

3.1. ADDRESS OF THE PRESIDENT



DEAR SHAREHOLDERS!

In 2020, the crisis in international energy markets and the coronavirus pandemic prompted us to seek and find untrivial solutions, apply new approaches, which undoubtedly enriched the theory and practice of the pipeline industry with experience in managing and operating in a rapidly changing environment. The issues of safety, efficiency and sustainability, maintaining a normal production rhythm and the ability to overcome new challenges came to the fore in the Company.

At the same time, we must note that unfavourable external factors, such as market conditions, falling demand and a general decline in business activity, could not but affect the pipeline industry and the Company's financial performance. The decrease in oil transportation volumes in 2020 was 8.8% compared to 2019, although petroleum products transportation remained at the same level as in 2019. Transneft maintained a stable financial position, which is confirmed by credit ratings that are the highest possible for a company operating in the Russian Federation.

In operational activities, we remain focused on innovation and experimentation. In 2020, as part of the technical upgrading and revamping programme, almost 890 km of trunk pipelines were replaced, 75 tanks were constructed and revamped, various equipment was revamped and replaced at dozens of facilities.

In 2020, Transneft continued to implement promising projects in the field of diversification of operational activities, creation and development

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of industry-specific technologies and production operations. The share of foreign equipment decreased to 3.6%, the share of foreign goods in the total volume of purchases does not exceed 7.7%. 11 large companies were established and are in operation. The Company met the target indicators of the Energy Saving and Energy Efficiency Improvement Programme which provides for



a decrease in specific electrical energy consumption (85% of energy consumption): by 0.5% in the annual target amount.

Transneft is one of the largest payers to the budgets of all levels of the Russian Federation. In 2020, the total volume of tax payments in favour of the state amounted to RUB 82.5 bn.

As part of digitalisation, the introduction of information systems and automation of business processes continues, which optimises work in the Company's priority business areas: commodity transport operations, finance and procurement. These systems will be integrated into the Company's general information infrastructure. I am sure that the experience in transferring most employees of a multi-thousand team to a remote mode of work in an extremely short time, ensuring the safe, reliable and efficient operation of all business units of the Company and its subsidiaries during the pandemic peak will further be in demand to optimise business processes and create a new interactive work space.

Transneft system is ready to fulfill the requests of oil and gas companies in organising efficient oil and petroleum products supplies to Russian consumers and to international markets. The Company is looking to the future with confidence, continuing to develop and move forward.

**Nikolay
Tokarev**

Chairman
of the Management Board
President of Transneft