Marine fuels	84	0.01	178	0.01	(52.8)	-
Bitumens	766	0.05	432	0.02	77.3	150.0
Lubricants	726	0.01	856	0.02	(15.2)	(50.0)
Petrochemicals and Other	721	0.02	1,055	0.03	(31.7)	(33.3)
Total	20,319	0.57	20,551	0.52	(1.1)	9.6

Sales of petroleum products on the domestic market

	1Q 2020		4Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	94,123	2.13	98,065	2.21	(4.0)	(3.6)
Naphtha	1,993	0.08	1,448	0.06	37.6	33.3
Diesel	77,103	1.75	91,588	2.05	(15.8)	(14.6)
Fuel oil	2,635	0.33	2,862	0.36	(7.9)	(8.3)
Aviation fuels	25,816	0.69	29,585	0.72	(12.7)	(4.2)
Marine fuels, including	9,593	0.33	8,684	0.32	10.5	3.1
Low sulphur marine fuels	5,677	0.22	-	-	-	-
Bitumens	3,949	0.41	6,362	0.42	(37.9)	(2.4)
Lubricants	3,606	0.06	4,493	0.08	(19.7)	(25.0)
Petrochemicals	6,340	0.25	6,211	0.25	2.1	-
Other	2,955	0.20	1,955	0.14	51.2	42.9
Total	228,113	6.23	251,253	6.61	(9.2)	(5.7)

	3 month 2020		3 month 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	94,123	2.13	82,940	1.98	13.5	7.6
Naphtha	1,993	0.08	2,078	0.08	(4.1)	-
Diesel	77,103	1.75	79,010	1.79	(2.4)	(2.2)
Fuel oil	2,635	0.33	8,414	0.58	(68.7)	(43.1)
Aviation fuels	25,816	0.69	26,787	0.68	(3.6)	1.5
Marine fuels, including	9,593	0.33	10,876	0.45	(11.8)	(26.7)
Low sulphur marine fuels	5,677	0.22	-	-	-	-
Bitumens	3,949	0.41	3,326	0.26	18.7	57.7
Lubricants	3,606	0.06	3,791	0.07	(4.9)	(14.3)
Petrochemicals	6,340	0.25	6,097	0.23	4.0	8.7
Other	2,955	0.20	4,307	0.21	(31.4)	(4.8)
Total	228,113	6.23	227,626	6.33	0.2	(1.6)

- Petroleum product sales volumes on the domestic market decreased Q-o-Q due to seasonal factors, market conditions and worsening epidemiologic situation in the world and in Russia
- High-octane gasoline sales volumes on the domestic market increased Y-o-Y due to sales growth in small wholesales segment
- Marine fuels sales volumes on the domestic market decreased Y-o-Y due to economic efficiency of sales on the international markets
- Bitumens sales volumes on the domestic market increased Y-o-Y mainly due to economic efficiency and bitumens refining throughput growth in stable demand conditions.

Purchases of oil, gas and petroleum products

- Expenses for oil, gas, and petroleum products purchases decreased by 5.6% Y-o-Y and by 15.9% Q-o-Q mainly due to lower crude oil prices on the domestic and international markets.

Production and manufacturing expenses

1Q 2020	4Q 2019	Δ, %	(RUB million)	3 month 2020	2019	Δ, %
29,169	33,016	(11.7)	Hydrocarbon production costs	29,169	26,963	8.2
1,678	1,957	(14.3)	RUB per toe	1,678	1,662	1.0
3.47	4.19	(17.2)	USD* per boe	3.47	3.43	1.2
22,028	25,035	(12.0)	Subsidiaries inside Russia	22,028	20,217	9.0
1,538	1,786	(13.9)	RUB per toe	1,538	1,516	1.5
3.18	3.82	(16.8)	USD* per boe	3.18	3.13	1.6
			including			
17,764	19,668	(9.7)	Brownfields	17,764	16,489	7.7
1,828	2,113	(13.5)	RUB per toe	1,828	1,783	2.5
3.78	4.52	(16.4)	USD* per boe	3.78	3.68	2.7
4,264	5,367	(20.6)	Greenfields	4,264	3,728	14.4
927	1,139	(18.6)	RUB per toe	927	911	1.8
1.92	2.44	(21.3)	USD* per boe	1.92	1.88	2.1
2,280	2,740	(16.8)	Subsidiaries outside Russia (including PSA)**	2,280	2,307	(1.2)
3,257	3,971	(18.0)	RUB per toe	3,257	3,036	7.3
6.74	8.50	(20.7)	USD* per boe	6.74	6.27	7.5
4,861	5,241	(7.3)	Joint operations	4,861	4,439	9.5
2,395	2,557	(6.3)	RUB per toe	2,395	2,208	8.5
4.96	5.48	(9.5)	USD* per boe	4.96	4.56	8.8
15,449	16,893	(8.5)	Refining costs	15,449	15,677	(1.5)
8,569	8,781	(2.4)	Refining expenses at own refineries	8,569	8,680	(1.3)
1,023	1,048	(2.4)	RUB per tonne	1,023	1,084	(5.6)
2.12	2.24	(5.4)	USD* per bbl	2.12	2.24	(5.4)
3,562	3,678	(3.2)	Refining expenses at refineries of joint ventures***	3,562	3,525	1.0
1,875	1,830	2.5	RUB per tonne	1,875	1,808	3.7
3.88	3.92	(1.0)	USD* per bbl	3.88	3.73	4.0
3,318	4,434	(25.2)	Lubricants and bitumens manufacturing expenses	3,318	3,472	(4.4)
8,830	8,171	8.1	Transportation expenses to refineries	8,830	7,981	10.6
9,220	21,900	(57.9)	Other operating expenses****	9,220	5,434	69.7
62,668	79,980	(21.6)	Total	62,668	56,055	11.8

*Translated to USD at the average exchange rate for the period

** PSA refers to production sharing agreement

*** Refining expenses of joint ventures is based on processing agreement

**** Expenses for new oilfields at pilot development stage are included into other operating expenses

- Hydrocarbon expenses include expenditures on raw materials and supplies, maintenance and repairs of production equipment, labor costs, fuel and electricity costs, enhanced oil recovery activities and other similar costs at Group's upstream subsidiaries
- Hydrocarbon expenses per toe of subsidiaries in Russia increased by 1.5% Y-o-Y mainly due to inflationary pressure
- Hydrocarbon expenses per toe of subsidiaries at brownfields decreased by 13.5% Q-o-Q due to:
 - Production growth
 - Expenses decrease for current repairs and workover operations including expense optimization in 2020
- Hydrocarbon expenses per toe of subsidiaries at greenfields decreased by 18.6% Q-o-Q mainly due to decline of workover operations and expenses for scheduled repairs of service equipment
- Hydrocarbon expenses USD per boe at subsidiaries outside Russia decreased by 20.7% Q-o-Q due to production growth in Iraq and well workover and oilfield equipment repair expenses decline
- Hydrocarbon expenses per toe of joint operations increased by 8.5% Y-o-Y mainly due to production decline at Tomskneft and electricity tariffs growth
- Hydrocarbon expenses per toe of joint operations decreased by 6.3% Q-o-Q mainly due to expense optimization in 2020

- Refining expenses at the refineries of subsidiaries include expenditures on raw materials and supplies, maintenance and repairs of production equipment, labour and electricity costs, and other similar costs at Group's refineries
- Refining expenses per tonne at own refineries decreased by 5.6% Y-o-Y due to:
 - Throughput growth
 - Expense decline for raw materials and supplies (additions' prices decline and MTBE¹ purchases decrease)
- Refining unit expenses at joint ventures increased by 3.7% Y-o-Y and by 2.5% Q-o-Q due to higher processing expenses (new refining units launch, electricity and insurance)
- Lubricants and bitumens manufacturing production expenses decreased by 25.2% Q-o-Q mainly due to lubricants and bitumens throughput decline
- Transportation expenses to refineries increased by 10.6% Y-o-Y and 8.1% Q-o-Q mainly due to transportation tariffs and volume growth
- Other operating expenses decreased Q-o-Q mainly due to lower other revenue that related to services rendered decline.

Selling, general and administrative expenses

Selling, general and administrative expenses include general business expenses, wages, salaries (except wages and salaries at production subsidiaries and own refineries), insurance, legal fees, consulting and audit services, and other expenses.

- Selling, general and administrative expenses decreased by 22.8% Q-o-Q, driven mainly by:
 - Decreased accrual for estimated liabilities due to share price decline
 - Decreased advertising and marketing expenses as part of selling expenses
 - Decreased consulting expenses as part of administrative expenses.

Transportation expenses

Transportation expenses include costs to transport crude oil and petroleum products to final customers. These costs consist of pipeline transportation, sea freight, rail, shipping, handling, and other transportation costs.

- Transportation expenses increased by 3.3% Q-o-Q mainly due to growth of petroleum products transportation expenses in result of export sales volume increase and transportation tariffs growth. The expenses increase was partly compensated by decline of crude oil transportation expenses in result of overall crude oil sales volume decrease.

Depreciation, depletion and amortization

Depreciation, depletion and amortization expenses include depreciation of oil and gas properties, refining and other assets and impairment provision.

- Depreciation, depletion and amortization expenses increased by 39.9% Y-o-Y due to an increase in cost of depreciable assets driven by implementation of the investment programme and impairment recognized for upstream assets.

¹ MTBE – methyl-tret-butyl-ether. Applied as an motor vehicles additive intended for increasing of gasoline octane number

Taxes other than income tax

1Q	4Q			3 month		
2020	2019	Δ, %	(RUB million)	2020	2019	Δ, %
91,025	107,441	(15.3)	Mineral extraction taxes	91,025	112,052	(18.8)
10,931	3,507	>200	Additional income tax for hydrocarbon producers	10,931	2,675	>200
43,512	19,990	117.7	Excise	43,512	21,379	103.5
7,535	6,741	11.8	Social security contributions	7,535	6,183	21.9
3,935	4,134	(4.8)	Other taxes	3,935	4,002	(1.7)
156,938	141,813	10.7	Total taxes other than income tax	156,938	146,291	7.3

- MET expense decreased by 18.8% Y-o-Y and by 15.3% Q-o-Q mainly due to lower MET effective rate as a result of lower crude oil prices
- Additional income tax for hydrocarbon producers (AIT) expense increased Y-o-Y and Q-o-Q due to increase of taxable fields quantity since December 2019
- Excise taxes expense increased Y-o-Y and Q-o-Q mainly due to the impact of the dampfer component, resulting from the reduction in export-parity prices for automobile gasoline and diesel fuel on the external market, arising from the lower oil price and the worsening epidemiological situation.

Export duties

1Q	4Q			3 month		
2020	2019	Δ, %	(RUB million)	2020	2019	Δ, %
7,403	7,101	4.3	Export duties on oil (crude)	7,403	8,209	(9.8)
12,479	11,030	13.1	Export duties on petroleum products	12,479	9,817	27.1
19,882	18,131	9.7	Total export duties	19,882	18,026	10.3

- Total export duties increased by 10.3% Y-o-Y and by 9.7% Q-o-Q mainly due to higher petroleum products export sales volume and export duty lag impact. The increase was partly compensated by lower average export duty rates on crude oil and petroleum products due to prices decline.

Share of profit of associates and joint ventures

1Q	4Q			3 month		
2020	2019	Δ, %	(RUB million)	2020	2019	Δ, %
(2,972)	1,176	-	Slavneft	(2,972)	5,386	-
3,817	5,542	(31.1)	Messoyakha	3,817	6,604	(42.2)
7,219	10,805	(33.2)	Arcticgas	7,219	9,409	(23.3)
482	754	(36.1)	Nortgas	482	798	(39.6)
405	778	(47.9)	Other companies	405	493	(17.8)
8,951	19,055	(53.0)	Share of profit of associates and joint ventures	8,951	22,690	(60.6)

- The decrease in crude oil prices had a negative impact on financial results of joint ventures Y-o-Y and Q-o-Q. The decrease in crude oil prices was partly compensated by lower MET expense.

Other income and expenses

- Other expenses mainly include disposal of non-current assets.

Other financial items

- Foreign exchange gains / losses were mainly due to revaluation of the portion of the Group's debt portfolio that is denominated in foreign currencies.

Analysis of cash flows and capital expenditures

(RUB million)	3 month		
	2020	2019	Δ %
Net cash provided by operating activities	133,711	168,596	(20.7)
Net cash used in investing activities	(101,616)	(75,347)	34.9
Net cash used in financing activities	(15,284)	(86,212)	(82.3)
Increase in cash and cash equivalents	16,811	7,037	138.9

Operating activities

(RUB million)	3 month		
	2020	2019	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	73,403	152,764	(52.0)
Net changes in working capital	80,157	39,076	105.1
Income tax paid	(8,674)	(10,519)	(17.5)
Interest paid	(11,675)	(12,725)	(8.3)
Dividends received	500	-	-
Net cash provided by operating activities	133,711	168,596	(20.7)

- Net cash provided by operating activities decreased by 20.7% Y-o-Y primarily due to operating profit decline that was partly compensated by positive effect of changes in working capital.

Investing activities

(RUB million)	3 month		
	2020	2019	Δ %
Capital expenditures	(111,622)	(81,945)	36.2
Purchases of oil and gas licences	(6,056)	(7,651)	(20.8)
Net changes in deposits	15,000	(77,001)	-
Proceeds from sale of property, plant and equipment, net of tax	1,105	86,949	(98.7)
Net changes in loans issued and other investments	(643)	1,151	-
Interest received	2,891	3,150	(8.2)
Other cash flows from investing activities	(2,291)	-	-
Net cash used in investing activities	(101,616)	(75,347)	34.9

- Net cash used in investing activities increased by 34.9% Y-o-Y mainly due to cash outflow growth for capital expenditures.

Financing activities

(RUB million)	3 month		
	2020	2019	Δ %
Net changes in debt	(12,445)	20,077	-
Payment of dividends to shareholders	-	(104,027)	-
Other transactions	(2,839)	(2,262)	25.5
Net cash used in financing activities	(15,284)	(86,212)	(82.3)

- Net cash used in financing activities decreased Y-o-Y mainly due to absence of dividends paid in 1Q 2020. The decrease was partly constrained by loan payments growth.

Capital expenditures

(RUB million)	3 month		Δ, %
	2020	2019	
Exploration and production	76,248	50,965	49.6
Consolidated subsidiaries	71,333	46,952	51.9
Joint operations	4,916	4,013	22.5
Refining	19,481	18,333	6.3
Marketing and distribution	2,785	1,750	59.1
Others	4,998	3,031	64.9
Capital expenditures	103,512	74,079	39.7
Change in advances issued and materials used in capital expenditures	8,110	7,866	3.1
Total capital expenditures	111,622	81,945	36.2

- Capital expenditures for exploration and production increased by 49.6% Y-o-Y mainly for consolidated subsidiaries and due to:
 - Construction of infrastructure facilities and multi-well pads and increase in production drilling at greenfields
 - Increase in production drilling and workover operations at new fields in traditional production regions
- Capital expenditures for refining increased by 6.3% Y-o-Y mainly due to increased costs at Omsk refinery resulting from implementing advanced refining projects and constructing a catalyst production plant.

Debt and liquidity

(RUB million)	March 31 2020	December 31 2019
Short-term loans and borrowings	28,925	30,198
Long-term loans and borrowings	748,109	685,030
Cash and cash equivalents	(237,931)	(202,404)
Short-term deposits	(38)	(15,076)
Net debt	539,065	497,748
Short-term debt / total debt, %	3.7	4.2
Net debt and financial lease liabilities/ EBITDA for 12 months preceding	0.88	0.70

- The Group's diversified debt structure includes syndicated and bilateral loans, bonds and other instruments
- The average debt maturity increased from 3.18 years as of December 31, 2019 to 3.58 years as of March 31, 2020
- The average interest rate decreased from 6.18% as of December 31, 2019 to 5.68% as of March 31, 2020.

Financial ratios

EBITDA reconciliation

1Q 2020	4Q 2019	Δ, %	(RUB million)	3 month 2020	2019	Δ, %
(12,625)	85,337	-	(Loss) / profit for the period	(12,625)	112,672	-
(114)	18,417	-	Total income tax (gain) / expense	(114)	19,953	-
6,568	6,451	1.8	Finance expense	6,568	9,209	(28.7)
(4,350)	(5,357)	(18.8)	Finance income	(4,350)	(5,096)	(14.6)
58,334	47,530	22.7	Depreciation, depletion and amortization	58,334	41,696	39.9
31,943	(3,422)	-	Net foreign exchange loss / (gain)	31,943	(5,461)	-
1,620	7,637	(78.8)	Other loss, net	1,620	6,079	(73.4)
81,376	156,593	(48.0)	EBITDA	81,376	179,052	(54.6)
(8,951)	(19,055)	(53.0)	less Share of profit of associates and joint ventures	(8,951)	(22,690)	(60.6)
26,689	42,080	(36.6)	add Share of EBITDA of associates and joint ventures	26,689	41,326	(35.4)
99,114	179,618	(44.8)	Adjusted EBITDA	99,114	197,688	(49.9)

Profitability

	March 31 2020	March 31 2019	Δ, p.p.
Adjusted EBITDA margin, %	19.26	33.71	(14.5)
Net profit margin, %	(2.45)	19.22	-
Return on assets (ROA), %	7.84	13.31	(5.5)
Return on equity (ROE), %	13.79	23.19	(9.4)
Adjusted Return on average capital employed (ROACE), %	13.41	20.68	(7.3)

Adjusted ROACE calculation

For 12 months preceding	March 31 2020	March 31 2019
Adjusted EBITDA	696,555	841,397
Depreciation, depletion and amortization	(245,739)	(220,872)
Effective income tax charge on EBIT	(96,226)	(118,962)
Adjusted EBIT*	354,590	501,563
Average capital employed	2,645,193	2,425,917
Adjusted ROACE	13.41	20.68

*Adjusted EBIT represents the Group's EBIT and its share in associates and joint ventures' EBIT

Liquidity

	March 31 2020	March 31 2019	Δ, %
Current ratio	1.48	1.51	(2.0)
Quick ratio	0.85	0.92	(7.6)
Cash ratio	0.49	0.63	(22.2)

Leverage

	March 31 2020	March 31 2019	
			Δ, p.p.
Net debt/ Total Assets, %	13.61	12.41	1.2
Net debt/ Equity, %	23.89	21.87	2.0
Gearing, %	18.58	19.81	(1.2)
			Δ, %
Net debt/ Market Capitalization	0.37	0.29	27.6
Net debt/ EBITDA	0.88	0.59	49.2
Total debt/ EBITDA	1.27	1.01	25.7

Main macroeconomic factors affecting operational results

The main factors affecting the Group's operational results include:

- Changes in market prices for crude oil and petroleum products
- Changes in the exchange rate between the Russian Rouble and the US dollar and inflation
- Taxation
- Changes in transportation tariffs for crude oil and petroleum products.

Changes in market prices for crude oil and petroleum products

Prices for crude oil and petroleum products on international and Russian markets are the primary factor affecting the Group's operational results.

Petroleum product prices on the international markets are primarily determined by world prices for crude oil, petroleum product supply and demand, and competition on different markets. Petroleum product price trends on the international markets in turn determine domestic prices. Price trends are different for different types of petroleum products.

The decrease in crude oil and petroleum product prices on the international markets for the 3 months 2020 had a negative impact on the Group's results.

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
(US\$/ barrel)			International market	(US\$/ barrel)		
50.26	63.25	(20.5)	Brent	50.26	63.20	(20.5)
48.21	61.50	(21.6)	Urals (average Med + NWE)	48.21	63.23	(23.8)
(US\$/ tonne)				(US\$/ tonne)		
468.33	602.35	(22.2)	Premium gasoline (average NWE)	468.33	547.73	(14.5)
400.57	508.05	(21.2)	Naphtha (average Med. + NWE)	400.57	487.01	(17.7)
468.22	587.60	(20.3)	Diesel fuel (average NWE)	468.22	588.60	(20.5)
458.42	575.55	(20.4)	Gasoil 0.1% (average Med.)	458.42	577.52	(20.6)
218.14	215.94	1.0	Fuel oil 3.5% (average NWE)	218.14	367.08	(40.6)
(RUB/ tonne)			Domestic market	(RUB/ tonne)		
40,650	40,145	1.3	High-octane gasoline	40,650	36,401	11.7
39,785	41,376	(3.8)	Diesel fuel	39,785	39,862	(0.2)
8,536	8,028	6.3	Fuel oil	8,536	14,211	(39.9)

Sources: Platts (international), Kortes (domestic)

Rouble vs. US dollar exchange rate and inflation

The Group's presentation currency is the Russian Rouble. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. For most entities, this is the Russian Rouble.

1Q 2020	4Q 2019		3 month 2020	2019
1.29	0.81	Change in Consumer Price Index (CPI), %	1.29	1.78
65.91	63.71	Average RUB/US\$ exchange rate for the period	65.91	66.10
61.91	64.42	US\$/ RUB exchange rate as of the beginning of the period	61.91	69.47
77.73	61.91	US\$/ RUB exchange rate as of the end of the period	77.73	64.73
25.57	(3.90)	Depreciation (appreciation) of Russian Rouble to US\$, %	25.57	(6.82)

Taxation

Average tax and duty rates applicable to oil and gas companies in Russia during the relevant reporting periods

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
(US\$/ tonne)			Export duty	(US\$/ tonne)		
74.20	88.67	(16.3)	Crude oil	74.20	86.97	(14.7)
22.20	26.53	(16.3)	Light petroleum products	22.20	26.07	(14.8)
22.20	26.53	(16.3)	Diesel	22.20	26.07	(14.8)
22.20	26.53	(16.3)	Gasoline	22.20	26.07	(14.8)
40.73	48.70	(16.4)	Naphtha	40.73	47.77	(14.7)
74.20	88.67	(16.3)	Heavy petroleum products	74.20	86.97	(14.7)
			Mineral extraction tax			
10,599	12,639	(16.1)	Crude oil (RUB/ tonne)	10,599	12,952	(18.2)

Crude oil and petroleum products export duty rates

Resolution of the Russian Government No. 276 (March 29, 2013) establishes a methodology for the Ministry of Economic Development of the Russian Federation to calculate export duty rates for crude oil and certain petroleum products.

Crude oil export duty rate

Export duty rate for crude oil is to be determined via one of the following orders:

a) According to Russian Federal Law No. 5003-1 (May 21, 1993) clause 3.1 subclause 4, export duty rates for oil shall not exceed the marginal export duty rates calculated according to the following formulas:

Quoted Urals Price (P), USD/ tonne	Maximum Export Customs Duty Rate
≤109.50	0%
109.50 < P ≤ 146.00	35% x (P – 109.50)
146.00 < P ≤ 182.50	12.78 + 45% x (P – 146.00)
>182.50	K _{oil} * x (29.2 + 30% x (P – 182.5)) from 2019

* K_{oil} = 0.833 for 2019, 0.667 for 2020, 0.5 for 2021, 0.333 for 2022, 0.167 for 2023, 0 from 2024

Crude oil exports to Kazakhstan are not subject to oil export duties. Crude oil export to Kyrgyzstan and Belarus under indicative limits is not subject to oil export duties.

b) According to Russian Federal Law No. 5003-1 (May 21, 1993) clause 3.1 subclause 6.2 the Government of the Russian Federation has the right to establish protective export duty rate for crude oil which is calculated according to the following formulas:

Quoted Urals Price (P), USD/ tonne	Maximum Export Customs Duty Rate
≤ 182.50	0%
$P > 182.50$	$29.20 + 45\% \times (P - 182.50)$

The order can be for 6 months starting from the month following the 3-month period during which the crude oil prices change more than 15% in each month.

c) According to Russian Federal Law No. 5003-1 (May 21, 1993) clause 3.1 subclause 4, subsubclause 5, the Government of the Russian Federation establishes formulas since 1 January 2019 for lower export duty rates for crude oil with special chemical and physical properties produced within borders of determined geographical objects. The export duty benefit is applied till the determined volumes of crude oil exported with lower export duty rates are achieved for each geographical object:

$Ct = (P - 182.5) \times K - 56.57 - 0.14 \times P$, where P - the Urals price (USD/tonne).

d) According to Russian Federal Law No. 5003-1 (May 12, 1993) clause 35 subclause 1.1 crude oil produced at new offshore fields is exempt from export duties until:

- March 31, 2032 – for fields located entirely in the Sea of Azov, or located 50% or more in the Baltic Sea, Black Sea (at water depths of less than 100 meters), Pechora Sea, White Sea, Sea of Okhotsk (to south of 55°N), or the Caspian Sea
- March 31, 2042 – for fields located 50% or more in the Black Sea (at depths exceeding 100 meters), Sea of Okhotsk (to north of 55°N), or Barents Sea (to south of 72°N)
- Indefinitely – for fields located 50% or more in the Kara Sea, Barents Sea (to north of 72°N), or the Eastern Arctic (Laptev Sea, East Siberian Sea, Chukchi Sea, Bering Sea).

According to clause 11.1 subclause 5 of the Russian Federation Tax Code, a new offshore field is a field where commercial hydrocarbon production has commenced no earlier than January 1, 2016.

e) According to Russian Federal Law No. 5003-1 (May 12, 1993) clause 35 subclause 7 since 1 January 2019 an exemption for crude oil export duty rate is applied for crude oil produced at oil fields which paid excess profit tax during period when coefficient K_r less than 1 to MET rate is applied.

Export duty rate on petroleum products

In accordance with clause 3.1 of Russian Federal Law No. 5003-1 (May 21, 1993), the export duty rate on petroleum products is determined by the Government. Exports of petroleum products to Tajikistan, Belarus, Armenia and Kyrgyzstan within the indicative limits are not subject to export duties.

According to Resolution of the Russian Government No. 276 (March 29, 2013), the export duty rate on petroleum products is calculated using the following formula:

$R = K \times R_{CRUDE}$, where R_{CRUDE} is the export duty rate per tonne of crude oil and K is a coefficient depending on the type of petroleum product.

The coefficients, K, for different petroleum products are as follows:

Light and middle distillates	
Diesel	0.3
Lubricants oil	
Naphtha	0.55
Gasoline	0.3

According to Russian Federal Law No. 5003-1 (May 12, 1993) clause 3.1 subclause 6.2 the Government of the Russian Federation has the right to establish protective export duty rate for certain petroleum products, which is equal to 60% of crude oil export custom duty. The order can be applied for 6 months starting from the month following the 3-month period during which the oil prices change more than 15% in each month.

Excise duties on petroleum products

In Russia, excise duties are paid by producers of refined products. Excise duties are also applied to petroleum products imported to Russia.

Clause 193 of the Russian Federation Tax Code established the following excise duty rates for petroleum products (in roubles/tonne):

	2019	2020	2021
Gasoline			
Below Class 5	13,100	13,100	13,100
Class 5	12,314	12,752	13,262
Naphtha	13,912	14,720	15,533
Diesel fuel	8,541	8,835	9,188
Motor oil	5,400	5,616	5,841
Middle distillate	9,241	9,535*	

* - for the period from January 1 to March 31, from April 01 the excise rate for middle distillate calculates per formula (refer for description below)

New product subject to excise duty is effective from January 1, 2019 – crude oil materials. The new excise duty is payable by companies – owners of crude oil materials, which has obtained special registration certificate of a company refining crude oil materials at own refining facilities or at refining facilities of other companies under processing agreements. Crude oil materials excise rate calculated according to the following formulas:

$$A_{COM} = ((P_{\text{crude oil}} \times 7.3 - 182.5) \times 0.3 + 29.2) \times R \times S_{PU} \times K_{ADJ} \times K_{REG}$$

$P_{\text{crude oil}}$ – average Urals price on the international markets (USD/tonne).

R – average USD/RUB ex-rate.

S_{PU} – specific coefficient defining the set of petroleum products produced from the crude oil materials.

K_{ADJ} - equal to 0.167 for 2019, 0.333 for 2020, 0.5 for 2021, 0.667 for 2022, 0.833 for 2023, 1 from 2024.

K_{REG} – coefficient reflecting regional specifics for petroleum products market. K_{REF} is equal to 1.05 for refining facilities located in Omsk region.

An excise duty on crude oil materials is subject to deduction. The amount of deduction is defined as the amount of crude oil materials excise duty multiplied by coefficient 2 and increased by K_{DEMP} .

$$K_{DEMP} = ((D_G + F_G) \times V_G + (D_{DF} + F_{DF}) \times V_{DF}) \times K_{COMP} \text{ for period from January 1 to June 30, 2019}$$

$$K_{DEMP} = D_G \times V_G \times K_{G_COMP} + D_{DF} \times V_{DF} \times K_{DF_COMP} + D_{G_FE} \times V_{G_FE} + D_{DF_FE} \times V_{DF_FE} \text{ for period from July 1, 2019}$$

V_G / V_{DF} – gasoline with octane value 92 and above class 5 / diesel fuel class 5 volumes sold or used for own purposes in the Russian Federation.

K_{COMP} – equal to 0.6 for the period January-June 2019.

K_{G_COMP} – equal to 0.75 for the period July-December 2019, 0.68 from January 1, 2020.

K_{DF_COMP} – equal to 0.7 for the period July-December 2019, 0.65 from January 1, 2020.

D_G / D_{DF} – difference between the average export alternative price and nominal average wholesale price of gasoline with octane value 92 class 5 / diesel fuel class 5 in the Russian Federation.

V_{G_FE} / V_{DF_FE} – gasoline with octane value 92 and above class 5 / diesel fuel class 5 volumes sold at the delivery basis in the Russian Far East region.

D_{G_FE} / D_{DF_FE} – Far East allowances calculated as sum of 2 000 Roubles and D_G / D_{DF} . If value of D_G / D_{DF} is more than 2 000 Roubles or less than 0, than value of D_G / D_{DF} is equal to 2 000 or 0 respectively.

F_G, F_{DF} – compensating allowance for gasoline / diesel fuel equal to:

- 0, if value of D_G, D_{DF} is less or equal to 0 or
- $F_G = 5,600$ и $F_{DF} = 5,000$, if value of D_G, D_{DF} is more than 0 respectively.

Middle distillates excise rate is calculated according to the following formula from April 1, 2020:

$$A_{MD} = (A_{DF} + 750) - D_{DF} \times K_{DF_COMP}$$

A_{DF} – excise rate determined for diesel fuel.

If D_{DF} is more than 0, for the purpose of calculating the middle distillates excise rate it shall be considered as 0.

Mineral extraction tax (MET)

MET on crude oil

a) According to clause 342 of the Russian Federation Tax Code, the MET rate on crude oil (in roubles/tonne) is calculated using the following general formula:

MET oil	$919 \times K_c - D_m$
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$$D_m = K_{met} \times K_c \times (1 - K_v \times K_z \times K_d \times K_{dv} \times K_{kan}) - K_k - K_{MAN} \times S_{OV} - K_{GDF} \text{ from 2019 г.,}$$

where $K_{met} = 559$.

K_c reflects the volatility of crude oil prices on the global market.

$K_c = (P - 15) \times D / 261$, where P is the average monthly Urals price on the Rotterdam and Mediterranean markets (in USD/bbl.) and D is the average monthly rouble/ US dollar exchange rate.

K_v characterizes the degree of depletion of the specific field, providing lower tax rates for highly depleted fields. Depletion is measured by N/V , where N is the cumulative production volume of the field and V is the total volume of initial extractable reserves as at January 1, 2006. For fields with depletion between 0.8 and 1, $K_v = 3.8 - 3.5 \times N / V$. Where depletion is greater than 1, K_v is 0.3. In all other cases $K_v = 1$. Where fields include deposits with $K_d < 1$, K_v is equal to 1.

K_z characterizes the size of the field (by reserves) and provides lower tax rates for small fields. For fields with initial reserves (designated by V_3 , defined as total extractable reserves for all categories as at January 1 of the year preceding the tax period) below 5 MMtonnes and depletion as at January 1, 2012 (or as at January 1 of the year of issuance of a licence if the licence is issued after January 1, 2012) less than 0.05, $K_z = 0.125 \times V_3 + 0.375$.

K_d is designed for specific deposits with hard-to-recover oil. It varies between 0.2 and 1 depending on the deposit as follows:

- 0.2 – for oil produced from deposits with permeability not greater than $2 \times 10^{-3} \mu_2$ and effective formation thickness not greater than 10 meters
- 0.4 – for oil produced from deposits with permeability not greater than $2 \times 10^{-3} \mu_2$ and effective formation thickness greater than 10 meters
- 0.8 – for oil produced from deposits classified in the state mineral reserves balance as related to the Tyumen formation
- 1 – for oil produced from other deposits.

K_{dv} characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. K_{dv} is applied when the oilfield contains any deposit with K_d less than 1. For deposits with K_d less than 1, depletion is

measured by N_{dv}/V_{dv} , where N_{dv} is the cumulative production volume from the deposit and V_{dv} is total initial extractable reserves (total reserves for all categories as at January 1 of the year preceding the tax period). For deposits with depletion between 0.8 and 1, $K_{dv} = 3.8 - 3.5 \cdot N_{dv} / V_{dv}$. Where depletion is greater than 1, K_{dv} is 0.3. In all other cases, $K_{dv} = 1$. K_{dv} for all other deposits of the field (for which the coefficient $K_d=1$) is the value of K_v as calculated for the entire area.

K_{kan} characterizes the oil production region and oil quality. This coefficient provides lower tax rates for fields located partly or completely in regions with challenging climate and geological conditions (specifically, Yamal Peninsula in Yamalo-Nenets Autonomous Okrug, Irkutsk Oblast, and Sakha Republic (Yakutia)). The **K_{kan}** coefficient is set at 0 until the first day of the month following a month in which one of the following conditions is met: (1) Achieving a particular cumulative production level of the field; (2) Expiration of the stipulated term. When the tax incentive period expires **K_{kan}** is equal to 1.

K_k – 428 for 2019-2021.

$$K_{MAN} = K_E \times R \times K_{ADJ} - K_{FM}$$

K_E – coefficient calculated as follows:

Quoted Urals Price (P), USD/ tonne	K_E , USD/ tonne
≤ 109.50	0%
$109.50 < P \leq 146.00$	$35\% \times (P - 109.50)$
$146.00 < P \leq 182.50$	$12.78 + 45\% \times (P - 146.00)$
> 182.50	$29.20 + 30\% \times (P - 182.50)$

R – average USD/RUB ex-rate.

K_{ADJ} - equal to 0.167 for 2019, 0.333 for 2020, 0.5 for 2021, 0.667 for 2022, 0.833 for 2023, 1 from 2024.

K_{FM} – coefficient of special circumstances and applied in case the decision of Government of the Russian Federation regarding the application of protective export duty rate for crude oil is adopted (for more details please refer to «Export duty rate for crude oil» section, clause b).

S_{ov} – equal to 0.1 for crude oil production with oil viscosity not less than 10,000 mPa (in formation conditions). In other cases **S_{ov}** is equal to 1.

$$K_{GDF} = N_G \times I_G + N_{DF} \times I_{DF} \text{ for 2019}$$

$$K_{GDF} = N_G \times I_G + N_{DF} \times I_{DF} + N_{BUG} \text{ since 2020}$$

N_G , **N_{DF}** – markup coefficient for gasoline (equal to 125 for January-September 2019, 200 for October – December 2019 and 105 from 2020) and for diesel fuel (equal to 110 for January-September 2019, 185 for October – December 2019 and 92 from 2020).

I_G и **I_{DF}** - binary coefficient for gasoline / diesel fuel equal to 0 if amount of **D_G**, **D_{DF}** not more than 0. If **D_G**, **D_{DF}** are more than 0 than **I_G** и **I_{DF}** are equal to 1.

$$N_{BUG} = (N_{K_DEMP} \times S_{K_DEMP}) \times 37.5 / 484 + D_{FE_G} \times 2 / 484 + D_{FE_DF} \times 3.7 / 484 - 124$$

$$N_{K_DEMP} = D_G \times K_{G_COMP} + D_{DF} \times K_{DF_COMP} \text{ for dampfer since 2020.}$$

$$S_{K_DEMP} = (D_{G_S} + F_G + D_{DF_S} + F_{DF}) \times 0.5 \text{ for dampfer before 2020.}$$

D_{G_S}, **D_{DF_S}** – difference between the average export alternative price and cut-off price of gasoline with octane value 92 class 5 / diesel fuel class 5.

b) According to the Russian Federation Tax Code clause 342 subclause 2.1 and clause 338 subclause 6 the following ad valorem MET rates should be used for oil produced at new offshore fields (as a % of price):

- 30% from the start of commercial hydrocarbon production for a five-year period – for fields located entirely in the Sea of Azov or for fields located for 50% or more of its area in the Baltic Sea
- 15% from the start of commercial hydrocarbon production for a seven-year period – for fields located for 50% or more of its area in the Black Sea (at water depths of less than 100 meters), the Sea of Japan, Pechora Sea, White Sea, Sea of Okhotsk (to south of 55° N), Caspian Sea
- 10% from the start of commercial hydrocarbon production for a ten-year period – for fields located for 50% or more of its area in the Sea of Okhotsk (to north of 55° N), Black Sea (at depths exceeding 100 meters), Barents Sea (to south of 72° N)
- 5% from the start of commercial hydrocarbon production for a 15-year period – for fields located for 50% or more of its area in the Kara Sea, Barents Sea (to north of 72° N), and Eastern Arctic (Laptev Sea, East Siberian Sea, Chukchi Sea, Bering Sea).

The Russian Federation tax law also provides for a benefit MET rate on oil produced from deposits classified in the state mineral reserves balance as related to the Bazhenov formation, provided all other Tax Code conditions are met. According to the Russian Federation Tax Code clause 343.2 subclause 3.2 since 1 January 2019 there is an opportunity for oil fields named at Russian Federal Law No. 5003-1 (May 21, 1993) article 4, clause 3.1 subclause 5, to apply tax benefit in the amount of $K_{\text{man}} \times V_{\text{EO}}$, where V_{EO} – volume of crude oil produced at the oil field and exported with special crude oil export duty rates.

c) According to the Russian Federation Tax Code clause 346.2 for crude oil produced at oil fields under excess profit tax the following rate for MET calculation is stated:

MET for crude oil	$(50\% \times (P - 15) \times 7,3 \times Kr - \text{EDR}) \times R$
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P – monthly average Urals price on the Rotterdam and Mediterranean markets (USD/barrel).

R – monthly average USD/RUB ex-rate.

EDR – crude oil export duty rate (USD/tonne).

Kr – coefficient which characterized period of time since crude oil production start at the oil field. The coefficient is stipulated decrease of MET rate for crude oil at new oil fields fully or partly located at West (in particular, Khanty-Mansiysk Autonomous Okrug, Yamalo-Nenets Autonomous Okrug) and East Siberia (in particular, Irkutsk region, Sakha Republic (Yakutia)). The coefficient is applied till the time limit is achieved since the year next to excess of crude oil depletion level of 1% for oil field. For active oil fields the coefficient is equal to 1.

Effective MET rate for the Group

1Q 2020	4Q 2019	Δ, %		3 month 2020	2019	Δ, %
10,599	12,639	(16.1)	Nominal crude oil MET rate, RUB/tonne	10,599	12,952	(18.2)
7,764	9,330	(16.8)	Effective crude oil MET rate, RUB/tonne	7,764	9,886	(21.5)
			Difference between nominal and effective rates, RUB/tonne			
2,835	3,309			2,835	3,066	
26.7%	26.2%		Difference between nominal and effective rates, %	26.7%	23.7%	

For the 3 months 2020 the Group's effective MET rate was 9,873 RUB/tonne or 2,835 RUB/tonne lower than the statutory nominal MET rate. The difference results from the application of certain coefficients (K_v , K_z , K_d and K_g) that reduce the MET rate.

Met on natural gas and gas condensate

Clause 342 of the Russian Federation Tax Code establishes mineral extraction tax rates for natural gas and gas condensate as follows:

	Since 2019
MET on natural gas (RUB/mcm)	$35 * Eut * Kc + Tg$
MET on gas condensate (RUB/tonne)	$42 * Eut * Kc * Kkm + 0.75 * Kman$

Eut is the base value per fuel-equivalent unit calculated by the taxpayer depending on natural gas and gas condensate prices and their relative production amounts.

Kc characterizes the degree of difficulty of the extraction of natural gas and gas condensate. The coefficient is designed to reduce the tax rate on natural gas and gas condensate, and is equal to the lowest of the following reducing coefficients: **Kr** – depending on location, **Kvg** – for depleted deposits, **Kgz** – for deposits at depths of more than 1,700 meters, **Kas** – for deposits related to the regional gas supply system, and **Korz** – for deposits classified as Turonian formations.

Tg reflects gas transportation costs (set at zero for 2019-2020 according to the Federal Tariff Service of the Russian Federation).

Kkm is a correction coefficient equal to $6.5/Kg$, where **Kg** is a coefficient characterising export return per fuel-equivalent unit.

For the 3 months 2020 the Group's effective MET rate for natural gas was 614 RUB per thousand m³, which is 48 RUB per thousand m³ lower than the statutory nominal MET rate. The difference results from the application of tax benefits, especially coefficient **Kc** that reduces the MET rate.

Additional income tax for hydrocarbon producers (AIT)

New tax for excess income from hydrocarbons production is stated since 1 January 2019. The income from hydrocarbons production less calculated export duty rate, transportation expenses and actual capital and operating expenses regarding production is subject to tax with 50% rate.

New tax regime stipulates decrease of total tax payments which depend on gross values (MET and crude oil export duty rate) due to change of MET calculation and implementation of tax benefit system for MET and crude oil export duty rate for determined categories of new projects.

For approbation period of new tax regime there is stated the several categories of new projects at West and East Siberia with possibility of additional income tax for hydrocarbon producers implementation. The Group takes part at all categories of new projects.

Transportation of crude oil and petroleum products

Transportation tariff policies are established by the state authorities to ensure a balance between the interests of the state and all participants in the transportation process. Transportation tariffs for natural monopolies are set by the Federal Tariff Service of the Russian Federation (FTS). Tariffs are dependent on transport destination, delivery volume, transportation distance, and several other factors. Changes in tariffs depend on inflation forecasts made by the Ministry of Economic Development of the Russian Federation, the investment needs of the owners of transportation infrastructure, other macroeconomic factors, and compensation of economically reasonable expenses incurred by natural monopolies. Tariffs are revised by the FTS at least annually, and comprise dispatch, loading, transshipment, pumping, and other tariffs.

The following table shows average transportation costs per tonne for the Group's crude oil for export and use at its refineries, as well as costs per tonne for transportation of its petroleum products from refineries for export:

1Q 2020	4Q 2019	Δ, %	(RUB per tonne)	3 month		
				2020	2019	Δ, %
Crude oil						
Export						
2,458	2,478	(0.8)	Pipeline	2,458	2,394	2.7
CIS						
-	1,676	-	Pipeline	-	1,671	-
Transportation to Refineries						
827	765	8.1	Omsk	827	762	8.5
1,666	1,600	4.1	Moscow	1,666	1,643	1.4
1,409	1,370	2.8	Yaroslavl	1,409	1,385	1.7
Petroleum products						
Export from ONPZ						
4,663	4,635	0.6	Gasoline	4,663	4,762	(2.1)
5,997	5,872	2.1	Fuel oil	5,997	5,242	14.4
3,896	3,896	-	Diesel fuel	3,896	4,319	(9.8)
Export from MNPZ						
-	3,576	-	Gasoline	-	3,155	-
3,796	3,895	(2.5)	Fuel oil	3,796	3,207	18.4
2,805	2,850	(1.6)	Diesel fuel	2,805	2,889	(2.9)
Export from YaNPZ						
3,117	3,139	(0.7)	Gasoline	3,117	3,108	0.3
3,326	3,274	1.6	Fuel oil	3,326	3,139	6.0
2,213	2,367	(6.5)	Diesel fuel	2,213	2,539	(12.8)

The Group's crude oil export route mix (tonnes) for 3 months 2020 and 2019 is presented below:

	3 month	
	2020	2019
Crude oil export		
Primorsk Baltic Sea port	14.3%	12.5%
Ust-Luga Baltic Sea port	0.0%	0.0%
Druzhba pipeline	17.0%	14.5%
Port of Novorossiysk	4.0%	3.9%
ESPO pipeline and the port of Kozmino	13.4%	14.3%
Meget (pipeline and railway) China	0.0%	0.0%
Exported without using Transneft system, including:	51.4%	54.8%
Prirazlomnoye	14.5%	16.8%
Novoport	36.9%	38.0%
Total	100.0%	100.0%
Crude oil export to CIS countries		
Belarus	100.0%	100.0%
Uzbekistan	0.0%	0.0%
Total	100.0%	100.0%

www.gazprom-neft.com
 Contacts: PJSC Gazprom Neft
 Investor Relations Department email: ir@gazprom-neft.ru
 Address: 3-5, Pochtamtskaya Street, St. Petersburg 190000, Russia
 Phone: +7 812 385 95 48