

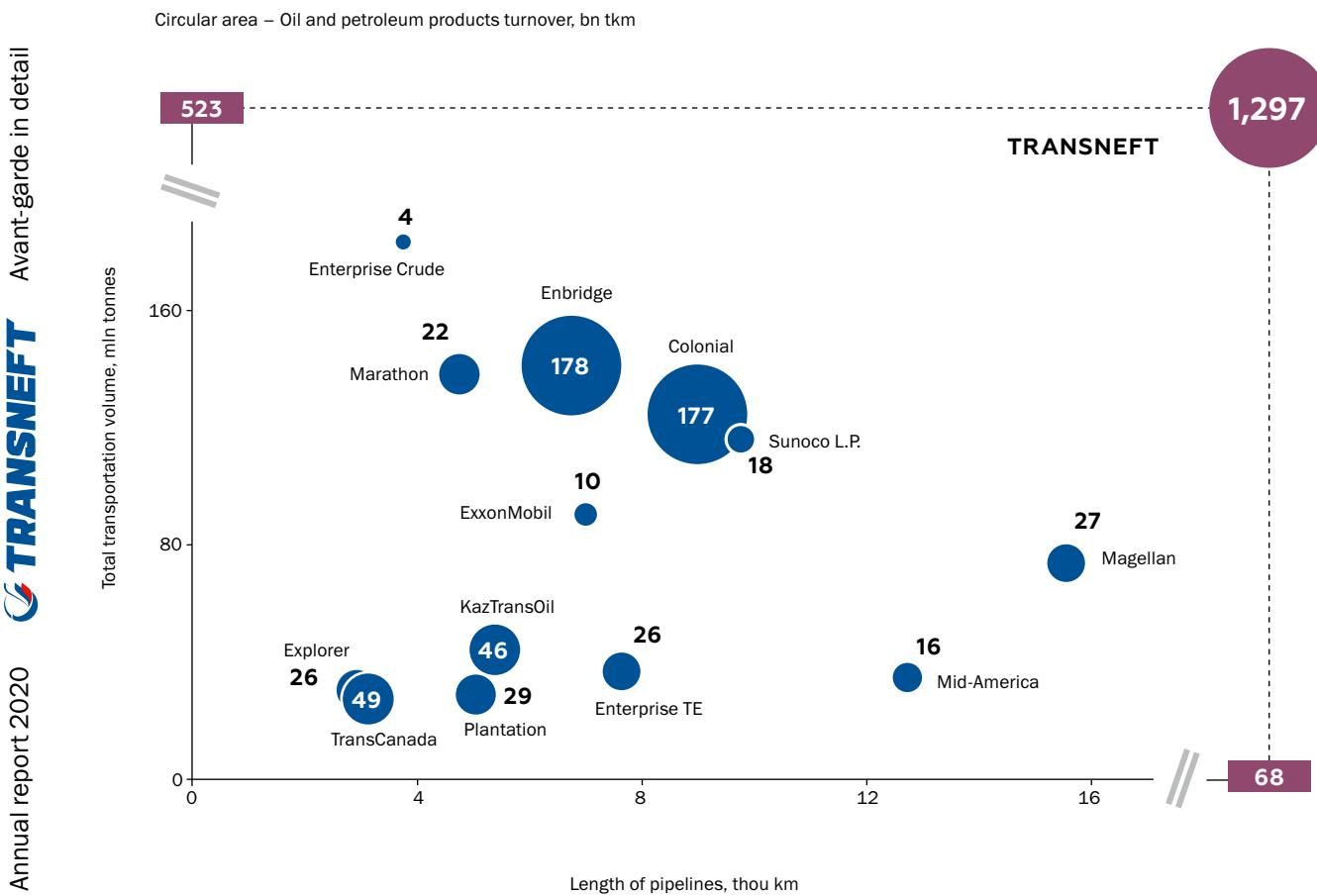
## 2.3. PLACE OF TRANSNEFT IN THE RATING OF OIL AND PETROLEUM PRODUCTS TRANSPORTATION COMPANIES AROUND THE WORLD

The KPMG international consulting company annually conducts a comparative analysis of Transneft's activities with foreign oil and petroleum products transportation leaders. In the 2018–2019 study, the main sources of information were annual reports of

companies, reports submitted to the US Securities and Exchange Commission, industry-specific reports provided to the US Federal Energy Regulatory Commission and other public sources. The data for 2020 was not yet published at the time of research.

### Difference in Operational Scope as of 2019

In 2018–2019, there were no companies in the world similar to Transneft in terms of the scale of pipeline transportation of oil and petroleum products.

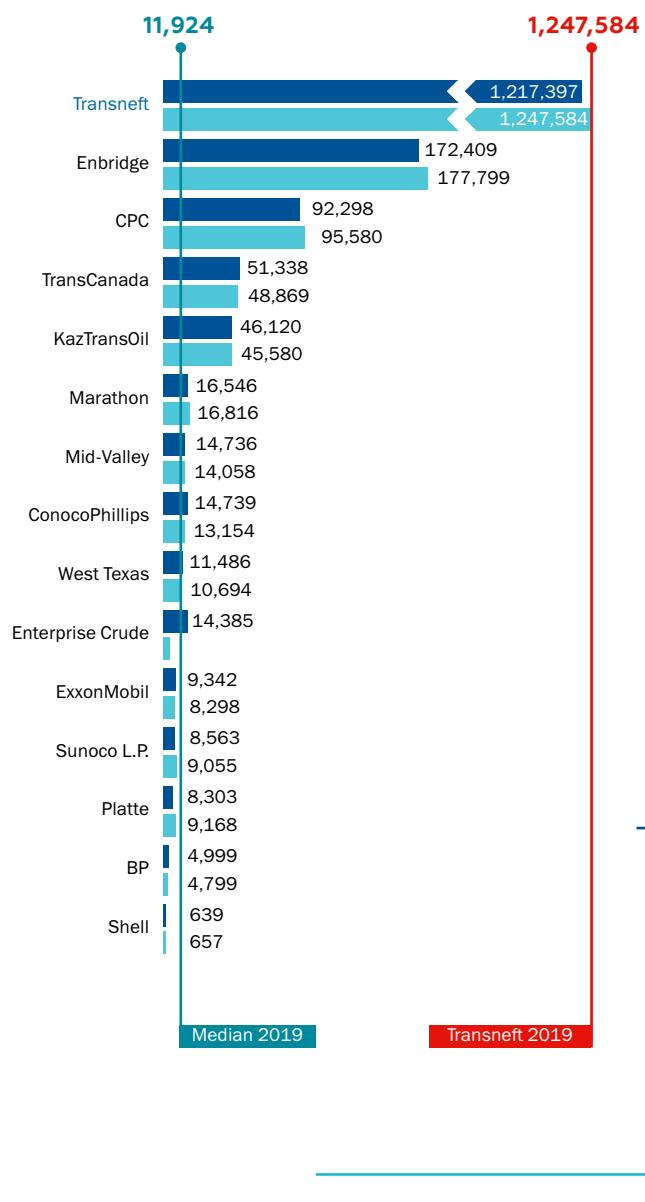


## Turnover

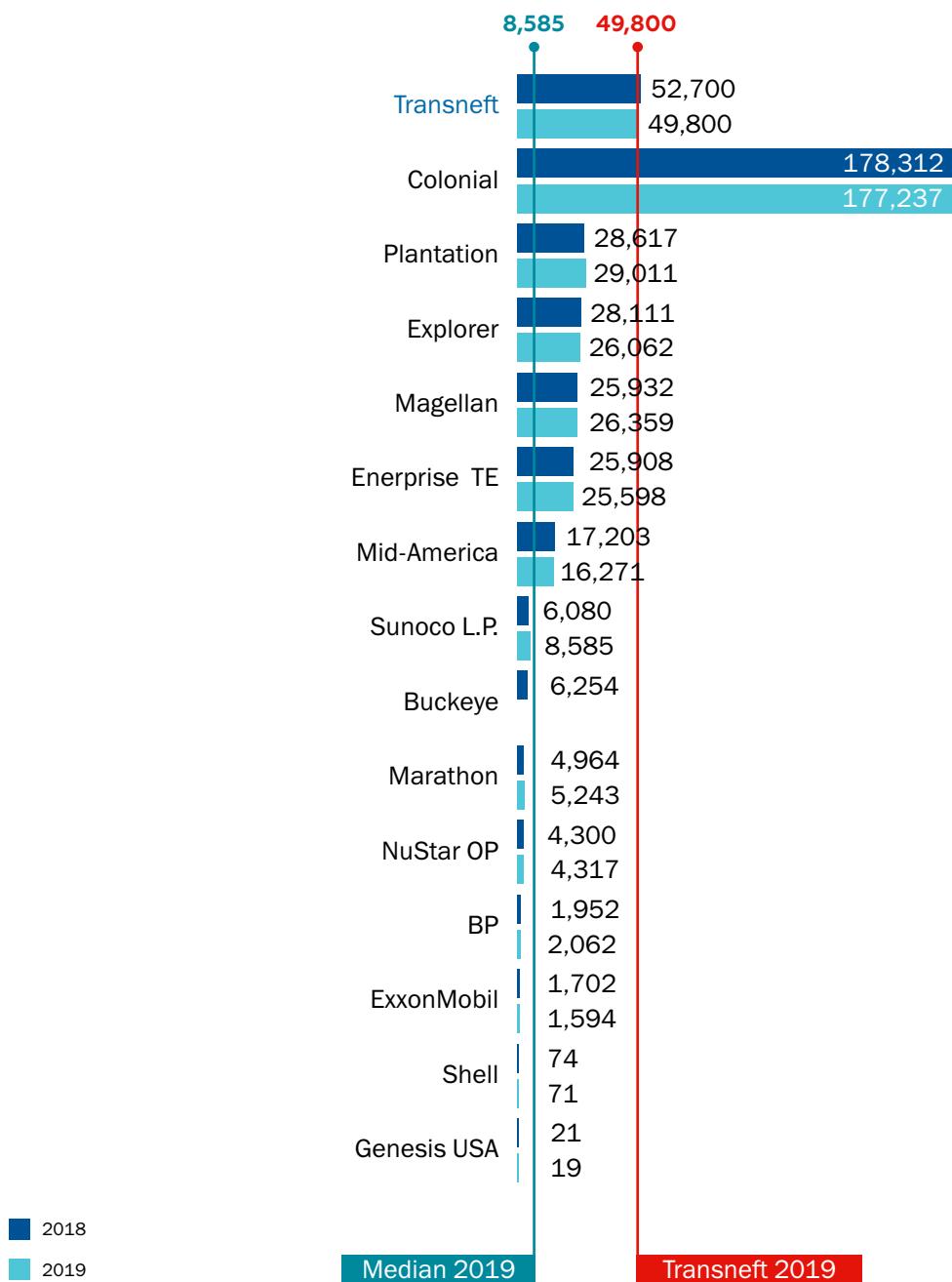
Transneft is a subject of natural monopoly in the field of pipeline transportation of oil across the territory of the Russian Federation and is characterised by the greatest length of oil trunk pipelines (51.1 thousand km in 2019) as against the foreign considered companies. Comparing the oil turnover with world pipeline companies shows that Transneft is the largest

oil transportation company: in 2018 the Company's turnover amounted to 1,217,397 million tkm, in 2019 – to 1,247,584 million tkm, which is over 7 times more than the indicator of the company with the highest turnover in the United States in the sample under review (Enbridge).

Oil turnover, mln tkm



## Petroleum products turnover, mln tkm



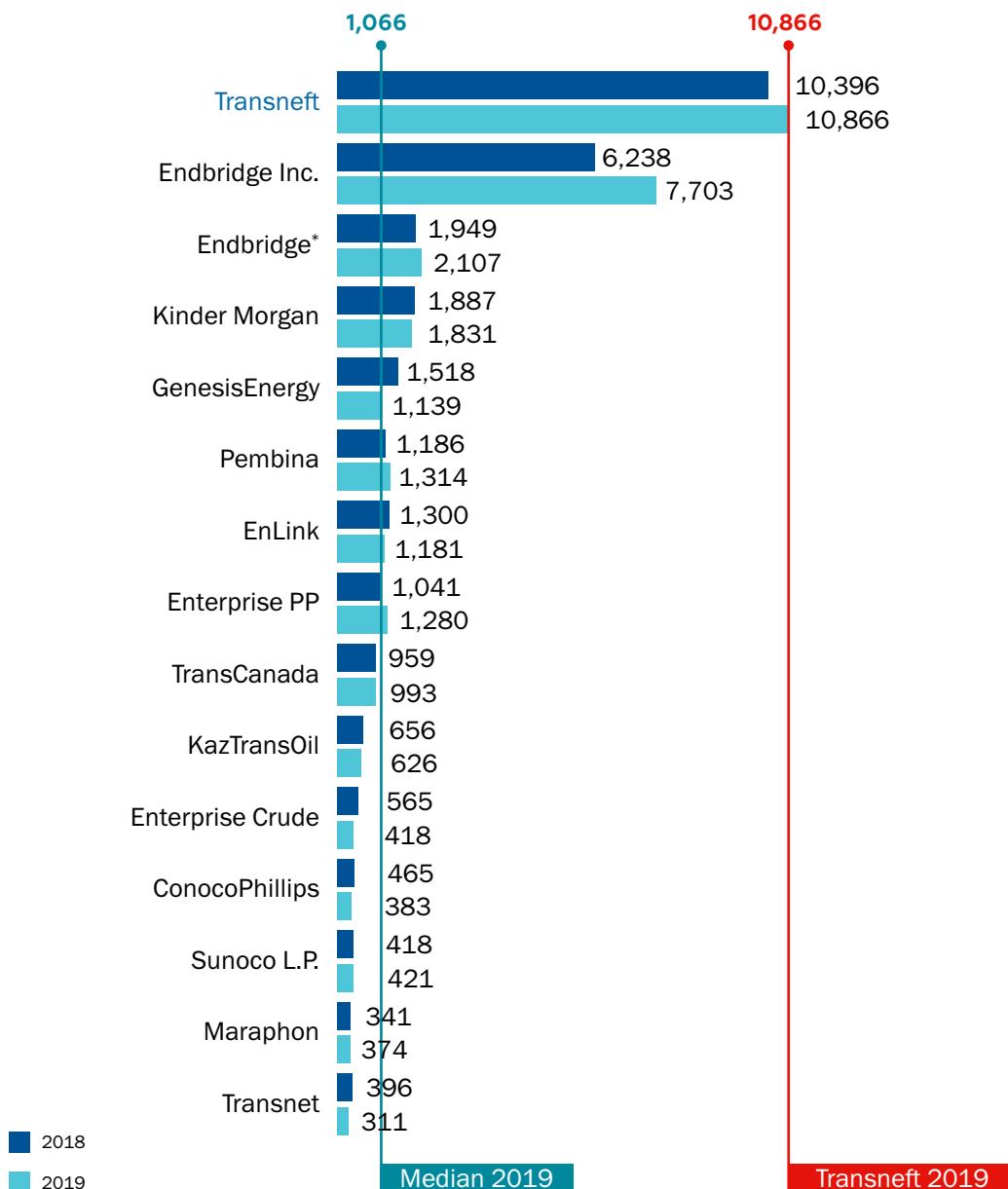
Transneft is one of the world's major companies in terms of petroleum products turnover (52,700 million tkm in 2018), surpassing most foreign counterparts. In 2019, there is a slight decrease in the volume of turnover: 49,800 million tkm (which is almost 5.5 times higher than the median of 9,055 million tkm). The only exception is Colonial Pipeline, whose turnover stood at 178,312–177,237 million tkm in 2018–2019. It is the main transporter of petroleum products along the east coast of the United States. Genesis USA has the smallest petroleum products turnover of 21 and 19 million tkm in 2018 and 2019, respectively.

## Revenue from Transportation

In 2018–2019, Transneft's revenue from oil transportation services exceeded the revenue of other companies in the sample. This is due to the greatest turnover volumes. The given comparison is also influenced by the RUB/USD exchange rate and the level of transportation tariffs in base currencies.

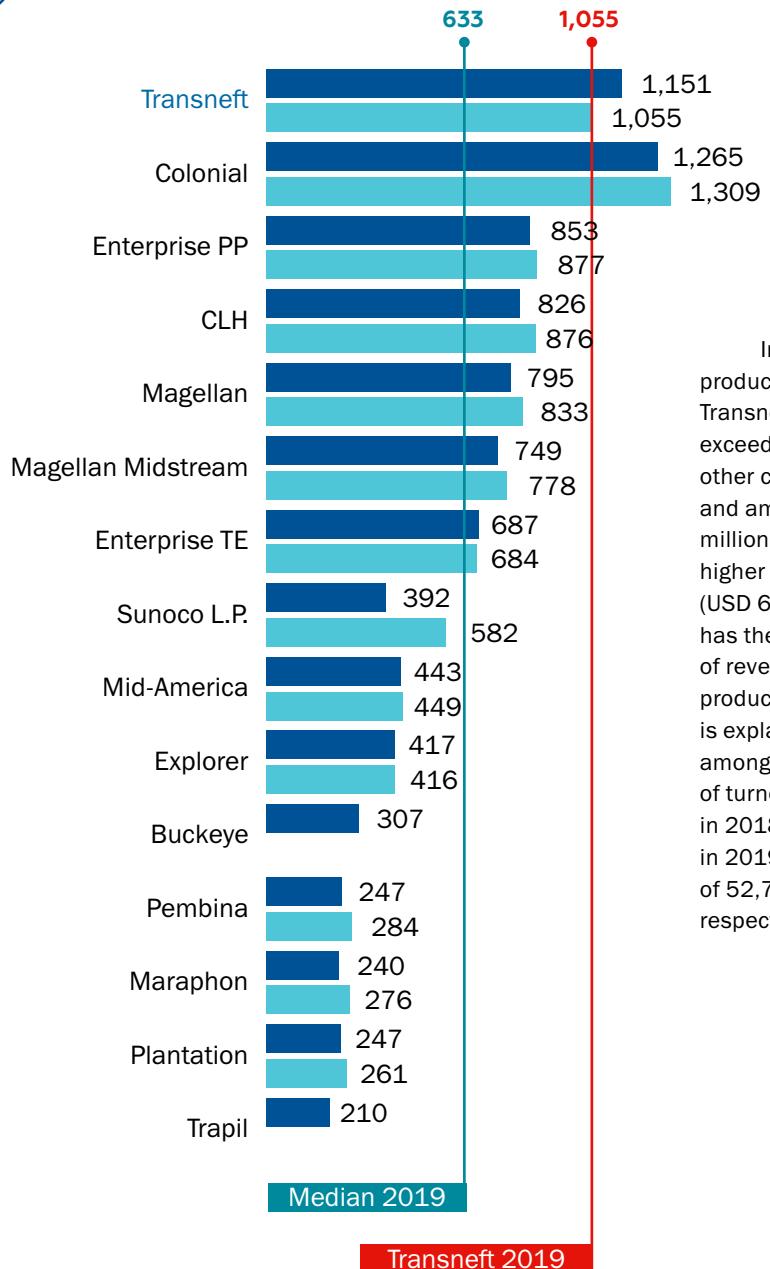
Revenue of the largest foreign company, Enbridge Inc., by this indicator in 2019 is almost 29% lower than Transneft's figures (USD 7,703 million versus USD 10,866 million, respectively) with a median value of USD 1,066 million.

Revenue from oil transportation, USD mln



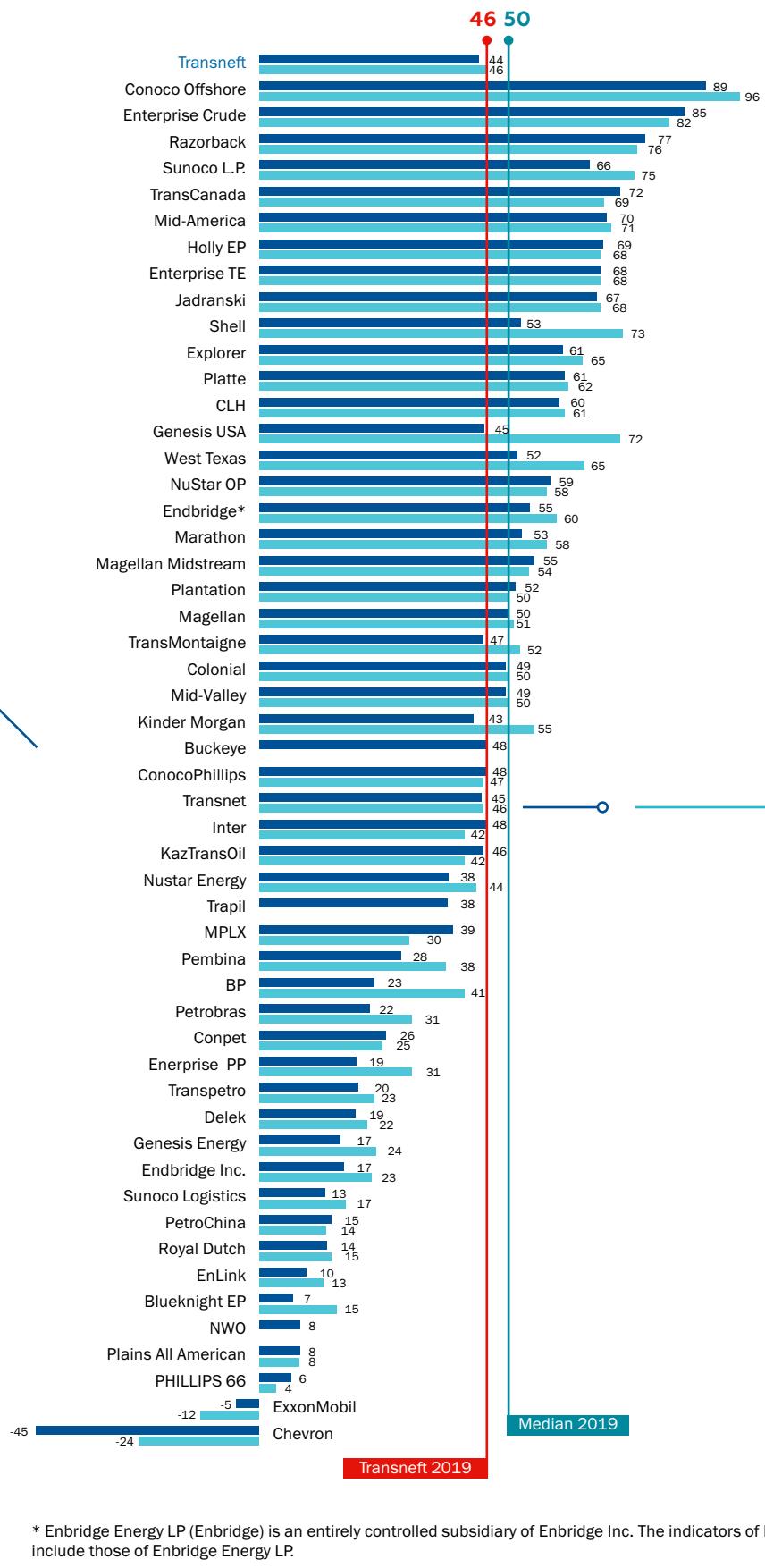
\* Enbridge Energy LP (Enbridge) is an entirely controlled subsidiary of Enbridge Inc. The indicators of Enbridge Inc. include those of Enbridge Energy LP.

Revenue from petroleum products  
transportation, USD mln



In terms of the petroleum products transportation, Transneft's revenue in 2019 exceeded the revenue of most other companies in the sample and amounted to USD 1,055 million, which is almost 2 times higher than the median value (USD 633 million). Colonial Pipeline has the highest figures in terms of revenue from the petroleum products transportation, which is explained by its leadership among other companies in terms of turnover (178,312 million tkm in 2018 and 177,237 million tkm in 2019 versus Transneft's figures of 52,700 and 49,800 million tkm, respectively).

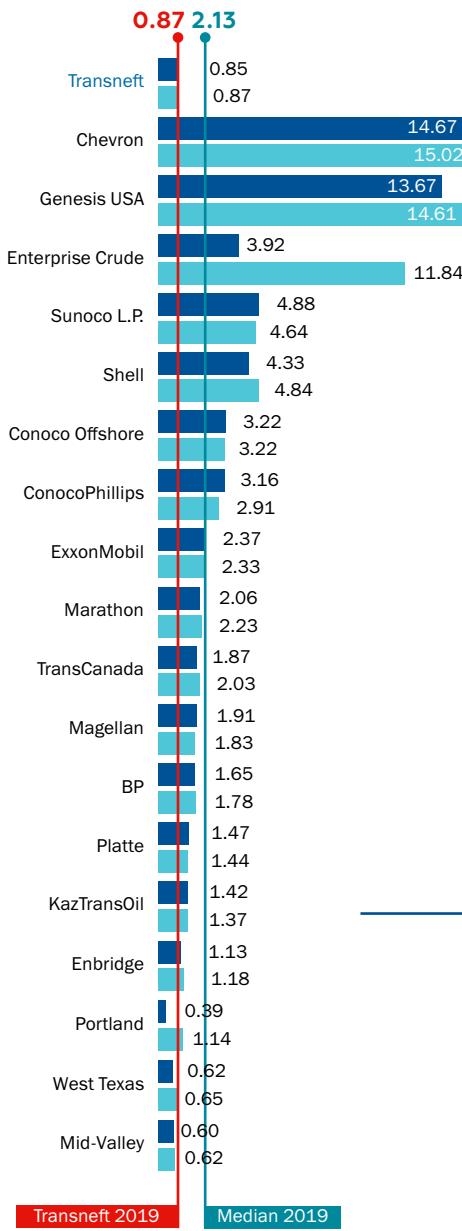
## EBITDA margin, %



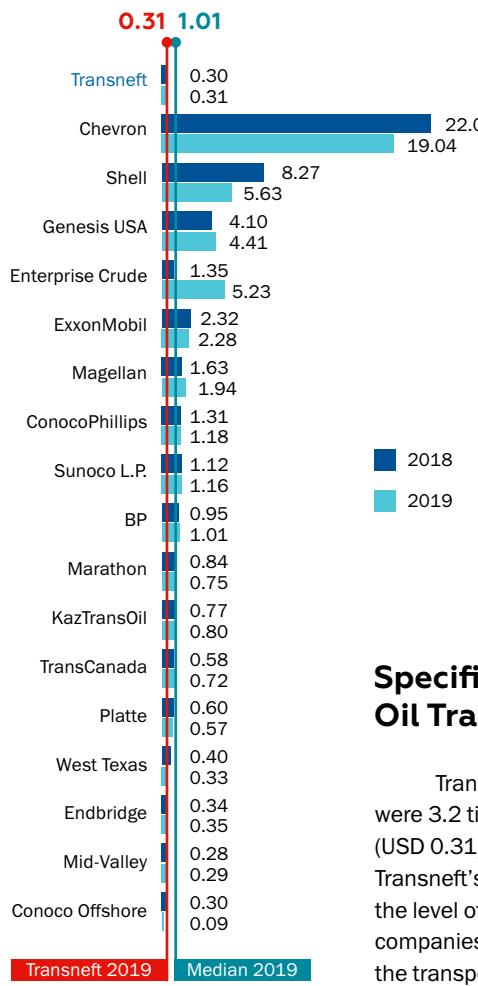
## Weighted Average Oil Transportation Tariff

Transneft's weighted average tariff in 2018–2019, calculated for 100 tkm of oil turnover, is more than 2 times lower than the median value for comparable companies (USD 0.87 /100 tkm versus USD 2.13 /100 tkm median in 2019). This tariff is one of the lowest among companies engaged in oil transportation via pipelines. Comparison based on the weighted average tariff per 100 tkm allows to take into account the factor of differences in the length of the transportation distance from oil receiving points to delivery points and to minimise errors due to differences in the scale of companies. The high weighted average tariff per 100 tkm of oil turnover among foreign companies is due to high specific operating costs. It should be noted that the analysis did not take into account the procedure for setting tariffs for each company due to the lack of this information. This does not eliminate the factor of difference in tariff determination when comparing Transneft and its counterparts.

### Oil transportation tariff, USD/100 tkm



### Specific operating expenses on oil transportation, USD/100 tkm

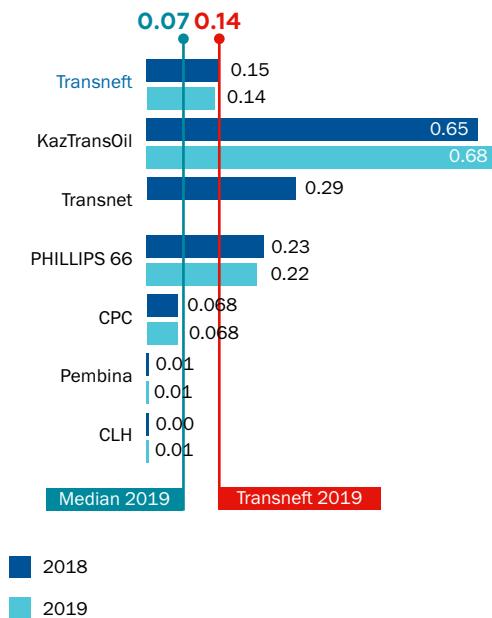


## Specific Operating Expenses during Oil Transportation

Transneft's specific operating expenses on oil transportation in 2019 were 3.2 times lower than the median value charged by foreign companies (USD 0.31/100 tkm versus USD 1.01 /100 tkm). In 2018–2019, the weight of Transneft's specific expenses per 100 tkm of oil turnover, when compared with the level of the weighted average tariff, remained at 35–36%. A number of foreign companies can observe a downward trend in the share of operating expenses in the transportation tariff (West Texas, Conoco Offshore, Marathon, etc.).

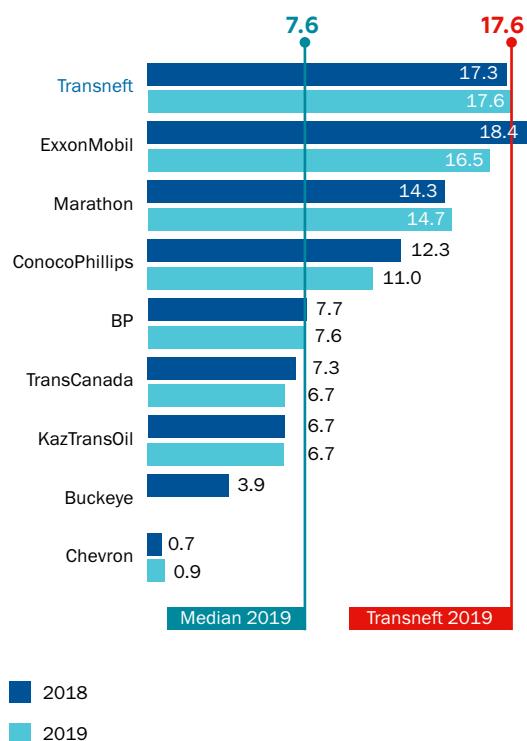
## Specific Air Pollutant Emissions

Specific air pollutant emissions during transportation via trunk pipelines, kg/t



In 2019, Transneft's specific air pollutant emissions in oil and petroleum products transportation were reduced by 6.9% (from 0.1514 in 2018 to 0.14102 kg/t) and were equal to the median value for the sample. Among the six comparable companies, KazTransOil, Phillips66 and Transnet have a higher figure.

In-kind productivity of labour, mln tkm/person



## Labour Productivity

In 2019, in-kind labour productivity was more than two times higher at Transneft against the median (17.6 million tkm/worker versus the median value of 7.6 million tkm/worker). Yet in 2019, in-kind labour rose by 1.7% compared to 2018. ExxonMobil Corporation demonstrated a high in-kind labour productivity among the foreign companies (18.4 million tkm/person in 2018). Chevron Pipe Line Company had the worst figure – 0.7 million tkm/person – which is more than 10 times lower than the median.



[Review of Key Performance Indicators for Transneft and Peer Foreign Companies, prepared by KPMG](#)