

**Management's Discussion and Analysis of Financial Condition and Results
of Operations for the three months ended September 30 and June 30, 2019
and the nine months ended September 30, 2019 and 2018**

Contents

Definitions and conversions	3
Forward-looking statements	3
Key financial and operating data	4
Operating data and analysis	6
Production.....	6
Logistics, refining and marketing	7
Financial data and analysis	11
Interim Condensed Consolidated Statement of Profit and Loss	11
Revenues.....	12
Purchases of oil, gas and petroleum products	15
Production and manufacturing expenses	16
Selling, general and administrative expenses	17
Transportation expenses	17
Depreciation, depletion and amortization	17
Taxes other than income tax	18
Export duties.....	18
Share of profit of equity accounted investments.....	18
Other income and expenses.....	19
Other financial items.....	19
Cash flows and capital expenditures and analysis	19
Operating activities	19
Investing activities.....	19
Financing activities	20
Capital expenditures	20
Debt and liquidity	20
Financial coefficients	21
EBITDA reconciliation.....	21
Profitability	21
Liquidity.....	21
Leverage.....	22
Main macroeconomic factors affecting operational results	22
Changes in market prices for crude oil and petroleum products	22
Rouble vs. US dollar exchange rate and inflation.....	23
Taxation	23
Average tax rates effective in reporting periods for the taxation of oil and gas companies in Russia	23
Crude oil and petroleum products export duty rates.....	23
Excise duties on petroleum products.....	25
Mineral extraction tax (MET).....	26
Additional income tax for hydrocarbon producers (AIT)	29
Tax benefits	29
Transportation of crude oil and petroleum products	31

Definitions and conversions

The following discussion is intended to assist you in understanding the Group financial position as of September 30, 2019 and results of operations for the three months ended September 30 and June 30, 2019 and the nine months ended September 30, 2019 and 2018 and should be read in conjunction with the Interim Condensed Consolidated Financial Statements and notes thereto, 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.

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

3Q 2019	2Q 2019	Δ, %		9 month		
				2019	2018	Δ, %
Financial results (RUB million)						
656,764	628,315	4.5	Revenue	1,871,438	1,827,293	2.4
207,456	210,367	(1.4)	Adjusted EBITDA*	615,511	614,462	0.2
8,468	8,696	(2.6)	RUB per toe of production	8,557	8,914	(4.0)
17.67	18.15	(2.6)	USD** per boe of production	17.75	19.57	(9.3)
104,934	107,145	(2.1)	Profit attributable to Gazprom Neft shareholders	319,973	298,669	7.1
Operational results						
181.87	179.60	1.3	Hydrocarbon production including our share in joint ventures (MMboe)	533.14	510.96	4.3
24.50	24.19	1.3	Hydrocarbon production including our share in joint ventures (MMtoe)	71.93	68.93	4.4
1.98	1.97	0.5	Daily hydrocarbon production (MMboepd)	1.95	1.87	4.3
122.61	119.37	2.7	Crude oil and condensate production including our share in joint ventures (MMbbl)	355.52	350.96	1.3
355.54	361.46	(1.6)	Gas production including our share in joint ventures (bcf)	1,065.80	959.98	11.0
11.09	10.03	10.6	Refining throughput at own refineries and joint ventures (MMtonnes)	31.08	31.81	(2.3)

* 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

9 months 2019 highlights

- In June 2019 the shareholders' meeting approved dividends on the ordinary shares for FY 2018 in the amount of RUB 30 per share (including interim dividends for the nine months ended 30 September 2018 in the amount of RUB 22.05 per share)
- In October 2019 the shareholders' meeting approved interim dividends for the six months ended 30 June 2019 in the amount of RUB 18.14 per share
- Long-term risk operating agreements concluded between Gazprom Neft and Gazprom which allow to involve in production undeveloped reserves of Gazprom oil rim deposits
- Following completion of the transaction in July Sibgazpolymer JSC (a Gazprom Neft - SIBUR joint venture) increased its share in Omsky polypropylene plant LLC from 50% to 100%
- Received exploration licenses for 5 new license blocks in Yamalo-Nenets Autonomous Okrug, 3 new license blocks at Orenburg region, 4 new license blocks in Khanty-Mansiysk Autonomous Okrug, 12 new license blocks at Krasnoyarsk region, 1 new license block in the Ob Gulf of Kara Sea, 1 new license block in Sverdlovsk region and 1 new license block in Tyumen region
- The installation of key catalyst reforming equipment at Omsk Refinery was completed. The modernisation of the existing facility will facilitate a 1.5-fold increase in the production of high-octane gasoline components
- Construction of a new 6.5 thousand tons per diem loading facility for light petroleum products was completed at Moscow Refinery. This new facility allows real-time loading of high octane gasoline, diesel and jet fuel, facilitating a four-fold decrease in loading time
- Gazprom Neft commissioned a new fuel terminal, "Gladkoye", in the Tosnensky District of the Leningrad Oblast, which is unique in terms of its technological standard of process equipment and was built as part of Gazprom Neft's comprehensive terminal infrastructure development strategy.

Results for 9 months 2019 compared with 9 months 2018

- Total hydrocarbon production, including Group's share in joint ventures, increased by 4.4% to 71.93 MMtoe due to production growth at Novoportovskoye and East-Messoyakhskoye fields, in Orenburg region and an increase in Group's share in Arcticgas
- Total refining throughput decreased by 2.3% due to planned repairs at Panchevo and Yaroslavl refineries during first half of 2019
- Revenue increased by 2.4% due to higher oil and petroleum product export sales volumes. The increase was trimmed by price decline on the international and domestic markets
- An adjusted EBITDA increased by 0.2%. Production growth at major fields and throughput efficiency increase were trimmed by price conditions
- Growth of profit attributable to Gazprom Neft shareholders was supported mainly by growth of EBITDA and forex exchange gains in 9 months 2019.

Results for 3Q 2019 compared with 2Q 2019

- Total hydrocarbon production, including Group's share in joint ventures, increased by 1.3% due to higher number of days in 3Q. Daily hydrocarbon production was practically at the same level as prior quarter (+0.5%)
- Refining throughput increased by 10.6% due to completion of planned repairs at Panchevo and Yaroslavl refineries
- Revenue increased by 4.5% due to petroleum products sales volume growth (increase of throughput). The revenue increase was trimmed by crude oil and petroleum products prices decrease on the international market
- The 1.4% reduction in adjusted EBITDA is the result of lower prices for crude oil and petroleum products, partially offset by improvements in business efficiency (higher production volumes and throughput, together with higher sales of petroleum products through premium channels)
- Profit attributable to Gazprom Neft shareholders decreased mainly due to a decline of EBITDA.

Operating data and analysis

Production

3Q 2019	2Q 2019	Δ, %		9 month 2019	2018	Δ, %
(MMtonnes)			Crude oil, condensate and NGLs	(MMtonnes)		
3.05	2.91	4.8	Noyabrskneftegaz	8.43	8.55	(1.4)
3.29	3.14	4.8	Khantos**	9.51	10.38	(8.4)
1.02	0.99	3.0	Tomskneft	3.04	3.22	(5.6)
0.80	0.76	5.3	SPD	2.32	2.29	1.3
0.78	0.75	4.0	Orenburg	2.25	1.99	13.1
0.24	0.23	4.3	NIS	0.70	0.71	(1.4)
0.44	0.42	4.8	Vostok***	1.26	1.23	2.4
1.95	1.94	0.5	Novoportovskoye	5.79	5.20	11.3
0.67	0.84	(20.2)	Prirazlomnoye	2.31	2.36	(2.1)
0.39	0.41	(4.9)	Badra & Kurdistan	1.19	1.18	0.8
0.15	0.13	15.4	Others	0.37	0.14	164.3
12.78	12.52	2.1	Total production by subsidiaries and joint operations	37.17	37.25	(0.2)
1.80	1.69	6.5	Share in Slavneft	5.24	5.12	2.3
1.03	1.04	(1.0)	Share in Arcticgas	3.07	2.88	6.6
0.08	0.07	14.3	Share in Northgas	0.22	0.23	(4.3)
0.72	0.65	10.8	Share in Messoyakha	1.99	1.62	22.8
3.63	3.45	5.2	Share in production of joint ventures	10.52	9.85	6.8
16.41	15.97	2.8	Total crude oil, condensate and NGLs	47.69	47.10	1.3
(bcm)			Gas*	(bcm)		
2.14	2.13	0.5	Noyabrskneftegaz	6.44	6.86	(6.1)
0.26	0.27	(3.7)	Khantos**	0.80	0.81	(1.2)
0.21	0.23	(8.7)	Tomskneft	0.69	0.70	(1.4)
0.04	0.03	33.3	SPD	0.10	0.09	11.1
0.85	0.80	6.3	Orenburg	2.39	1.96	21.9
0.12	0.11	9.1	NIS	0.34	0.36	(5.6)
0.04	0.04	-	Vostok	0.12	0.12	-
1.95	2.03	(3.9)	Novoportovskoye	5.68	2.95	92.5
0.05	0.06	(16.7)	Badra	0.17	0.16	6.3
0.04	0.04	-	Others	0.13	0.11	18.2
5.70	5.74	(0.7)	Total production by subsidiaries and joint operations	16.86	14.12	19.4
0.12	0.12	-	Share in Slavneft	0.36	0.35	2.9
3.32	3.47	(4.3)	Share in Arcticgas	10.22	9.85	3.8
0.89	0.89	-	Share in Northgas	2.66	2.81	(5.3)
0.03	0.02	50.0	Share in Messoyakha	0.08	0.06	33.3
4.36	4.50	(3.1)	Share in production of joint ventures	13.32	13.07	1.9
10.06	10.24	(1.8)	Total gas production	30.18	27.19	11.0
(MMtoe)			Hydrocarbons	(MMtoe)		
17.36	17.13	1.3	Total production by subsidiaries and joint operations	50.71	48.58	4.4
7.14	7.06	1.1	Share in production of joint ventures	21.22	20.35	4.3
24.50	24.19	1.3	Total hydrocarbon production MMtoe	71.93	68.93	4.4
181.87	179.60	1.3	MMboe	533.14	510.96	4.3
1.98	1.97	0.5	Daily hydrocarbon production (MMboepd)	1.95	1.87	4.3

* Production volume includes marketable gas and gas utilized in the Company's power plants

** Khantos oil production in 2018-2019 includes NGL in the share of Gazprom Neft (50%). Associated gas utilization excludes gas used for NGL production at UGPZ (50%)

*** Vostok oil production in 2018-2019 includes DGS. Associated gas utilization excludes gas used for DGS

- Group daily hydrocarbon production increased by 4.3% Y-o-Y and by 0.5% Q-o-Q
- Group oil and condensate production increased by 1.3% Y-o-Y to 47.69 MMtonnes due to new wells commissioning and production growth at Novoportovskoye, East-Messoyakhskoye and at Orenburg region fields and an increase of Group's share in Arcticgas since end of March 2018
- The increase in Group oil and condensate production by 2.8% Q-o-Q mainly was due to higher number of days in 3Q. Higher crude oil production at Novoportovskoye field was trimmed by pipeline diagnostics and maintenance to improve environmental safety, impacting gas production volumes
- Group gas production increased by 11.0% Y-o-Y due to commissioning of the second gas processing line at the Novoportovskoye field in 3Q 2018, higher natural gas production in Arcticgas and increased Group's share in Arcticgas and commissioning of a gas compressor station at Orenburg Region
- Group gas production decreased by 1.8% Q-o-Q due to lower season consumption, planned repairs of gas processing lines at Arcticgas and maintenance at Novoportovskoye field.

Logistics, refining and marketing

Crude oil purchases

3Q 2019	2Q 2019	Δ, %	(MMtonnes)	9 month		
				2019	2018	Δ, %
2.35	2.19	7.3	Crude oil purchases in Russia *	6.52	5.70	14.4
0.48	0.29	65.5	Crude oil purchases internationally	0.95	1.08	(12.0)
2.83	2.48	14.1	Total crude purchased	7.47	6.78	10.2

* 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 increased Q-o-Q and Y-o-Y due to short-term market supply change
- Crude oil purchases on the international markets increased Q-o-Q in result of throughput increase at Panchevo refinery.

Refining

3Q 2019	2Q 2019	Δ, %	(MMtonnes)	9 month		
				2019	2018	Δ, %
Refining throughput:						
5.24	5.22	0.4	Omsk	15.59	15.57	0.1
2.78	2.72	2.2	Moscow	7.82	7.83	(0.1)
1.04	0.55	89.1	Pancevo	2.15	2.56	(16.0)
9.06	8.49	6.7	Total throughput at refineries owned by subsidiaries	25.56	25.96	(1.5)
2.03	1.54	31.8	Share in Yaroslavl	5.52	5.85	(5.6)
11.09	10.03	10.6	Total refining throughput	31.08	31.81	(2.3)
Production of petroleum products						
2.24	2.02	10.9	Gasoline	6.05	6.71	(9.8)
2.24	2.02	10.9	Class 5	6.05	6.71	(9.8)
0.48	0.48	-	Naphtha	1.52	1.45	4.8
3.09	2.81	10.0	Diesel	8.82	9.14	(3.5)
0.02	0.02	-	Class 2 and below	0.06	0.07	(14.3)
3.07	2.79	10.0	Class 5	8.76	9.07	(3.4)
1.49	1.31	13.7	Fuel oil	4.58	4.22	8.5
0.94	0.82	14.6	Jet fuel	2.52	2.63	(4.2)
0.76	0.65	16.9	Bunker fuel	2.04	1.96	4.1
1.05	0.83	26.5	Bitumen	2.19	2.34	(6.4)
0.13	0.13	-	Lubricants	0.39	0.36	8.3
0.34	0.35	(2.9)	Petrochemicals	1.06	0.99	7.1
0.30	0.32	(6.2)	Other	0.96	0.91	5.5
10.82	9.72	11.3	Total production	30.13	30.71	(1.9)

- Total throughput decreased by 2.3% Y-o-Y due to planned repairs at Pancevo and Yaroslavl refineries during first half of 2019
- Total throughput increased by 10.6% Q-o-Q due to completion of planned repairs at Pancevo and Yaroslavl refineries
- High-octane gasoline production volume decreased by 9.8% Y-o-Y due to high-octane gasoline demand conditions and lower throughput
- Petrochemicals production volume increased by 7.1% Y-o-Y due to demand increase on the European markets and economic efficiency
- Volume decrease in diesel production by 3.5% and jet fuel by 4.2% Y-o-Y was due to lower throughput
- Fuel oil production volume increased by 8.5% Y-o-Y due to a decline of bitumen production and prices conditions on the domestic and international markets
- Volume increase in jet fuel production by 14.6%, bunker fuel by 16.9% and bitumen by 26.5% Q-o-Q was due to seasonal factors and higher throughput.

Petroleum product purchases on international markets

	3Q 2019		2Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	5,118	0.13	10,884	0.27	(53.0)	(51.9)
Jet fuel	3,119	0.06	3,281	0.07	(4.9)	(14.3)
Bunker fuel	735	0.03	676	0.02	8.7	50.0
Lubricants	177	-	214	-	(17.3)	-
Total	9,149	0.22	15,055	0.36	(39.2)	(38.9)

	9 month 2019		9 month 2018		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Diesel	17,689	0.44	11,322	0.28	56.2	57.1
Jet fuel	10,237	0.22	7,442	0.17	37.6	29.4
Bunker fuel	2,518	0.08	5,473	0.17	(54.0)	(52.9)
Lubricants	649	-	856	0.01	(24.2)	-
Total	31,093	0.74	25,093	0.63	23.9	17.5

- Diesel purchases on the international markets decreased Q-o-Q due to market conditions
- Diesel purchases on the international markets increased Y-o-Y due to diesel wholesales program development in Europe.

Petroleum product purchases in the CIS

	3Q 2019		2Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	4,923	0.14	4,178	0.13	17.8	7.7
Diesel	4,711	0.11	5,020	0.12	(6.2)	(8.3)
Petrochemicals	345	0.01	262	0.01	31.7	-
Other	46	0.01	50	-	(8.0)	-
Total	10,025	0.27	9,510	0.26	5.4	3.8

	9 month 2019		9 month 2018		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	12,487	0.38	9,052	0.30	37.9	26.7
Diesel	14,657	0.35	11,773	0.32	24.5	9.4
Petrochemicals	815	0.03	859	0.03	(5.1)	-
Other	135	0.01	291	0.01	(53.6)	-
Total	28,094	0.77	21,975	0.66	27.8	16.7

- Petroleum product purchases in the CIS increased Y-o-Y due to higher deliveries from local refineries resulting from market conditions and restrictions on gasoline import from Russian Federation to Kazakhstan since March 2019 and to Belarus since October 2018.

Domestic petroleum product purchases

	3Q 2019		2Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	15,208	0.37	13,217	0.34	15.1	8.8
Diesel	9,132	0.22	7,427	0.18	23.0	22.2
Jet fuel	3,399	0.09	2,424	0.06	40.2	50.0
Bunker fuel	2,062	0.06	1,482	0.04	39.1	50.0
Bitumen	786	0.05	654	0.04	20.2	25.0
Petrochemicals	1,748	0.03	1,334	0.03	31.0	-
Other	1,051	0.03	1,037	0.02	1.4	50.0
Total	33,386	0.85	27,575	0.71	21.1	19.7

	9 month 2019		9 month 2018		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	40,612	1.05	44,759	1.11	(9.3)	(5.4)
Diesel	23,401	0.55	30,428	0.74	(23.1)	(25.7)
Jet fuel	6,522	0.17	5,326	0.14	22.5	21.4
Bunker fuel	4,334	0.12	4,042	0.12	7.2	-
Bitumen	1,440	0.09	1,144	0.07	25.9	28.6
Petrochemicals	3,803	0.07	2,504	0.05	51.9	40.0
Other	2,857	0.07	3,148	0.09	(9.2)	(22.2)
Total	82,969	2.12	91,351	2.32	(9.2)	(8.6)

- High-octane gasoline, diesel and jet fuel purchases volume increased on the domestic market Q-o-Q due to seasonal factors
- High-octane gasoline and diesel fuel purchases volume decrease Y-o-Y due to lower sales volume through premium channels.

Petroleum product marketing through premium channels

3Q 2019	2Q 2019	Δ, %		9 month 2019	2018	Δ, %
	(units)		Active retail stations		(units)	
1,218	1,237	(1.5)	In Russia	1,218	1,176	3.6
204	199	2.5	In CIS	204	193	5.7
405	408	(0.7)	In Eastern Europe	405	415	(2.4)
1,827	1,844	(0.9)	Total retail stations (as at the end of the period)	1,827	1,784	2.4
			Average daily sales per retail site in Russia			
19.18	18.43	4.1	(tonnes per day)	18.53	20.51	(9.7)
	(MMtonnes)		Sales volume through premium channels		(MMtonnes)	
5.37	4.82	11.4	Gasoline and Diesel	14.60	15.28	(4.5)
0.95	0.81	17.3	Jet	2.45	2.36	3.8
0.91	0.84	8.3	Bunkering	2.51	2.13	17.8
0.08	0.09	(11.1)	Lubricants	0.24	0.23	4.3
0.16	0.12	33.3	Bitumen	0.31	0.27	14.8
7.47	6.68	11.8	Total sales volume through premium channels	20.11	20.27	(0.8)

- The total number of active retail stations increased by 2.4% Y-o-Y due to new retail stations leased
- Average daily sales per retail station in Russia decreased by 9.7% Y-o-Y due to market conditions
- Average daily sales per retail station in Russia increased by 4.1% and sales volume through premium channels increased by 11.8% Q-o-Q due to seasonal factors
- Gasoline and diesel sales through premium channels decreased by 4.5% Y-o-Y due to market conditions
- Bunker fuel sales volumes increased by 17.8% Y-o-Y due to business efficiency increase in small wholesales segment in the North-West and the Black Sea
- Bitumen sales volumes increased by 14.8% Y-o-Y mainly due to higher premium products export sales.

Financial data and analysis

Interim Condensed Consolidated Statement of Profit and Loss

3Q 2019	2Q 2019	Δ, %	(RUB million)	9 month		Δ, %
				2019	2018	
636,745	610,550	4.3	Crude oil, gas and petroleum products sales	1,818,135	1,776,716	2.3
20,019	17,765	12.7	Other revenue	53,303	50,577	5.4
656,764	628,315	4.5	Total revenue*	1,871,438	1,827,293	2.4
Costs and other deductions						
(189,814)	(165,179)	14.9	Purchases of oil, gas and petroleum products	(500,092)	(432,678)	15.6
(64,216)	(60,437)	6.3	Production and manufacturing expenses	(180,708)	(164,991)	9.5
(32,393)	(32,462)	(0.2)	Selling, general and administrative expenses	(90,393)	(83,104)	8.8
(34,975)	(32,479)	7.7	Transportation expenses	(106,360)	(106,278)	0.1
(47,297)	(44,849)	5.5	Depreciation, depletion and amortization	(133,842)	(126,542)	5.8
(148,660)	(154,429)	(3.7)	Taxes other than income tax	(449,380)	(489,829)	(8.3)
(19,925)	(15,519)	28.4	Export duties	(53,470)	(62,804)	(14.9)
(432)	(119)	>200	Exploration expenses	(633)	(798)	(20.7)
(537,712)	(505,473)	6.4	Total operating expenses	(1,514,878)	(1,467,024)	3.3
119,052	122,842	(3.1)	Operating profit	356,560	360,269	(1.0)
19,913	22,248	(10.5)	Share of profit of associates and joint ventures	64,851	69,662	(6.9)
2,134	(499)	-	Net foreign exchange gain / (loss)	7,096	(31,115)	-
6,047	6,406	(5.6)	Finance income	17,549	4,595	>200
(7,813)	(9,299)	(16.0)	Finance expense	(26,321)	(16,280)	61.7
(5,259)	(4,317)	21.8	Other loss, net	(15,655)	(8,908)	75.7
15,022	14,539	3.3	Total other income	47,520	17,954	164.7
134,074	137,381	(2.4)	Profit before income tax	404,080	378,223	6.8
(16,430)	(15,286)	7.5	Current income tax expense	(42,326)	(47,280)	(10.5)
(6,345)	(9,315)	(31.9)	Deferred income tax expense	(25,003)	(13,542)	84.6
(22,775)	(24,601)	(7.4)	Total income tax expense	(67,329)	(60,822)	10.7
111,299	112,780	(1.3)	Profit for the period	336,751	317,401	6.1
(6,365)	(5,635)	13.0	Less: Profit attributable to non-controlling interest	(16,778)	(18,732)	(10.4)
104,934	107,145	(2.1)	Profit attributable to Gazprom Neft shareholders	319,973	298,669	7.1

* Sales include sales related excise tax

Revenues

3Q 2019	2Q 2019	Δ, %	(RUB million)	9 month		
				2019	2018	Δ, %
Crude oil						
156,660	146,650	6.8	Export	448,360	409,060	9.6
6,509	8,379	(22.3)	International markets	22,090	27,916	(20.9)
9,286	12,617	(26.4)	Export to CIS	31,647	29,680	6.6
21,379	25,075	(14.7)	Domestic	68,917	67,668	1.8
193,834	192,721	0.6	Total crude oil revenue	571,014	534,324	6.9
Gas						
42	267	(84.3)	International markets	822	881	(6.7)
6,409	7,976	(19.6)	Domestic	21,993	26,697	(17.6)
6,451	8,243	(21.7)	Total gas revenue	22,815	27,578	(17.3)
Petroleum products						
67,215	84,413	(20.4)	Export	250,419	238,479	5.0
45,546	36,447	25.0	International markets	113,528	118,621	(4.3)
70,724	58,665	20.6	Sales on international markets	180,686	186,166	(2.9)
(25,178)	(22,218)	13.3	Less sales related excise	(67,158)	(67,545)	(0.6)
24,174	20,609	17.3	CIS	65,091	67,773	(4.0)
24,401	20,808	17.3	Export sales and sales in CIS	65,760	68,391	(3.8)
(227)	(199)	14.1	Less sales related excise	(669)	(618)	8.3
299,525	268,117	11.7	Domestic	795,268	789,941	0.7
436,460	409,586	6.6	Total petroleum products revenue	1,224,306	1,214,814	0.8
20,019	17,765	12.7	Other revenue	53,303	50,577	5.4
656,764	628,315	4.5	Total revenue	1,871,438	1,827,293	2.4

Sales volumes

3Q 2019	2Q 2019	Δ, %		9 month		
				2019	2018	Δ, %
			(MMtonnes)	(MMtonnes)		
5.35	4.48	19.4	Crude oil	14.52	12.74	14.0
0.27	0.31	(12.9)	Export	0.86	0.91	(5.5)
0.41	0.49	(16.3)	Sales on international markets*	1.30	1.24	4.8
1.12	1.14	(1.8)	Export to CIS	3.33	3.22	3.4
7.15	6.42	11.4	Domestic sales	20.01	18.11	10.5
			Total crude oil sales	20.01	18.11	10.5
			(bcm)	(bcm)		
-	0.02	-	Gas	0.05	0.06	(16.7)
3.46	3.41	1.5	International markets	10.04	9.82	2.2
3.46	3.43	0.9	Domestic sales	10.09	9.88	2.1
			Total gas sales	10.09	9.88	2.1
			(MMtonnes)	(MMtonnes)		
2.25	2.45	(8.2)	Petroleum products	7.76	7.22	7.5
1.10	0.79	39.2	Export	2.62	2.74	(4.4)
0.67	0.56	19.6	Sales on international markets	1.75	1.89	(7.4)
8.26	7.43	11.2	Export to CIS	22.02	22.27	(1.1)
12.28	11.23	9.3	Domestic sales	34.15	34.12	0.1
			Total petroleum products sales	34.15	34.12	0.1

* Sales on international markets include Production-Sharing Agreements

Average realized sales prices

3Q	2Q			9 month		
2019	2019	Δ, %		2019	2018	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
29,282	32,734	(10.5)	Export	30,879	32,108	(3.8)
22,649	25,749	(12.0)	Export and sales in CIS	24,344	23,935	1.7
19,088	21,996	(13.2)	Domestic sales	20,696	21,015	(1.5)
(RUB per tonne)			Petroleum products	(RUB per tonne)		
29,873	34,454	(13.3)	Export	32,270	33,030	(2.3)
36,419	37,157	(2.0)	Export and sales in CIS	37,577	36,186	3.8
36,262	36,086	0.5	Domestic sales	36,116	35,471	1.8

Crude oil sales

- Crude oil export sales volumes increased by 14.0% Y-o-Y due to crude oil production growth at Novoportovskoye and East-Messoyakhskoye fields
- Crude oil sales volumes increased by 11.4% Q-o-Q mainly due to crude oil production and purchases volume growth in 3Q 2019.

Gas sales

- Domestic gas revenue decreased Y-o-Y due to change in gas delivery contract terms with customers which was compensated by transportation expenses decrease.

Petroleum product exports

	3Q 2019		2Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
Naphtha	8,455	0.26	12,136	0.35	(30.3)	(25.7)
Diesel	20,037	0.52	33,322	0.84	(39.9)	(38.1)
Fuel oil	18,140	0.85	16,926	0.69	7.2	23.2
Jet fuel	5,933	0.13	5,952	0.13	(0.3)	-
Bunker fuel	10,266	0.32	8,628	0.25	19.0	28.0
Bitumen	732	0.03	647	0.03	13.1	-
Lubricants	1,351	0.02	1,789	0.03	(24.5)	(33.3)
Petrochemicals	528	0.04	2,337	0.07	(77.4)	(42.9)
Other	1,773	0.08	2,676	0.06	(33.7)	33.3
Total	67,215	2.25	84,413	2.45	(20.4)	(8.2)

	9 month 2019		9 month 2018		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	473	0.01	830	0.03	(43.0)	(66.7)
Naphtha	32,495	0.98	37,023	0.98	(12.2)	-
Diesel	90,333	2.31	85,113	2.17	6.1	6.5
Fuel oil	62,257	2.67	59,362	2.57	4.9	3.9
Jet fuel	17,741	0.39	16,239	0.35	9.2	11.4
Bunker fuel	24,205	0.73	26,041	0.78	(7.1)	(6.4)
Bitumen	1,806	0.08	970	0.05	86.2	60.0
Lubricants	4,825	0.08	4,587	0.08	5.2	-
Petrochemicals	6,414	0.19	5,545	0.13	15.7	46.2
Other	9,870	0.32	2,769	0.08	>200	>200
Total	250,419	7.76	238,479	7.22	5.0	7.5

- Bunker fuel export sales volumes increased Q-o-Q due to seasonal factors
- Fuel oil export sales volumes increased Q-o-Q and Y-o-Y due to sales economic efficiency on the international markets

- Diesel export sales volumes increased Y-o-Y due to diesel wholesales program development in Europe
- Diesel export sales volumes decreased Q-o-Q due to demand and price conditions on the international markets
- Other petroleum products export sales volumes increased Y-o-Y mainly due to higher vacuum gas oil production at Moscow refinery in 1Q 2019.

Petroleum product sales in the CIS

	3Q 2019		2Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	7,968	0.20	7,675	0.20	3.8	-
Diesel	10,198	0.23	8,906	0.21	14.5	9.5
Jet fuel	1,104	0.03	580	0.02	90.3	50.0
Bunker fuel	521	0.02	92	-	>200	-
Bitumen	1,619	0.09	1,200	0.07	34.9	28.6
Lubricants	913	0.02	1,015	0.01	(10.0)	100.0
Petrochemicals and Other	2,078	0.08	1,340	0.05	55.1	60.0
Total	24,401	0.67	20,808	0.56	17.3	19.6

	9 month 2019		9 month 2018		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	23,675	0.62	25,092	0.65	(5.6)	(4.6)
Diesel	28,103	0.64	28,021	0.71	0.3	(9.9)
Jet fuel	2,683	0.07	5,184	0.13	(48.2)	(46.2)
Bunker fuel	791	0.03	268	0.01	195.1	200.0
Bitumen	3,251	0.18	3,954	0.22	(17.8)	(18.2)
Lubricants	2,784	0.05	2,781	0.06	0.1	(16.7)
Petrochemicals and Other	4,473	0.16	3,091	0.11	44.7	45.5
Total	65,760	1.75	68,391	1.89	(3.8)	(7.4)

- Sales volumes in the CIS increased Q-o-Q due to seasonal factors
- Gasoline and diesel sales volumes in the CIS decreased Y-o-Y mainly due to higher deliveries from local refineries, together with the shortages in resources in Kazakhstan, prevalent throughout 2018, coming to an end
- Jet fuel sales volumes in the CIS decreased Y-o-Y due to market competition and supply growth from local refineries on jet fuel market in the CIS.

Domestic sales of petroleum products

	3Q 2019		2Q 2019		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	110,789	2.47	96,614	2.19	14.7	12.8
Naphtha	1,175	0.05	2,505	0.08	(53.1)	(37.5)
Diesel	100,798	2.35	89,986	2.10	12.0	11.9
Fuel oil	4,743	0.36	5,007	0.34	(5.3)	7.8
Jet fuel	36,340	0.91	30,801	0.79	18.0	15.2
Bunker fuel	17,262	0.75	18,020	0.72	(4.2)	4.8
Bitumen	13,617	0.80	10,594	0.69	28.5	15.9
Lubricants	4,752	0.08	4,289	0.07	10.8	14.3
Petrochemicals	6,122	0.26	7,172	0.25	(14.6)	4.0
Other	3,927	0.23	3,129	0.21	25.5	9.5
Total	299,525	8.26	268,117	7.43	11.7	11.2

	9 month 2019		9 month 2018		Δ, %	
	RUB million	MMtonnes	RUB million	MMtonnes	RUB million	MMtonnes
High octane gasoline	290,343	6.64	300,914	7.01	(3.5)	(5.3)
Naphtha	5,758	0.21	4,915	0.15	17.2	40.0
Diesel	269,794	6.24	265,148	6.47	1.8	(3.6)
Fuel oil	14,749	1.08	12,310	1.00	19.8	8.4
Jet fuel	93,928	2.38	89,441	2.30	5.0	3.5
Bunker fuel	49,573	2.11	45,713	1.85	8.4	13.8
Bitumen	27,537	1.75	24,949	1.79	10.4	(2.2)
Lubricants	12,832	0.22	11,240	0.21	14.2	4.8
Petrochemicals	19,391	0.74	21,648	0.76	(10.4)	(2.6)
Other	11,363	0.65	13,663	0.73	(16.8)	(11.0)
Total	795,268	22.02	789,941	22.27	0.7	(1.1)

- Petroleum product sales volumes on the domestic market increased Q-o-Q due to seasonal factors
- Petroleum product sales volumes on the domestic market decreased Y-o-Y due to economic efficiency of operations on the international markets
- Bunker fuel sales volumes increased Y-o-Y due to business efficiency increase in small wholesales segment in the North-West and the Black Sea
- Other petroleum products sales volumes decreased Y-o-Y mainly due to gas oil sales decline.

Purchases of oil, gas and petroleum products

- Purchases of oil, gas, and petroleum products increased by 15.6% Y-o-Y mainly due to higher crude oil volume purchases on the domestic market and petroleum products on the international markets and Russian Rouble exchange rate change.

Production and manufacturing expenses

3Q	2Q			9 month		
2019	2019	Δ, %	(RUB million)	2019	2018	Δ, %
30,696	29,431	4.3	Upstream expenses	87,453	78,056	12.0
1,768	1,718	2.9	RUB per toe	1,725	1,607	7.3
3.74	3.63	3.0	USD* per boe	3.62	3.57	1.4
23,314	22,357	4.3	Consolidated subsidiaries inside Russia	66,251	57,784	14.7
1,605	1,560	2.9	<i>RUB per toe</i>	1,567	1,442	8.7
3.39	3.30	2.7	<i>USD* per boe</i>	3.29	3.20	2.8
			including			
18,352	17,789	3.2	Brownfields ****	52,672	46,504	13.3
1,797	1,812	(0.8)	<i>RUB per toe</i>	1,799	1,551	16.0
3.80	3.83	(0.8)	<i>USD* per boe</i>	3.77	3.44	9.6
4,962	4,568	8.6	Greenfields ****	13,579	11,280	20.4
1,170	1,024	14.3	<i>RUB per toe</i>	1,062	1,133	(6.3)
2.47	2.16	14.4	<i>USD* per boe</i>	2.23	2.52	(11.5)
			Consolidated subsidiaries outside Russia (including			
2,407	2,445	(1.6)	PSA)**	7,159	6,925	3.4
3,209	3,135	2.4	<i>RUB per toe</i>	3,126	3,011	3.8
6.78	6.63	2.3	<i>USD* per boe</i>	6.56	6.69	(1.9)
4,975	4,629	7.5	Joint operations	14,043	13,347	5.2
2,463	2,350	4.8	<i>RUB per toe</i>	2,341	2,170	7.9
5.21	4.97	4.8	<i>USD* per boe</i>	4.91	4.82	1.9
16,979	16,555	2.6	Downstream expenses	49,211	42,867	14.8
8,789	9,387	(6.4)	Refining expenses at own refineries	26,856	22,996	16.8
970	1,106	(12.3)	<i>RUB per tonne</i>	1,051	886	18.6
2.05	2.34	(12.4)	<i>USD* per bbl</i>	2.20	1.97	11.7
3,551	2,696	31.7	Refining expenses at refineries of joint ventures***	9,772	9,321	4.8
1,749	1,751	(0.1)	<i>RUB per tonne</i>	1,770	1,593	11.1
3.70	3.70	-	<i>USD* per bbl</i>	3.71	3.54	4.8
4,639	4,472	3.7	Lubricants manufacturing expenses	12,583	10,550	19.3
8,707	8,051	8.1	Transportation expenses to refineries	24,739	24,687	0.2
7,834	6,400	22.4	Other operating expenses	19,305	19,381	(0.4)
64,216	60,437	6.3	Total	180,708	164,991	9.5

*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

**** GPN-Orenburg for 2018-2019 is included in brownfields (in report for 2018 FY GPN-Orenburg was included in greenfields)

***** Expenses for new oilfields at pilot development stage are included into other operating expenses (in the report for 2018 and 1Q 2019 were disclosed as part of greenfield expenses)

- Upstream 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
- Upstream expenses per toe of consolidated subsidiaries in Russia increased by 2.9% Q-o-Q mainly due to greenfield expenses increase in result of planned technical maintenance and servicing at the Prirazlomnoye field in 3Q
- Upstream expenses per toe of consolidated subsidiaries at brownfields increased by 16.0% Y-o-Y due to:
 - Comparison with low base 9m 2018 due to high watercut well-stock shutdowns in 1H 2018 under OPEC+ deal
 - Inflationary pressure
- Upstream expenses per toe of consolidated subsidiaries at greenfields increased by 14.3% Q-o-Q due planned technical maintenance and servicing at the Prirazlomnoye field, pipeline diagnostics and maintenance to improve environmental safety, and planned repairs to gas processing facilities at the Novoportovskoye field
- Upstream expenses USD per boe at consolidated subsidiaries outside Russia increased by 2.3% Q-o-Q due to production decrease in Iraq, wells repair expenses increase

- Upstream expenses per boe of joint operations increased by 7.9% Y-o-Y mainly due to higher liquid production volume and higher water injection
- Refining expenses at the refineries of consolidated subsidiaries include expenditures on raw materials and supplies, maintenance and repairs of production equipment, labor and electricity costs, and other similar costs at Group's refineries
- Refining expenses per tonne at own refineries increased by 18.6% Y-o-Y due to:
 - Increase in maintenance expenses
 - MTBE¹ purchases increase
 - Increase in expenses for ecological programs
 - Throughput decline
- Refining expenses per tonne at own refineries decreased by 12.3% Q-o-Q due to:
 - Decrease in maintenance expenses due to no major repairs being undertaken in 3Q 2019
 - Throughput growth
- Refining unit expenses at joint ventures increased by 11.1% Y-o-Y due to higher processing expenses (new refining units launch and repairs)
- Transportation expenses to refineries increased by 8.1% Q-o-Q mainly due to throughput growth
- Other operating expenses increased Q-o-Q mainly due to other revenue growth and development of oil rim deposits.

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 increased by 8.8% Y-o-Y, driven mainly by:
 - Increased estimated liabilities resulted from share price growth
 - Increased advertising and marketing expenses as part of selling 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 0.1% Y-o-Y due to higher crude oil and petroleum products transportation expenses as a result of crude oil sales volume growth and higher petroleum products transportation tariffs. The increase was compensated by lower gas transportation expenses due to change of gas delivery contract terms to customers and application of IFRS 16 since January 2019
- Transportation expenses increased by 7.7% Q-o-Q due to crude oil and petroleum products sales volume growth.

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 5.8% Y-o-Y due to an increase in depreciable assets driven by implementation of the investment program, increased production at Novoportovskoye field and application of IFRS 16 since January 2019.

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

Taxes other than income tax

3Q	2Q			9 month		
2019	2019	Δ, %	(RUB million)	2019	2018	Δ, %
116,180	129,100	(10.0)	Mineral extraction taxes	357,332	361,687	(1.2)
3,933	4,233	(7.1)	Additional income tax for hydrocarbon producers	10,841	-	0
18,431	10,325	78.5	Excise	50,135	99,394	(49.6)
6,219	6,564	(5.3)	Social security contributions	18,966	16,518	14.8
3,897	4,207	(7.4)	Other taxes	12,106	12,230	-1
148,660	154,429	(3.7)	Total taxes other than income tax	449,380	489,829	(8.3)

- MET decreased by 10.0% Q-o-Q and 1.2% Y-o-Y mainly due to lower MET rates in result of crude oil price decline
- Additional income tax for hydrocarbon producers (AIT) is stated since January 1, 2019. The Group implemented AIT for several fields in West and East Siberia
- Excise taxes decreased by 49.6% Y-o-Y mainly due to implementation of crude oil materials excise duty deduction including dempfer part since January 1, 2019, which was partly trimmed by motor oil excise rates increase by 21%
- Excise taxes increased by 78.5% Q-o-Q due to petroleum products sales volume increase on the domestic market and dempfer part impact.

Export duties

3Q	2Q			9 month		
2019	2019	Δ, %		2019	2018	Δ, %
11,929	7,729	54.3	Crude oil export duties	27,867	31,184	(10.6)
7,996	7,790	2.6	Petroleum export duties	25,603	31,620	(19.0)
19,925	15,519	28.4	Total export duties	53,470	62,804	(14.9)

- Crude oil export duties decreased by 14.9% Y-o-Y due to lower crude oil and petroleum products rates as a result of tax maneuver completion. The decrease was trimmed by crude oil export sales volume growth
- Crude oil export duties increased by 28.4% Q-o-Q mainly due to crude oil export sales volume growth and lower share of non-taxable crude oil sales volumes.

Share of profit of equity accounted investments

3Q	2Q			9 month		
2019	2019	Δ, %	(RUB million)	2019	2018	Δ, %
3,125	2,257	38.5	Slavneft	10,768	13,798	-22
6,233	7,435	(16.2)	Messoyakha	20,272	20,584	(1.5)
8,938	10,697	(16.4)	Arcticgas	29,044	29,909	(2.9)
653	885	(26.2)	Nortgaz	2,336	2,689	(13.1)
964	974	(1.0)	Other companies	2,431	2,682	(9.4)
19,913	22,248	-10.5	Share of profit of associates and joint ventures	64,851	69,662	(6.9)

- The Group's share of Slavneft profit increased Q-o-Q due to production growth, higher Argus price and capital repair at the refinery in 2Q 2019
- The Group's share of Slavneft profit decreased Y-o-Y mainly due to lower price, repair expenses increase in result of planned repair at the refinery in 2Q 2019 and higher interest expenses in result of debt structure growth
- The Group's share of Messoyakha profit decreased Q-o-Q mainly due to lower crude oil prices and depreciation expenses increase in result of production growth
- The Group's share of Arcticgas profit decreased Q-o-Q mainly due to lower crude oil prices and production decline in result of planned repairs of gas processing lines
- The Group's share of Arcticgas profit decreased Y-o-Y mainly due to lower crude oil prices which was partly compensated by production growth.

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.

Cash flows and capital expenditures and analysis

(RUB million)	9 month		
	2019	2018	Δ %
Net cash provided by operating activities	460,301	391,636	17.5
Net cash used in investing activities	(190,359)	(220,946)	(13.8)
Net cash used in financing activities	(187,899)	(137,437)	36.7
Increase in cash and cash equivalents	82,043	33,253	146.7

Operating activities

(RUB million)	9 month		
	2019	2018	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	484,429	481,862	0.5
Net changes in working capital	13,834	(20,761)	-
Income tax paid	(40,720)	(43,808)	(7.0)
Interest paid	(47,197)	(35,244)	33.9
Dividends received	49,955	9,587	>200
Net cash provided by operating activities	460,301	391,636	17.5

- Net cash provided by operating activities increased by 17.5% Y-o-Y primarily due to dividends received from joint ventures and positive effect of changes in working capital.

Investing activities

(RUB million)	9 month		
	2019	2018	Δ %
Capital expenditures	(305,572)	(253,786)	20.4
Purchases of oil and gas licences	(7,654)	(3,004)	154.8
Net changes in deposits	(90)	7,185	-
Proceeds from sale of property, plant and equipment, net of tax	115,542	1,441	>200
Net changes in loans issued and other investments	(5,972)	10,940	-
Interest received	13,387	16,278	(17.8)
Net cash used in investing activities	(190,359)	(220,946)	(13.8)

- Net cash used in investing activities decreased by 13.8% Y-o-Y. Cash outflow in investing activities for capital expenditure, acquisition of oil and gas licenses and loans issued and other investments movements was partly compensated by inflow from transfer of capital construction object to the shareholder in 1Q 2019.

Financing activities

(RUB million)	9 month		
	2019	2018	Δ %
Net changes in debt	(33,571)	(74,535)	(55.0)
Payment of dividends to shareholders	(141,538)	(70,773)	100.0
Other transactions	(12,790)	7,871	-
Net cash used in financing activities	(187,899)	(137,437)	36.7

- Net cash used in financing activities increased Y-o-Y due to higher dividends paid (30 RUB per share for 2018 vs 15 RUB per share for 2017). Cash outflow in financing activity was partly compensated by decrease of net changes in debt.

Capital expenditures

(RUB million)	9 month		
	2019	2018	Δ, %
Exploration and production	177,644	152,275	16.7
Consolidated subsidiaries	165,023	140,530	17.4
Joint operations	12,621	11,745	7.5
Refining	77,938	58,493	33.2
Marketing and distribution	7,746	6,626	16.9
Others	10,642	7,924	34.3
Capital expenditures	273,970	225,318	21.6
Change in advances issued and material used in capital expenditures	20,854	28,468	(26.7)
Total capital expenditures	294,824	253,786	16.2
Investments into assets to be transferred	10,748	-	-
Total capital expenditures including investments into assets to be transferred	305,572	253,786	20.4

- Capital expenditures for exploration and production increased by 16.7% Y-o-Y mainly for consolidated subsidiaries and due to:
 - Increase in production drilling and workover operations at brownfields and Prirazlomnoye field
 - Increase in production drilling, capital objects and infrastructure construction at greenfields (Tazovskoye and Novoportovskoye fields and at oil rim projects)
- Capital expenditures for refining increased by 33.2% mainly due to increased costs at Omsk refinery resulting from implementing advanced refining projects.

Debt and liquidity

(RUB million)	September 30	December 31
	2019	2018
Short-term loans and borrowings	14,721	90,923
Long-term loans and borrowings	709,153	684,530
Cash and cash equivalents	(318,203)	(247,585)
Short-term deposits	(38)	-
Net debt	405,633	527,868
Short-term debt / total debt, %	2.0	11.7
Net debt and financial lease liabilities/ EBITDA for 12 months preceding	0.56	0.73

- The Group's diversified debt structure includes syndicated and bilateral loans, bonds and other instruments
- The average debt maturity decreased from 3.84 years as of December 31, 2018 to 3.42 years as of September 30, 2019
- The average interest rate increased from 6.29% as of December 31, 2018 to 6.31% as of September 30, 2019.

Financial coefficients

EBITDA reconciliation

3Q 2019	2Q 2019	Δ, %	(RUB million)	9 month		
				2019	2018	Δ, %
111,299	112,780	(1.3)	Profit for the period	336,751	317,401	6.1
22,775	24,601	(7.4)	Total income tax expense	67,329	60,822	10.7
7,813	9,299	(16.0)	Finance expense	26,321	16,280	61.7
(6,047)	(6,406)	(5.6)	Finance income	(17,549)	(4,595)	>200
47,297	44,849	5.5	Depreciation, depletion and amortization	133,842	126,542	5.8
(2,134)	499	-	Net foreign exchange loss / (gain)	(7,096)	31,115	-
5,259	4,317	21.8	Other loss, net	15,655	8,908	75.7
186,262	189,939	(1.9)	EBITDA	555,253	556,473	(0.2)
(19,913)	(22,248)	(10.5)	less Share of profit of associates and joint ventures	(64,851)	(69,662)	(6.9)
41,107	42,676	(3.7)	add Share of EBITDA of associates and joint ventures	125,109	127,651	(2.0)
207,456	210,367	(1.4)	Adjusted EBITDA	615,511	614,462	0.2

Profitability

	September 30 2019	September 30 2018	Δ, p.p.
Adjusted EBITDA margin, %	32.89	33.63	(0.7)
Net profit margin, %	17.99	17.37	0.6
Return on assets (ROA), %	11.88	12.62	(0.7)
Return on equity (ROE), %	19.89	21.34	(1.5)
Adjusted Return on average capital employed (ROACE), %	17.79	19.15	(1.4)

Adjusted ROACE calculation

For 12 months preceding	September 30 2019	September 30 2018
Adjusted EBITDA	800,555	766,183
Depreciation, depletion and amortization	(226,381)	(207,327)
Effective income tax charge on EBIT	(113,716)	(102,507)
Adjusted EBIT*	460,458	456,349
Average capital employed	2,588,659	2,382,454
Adjusted ROACE	17.79	19.15

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

Liquidity

	September 30 2019	September 30 2018	Δ, %
Current ratio	1.89	1.20	57.5
Quick ratio	1.13	0.61	85.2
Cash ratio	0.71	0.28	153.6

Leverage

	September 30 2019	September 30 2018	
Net debt/ Total Assets, %	10.82	16.39	Δ, p.p. (5.6)
Net debt/ Equity, %	18.23	27.28	(9.1)
Gearing, %	14.95	21.23	(6.3)
			Δ, %
Net debt/ Market Capitalization	0.20	0.31	(35.5)
Net debt/ EBITDA	0.56	0.79	(29.1)
Total debt/ EBITDA	1.00	0.98	2.0

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; 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 9 months 2019 had a negative impact on the Group's results.

3Q 2019	2Q 2019	Δ, %		9 month 2019	2018	Δ, %
(US\$/ barrel)			International market	(US\$/ barrel)		
61.94	68.82	(10.0)	Brent	64.60	72.28	(10.6)
61.26	67.83	(9.7)	Urals Spot (average Med + NWE)	64.05	70.69	(9.4)
(US\$/ tonne)				(US\$/ tonne)		
622.55	682.23	(8.7)	Premium gasoline (average NWE)	616.84	696.61	(11.5)
469.14	518.06	(9.4)	Naphtha (average Med. + NWE)	491.00	613.36	(19.9)
579.46	609.15	(4.9)	Diesel fuel (average NWE)	592.16	639.16	(7.4)
575.55	595.77	(3.4)	Gasoil 0.1% (average Med.)	582.77	632.24	(7.8)
322.78	379.51	(14.9)	Fuel oil 3.5% (average NWE)	356.03	384.65	(7.4)
(RUB/ tonne)			Domestic market	(RUB/ tonne)		
41,500	39,644	4.7	High-octane gasoline	39,200	41,175	(4.8)
-	-	-	Low-octane gasoline	11,384	35,729	(68.1)
40,869	39,992	2.2	Diesel fuel	40,245	39,499	1.9
13,278	15,207	(12.7)	Fuel oil	14,229	13,391	6.3

Sources: Platts (international), Kortes (domestic)

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, 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:

$R = K * R_{crude}$, 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 (as amended by Federal Law No. 326-FZ September 29, 2019) established the following excise duty rates for petroleum products (in roubles/tonne):

	2018		2019	2020	2021
	01.01 - 31.05	01.06 - 31.12			
Gasoline					
Below Class 5	13,100	13,100	13,100	13,100	13,100
Class 5	11,213	8,213	12,314	12,752	13,262
Naphtha	13,100	13,100	13,912	14,720	15,533
Diesel fuel	7,665	5,665	8,541	8,835	9,188
Motor oil	5,400	5,400	5,400	5,616	5,841
Middle distillate	8,662	6,665	9,241	9,535*	

* - for the period from January 1 to March 31

Clause 181 subclause 13.1 of the Russian Federation Tax Code introduces a new product subject to excise duty 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:

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

$P_{\text{crude oil}}$ – 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} .

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

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

$V_{\text{G}} / V_{\text{DF}}$ – 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.

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

$K_{\text{DF_COMP}}$ – 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.

According to Russian Federal Law No. 326-FZ (September 29, 2019) 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	$919 \times Kc - Dm$
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$$Dm = Kmet \times Kc \times (1 - Kv \times Kz \times Kd \times Kdv \times Kkan) - Kk \text{ for 2018}$$

$$Dm = Kmet \times Kc \times (1 - Kv \times Kz \times Kd \times Kdv \times Kkan) - Kk - K_{MAN} \times S_{OV} - K_{GDF} \text{ from 2019 г.,}$$

where **Kmet** – 559.

Kc reflects the volatility of crude oil prices on the global market. $Kc = (P - 15) \times D / 261$, where P is the average monthly Urals oil price on the Rotterdam and Mediterranean markets (in USD/bbl.) and D is the average monthly rouble/ US dollar exchange rate.

Kv 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, $Kv = 3.8 - 3.5 \times N / V$. Where depletion is greater than 1, Kv is 0.3. In all other cases $Kv = 1$. Where fields include deposits with $Kd < 1$, Kv is equal to 1.

Kz characterizes the size of the field (by reserves) and provides lower tax rates for small fields. For fields with initial reserves (designated by V3, 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, $Kz = 0.125 \times V3 + 0.375$.

Kd 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 $2 \cdot 10^{-3} \mu^2$ 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_d characterizes the degree of depletion of the deposit, providing lower tax rates for highly depleted deposits. **K_d** 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_d** is 0.3. In all other cases, **K_d** = 1. **K_d** 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 – 357 for 2018 and 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	Ke, 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.

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

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.

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

3Q	2Q			9 month		
2019	2019	Δ, %		2019	2018	Δ, %
12,405	14,160	(12.4)	Nominal crude oil MET rate, RUB/tonne	13,172	12,426	6.0
9,493	10,783	(12.0)	Effective crude oil MET rate, RUB/tonne	10,053	10,190	(1.3)
			Difference between nominal and effective rates,			
2,912	3,377		RUB/tonne	3,119	2,236	
23.5%	23.8%		Difference between nominal and effective rates, %	23.7%	18.0%	

For the 9 months 2019 the Group's effective MET rate was 10,053 RUB/tonne or 3,119 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:

	2018	Since 2019
MET on natural gas (RUB/mcm)	$35 * \text{Eut} * K_c + T_g$	$35 * \text{Eut} * K_c + T_g$
MET on gas condensate (RUB/tonne)	$42 * \text{Eut} * K_c * K_{km}$	$42 * \text{Eut} * K_c * K_{km} + 0.75 * K_{man}$

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 2017-2019 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 9 months 2019 the Group's effective MET rate for natural gas was 618 RUB per thousand m³, which is 38 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)

According to Russian Federal Law No. 199-FZ (July 19, 2018) 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.

Tax benefits

According to the effective tax legislation, the Group's subsidiaries apply the following tax benefits (including lower tax rates and coefficients that reduce the MET rate):

Tax benefits applied during 9m 2019	Subsidiaries (Oil Fields) belonging to the Group
MET for gas	
Hard-to-recover coefficient Kc	JSC Gazpromneft-Noyabrskneftegaz Gazpromneft Yamal LLC Gazpromneft Orenburg LLC
MET for oil	
Small fields coefficient Kz	JSC Gazpromneft-Noyabrskneftegaz Gazpromneft Orenburg LLC
Depletion coefficient Kv	JSC Gazpromneft-Noyabrskneftegaz Gazpromneft-Vostok LLC JSC Yuzhuralneftegas Gazpromneft-Khantos LLC
Hard-to-recover coefficient Kd	JSC Gazpromneft-Noyabrskneftegaz

Tax benefits applied during 9m 2019	Subsidiaries (Oil Fields) belonging to the Group
	Gazpromneft-Vostok LLC Gazpromneft-Khantos LLC Gazpromneft Orenburg LLC
Highly depleted deposits coefficient Kdv	JSC Gazpromneft-Noyabrskneftegaz
Oil production region and oil quality factor Kr	PJSC Gazprom Neft Gazpromneft-Angara LLC Gazpromneft-Yamal LLC Gazpromneft-Khantos LLC Meretoyakhaneftegaz LLC
Reduced MET rate for fields classified as belonging to Bazhenov formation	JSC Technological Center Bazhen
Lower MET rate for new offshore field in the Pechora Sea	Gazprom neft shelf LLC
Profits tax	
16% rate (4% tax rate decrease under Khanty-Mansiysk Autonomous Okrug regional legislation)	JSC Gazpromneft-Noyabrskneftegaz
17% rate (3% tax rate decrease under Khanty-Mansiysk Autonomous Okrug regional legislation)	Gazpromneft-Khantos LLC
16.5% rate (3.5% tax rate decrease under Yamalo-Nenets Autonomous Okrug regional legislation)	JSC Gazpromneft-Noyabrskneftegaz Gazpromneft-Yamal LLC
Property tax	
Property tax exemption for hydrocarbon fields in Khanty-Mansiysk Autonomous Okrug with the first hydrocarbon extraction after January 1, 2011 (under Khanty-Mansiysk Autonomous Okrug regional legislation)	Gazpromneft-Khantos LLC JSC Gazpromneft-Noyabrskneftegaz
Reduced tax rate 1.1% on property purchased/constructed in the course of investment projects in Yamalo-Nenets Autonomous Okrug (under Yamalo-Nenets Autonomous Okrug regional legislation)	JSC Gazpromneft-Noyabrskneftegaz
Property tax exemption on property purchased/constructed in the course of investment projects in Orenburg region (under Orenburg regional legislation)	Gazpromneft-Orenburg LLC
Property tax decrease on properties purchased/constructed and put into operation in the course of investment projects in Tomsk region in the amount of 50% of tax to be paid to Tomsk region budget (under Tomsk regional legislation)	Gazpromneft-Vostok LLC
Property tax exemption on property purchased/constructed and put into operation in the course of R&D work on technologies for exploration of pre-Jurassic reserves in Tomsk region (under Tomsk regional legislation)	Gazpromneft-Vostok LLC

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:

3Q 2019	2Q 2019	Δ, %	(RUB per tonne)	9 month		
				2019	2018	Δ, %
Crude oil						
Export						
2,328	2,478	(6.1)	Pipeline	2,400	2,293	4.7
CIS						
1,709	1,676	2.0	Pipeline	1,685	1,595	5.6
Transportation to Refineries						
787	764	3.0	Omsk	771	753	2.4
1,652	1,643	0.5	Moscow	1,646	1,548	6.3
1,403	1,371	2.3	Yaroslavl	1,387	1,321	5.0
Petroleum products						
Export from ONPZ						
4,453	4,735	(6.0)	Gasoline	4,649	3,756	23.8
5,591	6,535	(14.4)	Fuel oil	5,790	5,467	5.9
4,401	4,558	(3.4)	Diesel fuel	4,426	4,474	(1.1)
Export from MNPZ						
3,546	3,612	(1.8)	Gasoline	3,439	1,435	139.7
3,876	4,501	(13.9)	Fuel oil	3,864	3,245	19.1
2,883	2,969	(2.9)	Diesel fuel	2,913	2,832	2.9
Export from YaNPZ						
3,015	3,044	(1.0)	Gasoline	3,056	3,106	(1.6)
3,262	3,225	1.1	Fuel oil	3,209	3,069	4.6
2,407	2,571	(6.4)	Diesel fuel	2,505	2,416	3.7

The Group's crude oil export route mix (tonnes) for 9 months 2019 and 2018 is presented below:

	9 month	
	2019	2018
Crude oil export		
Primorsk Baltic Sea port	15.3%	10.4%
Ust-Luga Baltic Sea port	0.7%	0.0%
Druzhba pipeline	10.1%	14.7%
Port of Novorossiysk	8.2%	5.8%
ESPO pipeline and the port of Kozmino	11.7%	13.3%
Meget (pipeline and railway) China	0.0%	0.0%
Exported without using Transneft system, including:	54.0%	55.8%
Prirazlomnoye	15.7%	17.2%
Novoport	38.3%	38.6%
Total	100.0%	100.0%
Crude oil export to CIS countries		
Belarus	100.0%	97.1%
Uzbekistan	0.0%	2.9%
Total	100.0%	100.0%

www.gazprom-neft.com

Contacts: PJSC Gazprom Neft

Investor Relations Department email: ir@gazprom-neft.ru

Address: 3-5, Pochtamskaya Street, St. Petersburg 190000, Russia

Phone: +7 812 385 95 48