

Breakdown of specific costs of oil transportation and petroleum products transportation, based on data under RAS

In the specific costs breakdown, the Company used the operating expenses indicator calculated on the basis of aggregated data under RAS, with the previous year's indicator adjusted to comparable conditions of the reporting period.

Oil transportation

Indicator	2020	2019	Absolute change	Change, %
Turnover, million tkm	1,132,226	1,247,584	(115,358)	(9.2)
Expenses per 100 tkm (2019 indicators inflated to 2020), RUB	22.55	20.85	1.70	8.2

Petroleum products transportation

Indicator	2020	2019	Absolute change	Change, %
Transportation volume, mln tonnes (based on petroleum products transportation acceptance certificates)	37.9	37.9	-	-
Specific costs per tonne, indicators for 2019 are inflated by 2020, RUB. (the calculation excludes the petroleum products transportation volume accepted on the territory of Belarus)	738.1	710.2	27.9	3.9

Reasons for Changing the Items on the List of Operating Expenses

Personnel expenses include salaries, expenses for creating a provision for the payment of remuneration at the end of the year and a provision for unused vacation and other benefits in accordance with IAS 19 "Employee remuneration".

The increase in personnel expenses, insurance premiums and social expenses in 2020 compared to 2019 by RUB 13,707 million, or 8.0%, is mainly due to the improvement of the wage system for employees of Transneft subsidiaries in order to comply with labour legislation in terms of minimum wage.

Factors influencing the decrease in pension accruals for 2020, compared to the indicator for 2019:

- reflection in 2019 of additional pension accruals related to the fact that since 2020 the wage pattern has changed for the majority of employees whose salaries did not exceed the minimum wage established since 01.01.2020. In order to ensure labour legislation, the fixed part of wages (salary) was increased and its variable part (bonus) decreased;

- inclusion in the indicators of the Group's consolidated financial statements under IFRS of changes in the pension obligations of Transneft NPF.

The outlay on pensions was influenced by the following factors, influencing the value of expenses:

- pension liabilities of Transneft NPF were included in the consolidated financial statement of the Group by IAS;
- The Group recognised the costs caused by the reflection of pension liabilities with mandatory payments in accordance with IAS 19 (Employee remuneration).

Energy costs for 2020 decreased by RUB 6,172 million, or 12.7%, compared to the previous year. The decrease in the amount of energy costs (capacity) mainly results from a decrease in the volume of purchased electricity (capacity) due to a decrease in oil turnover by 9.2%.

Cost of oil export for 2020 amounted to RUB 140,903 million, including the cost of sale of oil

bought from Rosneft, under the agreement signed in April 2009, which amounted to RUB 121,668 million and crude oil export customs duties in the amount of RUB 19,235 million. The figure resulted from crude oil supplies to China.

The decrease in the cost of oil export was due to the decrease in the oil price.

The decrease in the cost of oil sold on the domestic market in 2020 by RUB 6,543 million, or 57.9%, compared to 2019 was due to a decrease in sales volumes and a decrease in the average oil price during the year ended 31 December 2020, compared to the same period last year.

The decrease in the cost of petroleum products sold on the domestic market in 2020 by RUB 2,133 million, or 25.8%, compared to 2019 was due to a decrease in sales of petroleum products.

Other taxes paid by Transneft Group and included in its operating expenses refer to, above all, property tax, land and transport taxes.

Other operating expenses also include the outlay on communication services, transport and secondment expenses, as well as expenses and revenues resulting from disposal of fixed assets and other assets, fines and penalties received and paid along with other revenues and expenditures.

EBITDA Formation

Indicator	2020	2019	Change, %	RUB mln 2018
Profit for the year	132,677	197,104	(32.7)	225,413
Adjustments:				
income tax expenses	46,388	47,914	(3.2)	52,298
depreciation and amortisation	217,612	208,700	4.3	178,610
result from oil sales to China	(644)	466	x	(439)
net financial expenses	18,359	34,522	(46.8)	21,304
share of the profit of subsidiaries and jointly run companies	1,608	(16,073)	x	(10,231)
other expenses, including	26,624	13,622	95.4	(33,519)
EBITDA*	442,624	486,255	(9.0)	433,436

* Excluding crude oil sale and purchase transactions, based on contracts with Rosneft and China National United Oil Corporation.

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a useful indicator for investors, since it reveals the efficiency of the Group's activities, including the Group's ability to finance capital costs, acquire businesses and make other investments, as well as its ability to raise and repay loans. For some investors, analysts and rating agencies EBITDA serves

as the ground to evaluate and forecast oil and gas businesses' cost and efficiency. This indicator should not be viewed separately, as an alternative to earnings for a given period, earnings from core activity or any other indicator showing the Group's efficiency and reflected in the consolidated financial statement by IFRS.