

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**
for the three months ended December 31 and September 30, 2021
and years ended December 31, 2021 and 2020

Contents

Definitions and conversions	3
Forward-looking statements	4
Key financial and operational data	5
Analysis of operational results.....	- 7 -
Oil and Gas Reserves.....	- 7 -
Production drilling	- 8 -
Production	9
Logistics, refining and marketing.....	10
Analysis of financial results.....	14
Condensed Interim Consolidated Statement of Profit or Loss	14
Revenues	15
Purchases of oil, gas and petroleum products	18
Production and manufacturing expenses	19
Selling, general and administrative expenses	20
Transportation expenses.....	20
Depreciation, depletion and amortisation	20
Taxes other than income tax	21
Export duties	21
Share in profit of associates and joint ventures.....	21
Other income and expenses	21
Other financial items.....	22
Analysis of cash flows and capital expenditures.....	22
Operating activities.....	22
Investing activities	22
Financing activities	23
Capital expenditures.....	23
Debt and liquidity	23
Financial ratios	24
EBITDA reconciliation	24
Profitability.....	24
Liquidity	24
Leverage	25
Key macroeconomic factors affecting operational results	25
Changes in market prices for crude oil and petroleum products	25
Rouble-dollar exchange rate and inflation.....	26
Taxation.....	26
Average tax rates during reporting periods for oil and gas companies in Russia	26
Export duties on crude oil and petroleum products	26
Excise tax on petroleum products	28
Mineral extraction tax (MET)	29
Additional income tax for hydrocarbon producers (AIT).....	33
Transportation of crude oil and petroleum products	33

Definitions and conversions

The following report contains a discussion and analysis of the financial position of Gazprom Neft PJSC as of December 31, 2021 and the results of its operations for the three-month periods ended December 31 and September 30, 2021 and years ended December 31, 2021 and 2020 is published and should be read in conjunction with the Consolidated Financial Statements, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended December 31, 2021 and corresponding audit report. Information from this report is included into annual report of PJSC Gazprom Neft for 2021 year. It should be read in conjunction with the Interim Condensed Consolidated Financial Statements and notes to that, which have been prepared under International Financial Reporting Standards (“IFRS”).

This report represents Gazprom Neft PJSC’s financial condition and the results of operations, on a consolidated basis. In this report the terms “Gazprom Neft”, “Company”, and “Group” refer to Gazprom Neft PJSC, its consolidated subsidiaries, and joint operations (as defined under IFRS 11: Tomskneft, Salym Petroleum Development (SPD) and the Yuzhno-Priobskiy GPZ (UGPZ)). The term “joint ventures” refers to entities accounted for under the equity method. In the fourth quarter 2021, there were changes in the nature of relationship with the second shareholder that led to recognition of Tomskneft as an investment in joint venture, previously Tomskneft was accounted as joint operation.

Oil production (tonnes) is restated in barrels (bbl) at conversion rates in line with each oilfield’s respective oil density. Crude oil procured, and other operational results expressed in barrels are restated from tonnes at 7.33 bbl per tonne. Cubic meters (cm) restated to cubic feet (cf) are converted at 35.31 cf per m³. Barrels (bbl) of crude oil and liquid hydrocarbons translated as barrels of oil equivalent (boe) are converted at one barrel (1 bbl) per boe; restatements of cubic feet to boe are made at a rate of 6,000 cf per boe.

Unit	Abbreviation
cubic meters	cm
billion cubic meters	bcm
cubic feet	cf
billion cubic feet	bcf
Barrel	bbl
million barrels	Mbbl
barrels of oil equivalent	boe
million barrels of oil equivalent	Mboe
million barrels of oil equivalent per day	Mboepd
tonnes of oil equivalent	toe
million tonnes of oil equivalent	Mtoe
million tonnes	Mt
the Russian Rouble	RUB
the U. S. dollar	USD

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 historical fact are, or may be deemed to be forward-looking statements. Forward-looking statements are statements of future expectations 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 risk 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. Several 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) the 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;
- (g) political risks, project delay or advancement, approvals, and cost estimates;
- (k) changes in trading conditions.

Operational and financial results in 2020 - 2021 have been negatively impacted by the COVID-19 pandemic, which has led to a drop in global energy consumption. Gazprom Neft continues to take a large-scale set of measures to ensure the safety of its employees and ensure the smooth operation of its production facilities. The duration of the impact of the pandemic remains uncertain and may affect the Group's results in the future.

Key financial and operational data

4Q 2021	3Q 2021	Δ, %		12 months		
				2021	2020	Δ, %
Financial results (RUB mln)						
906,892	823,790	10.1	Revenue	3,068,442	1,999,620	53.5
285,520	266,008	7.3	Adjusted EBITDA*	986,127	485,203	103.2
10,428	10,391	0.4	RUB per toe of production	9,721	5,051	92.5
19.44	19.15	1.5	USD** per boe of production	17.87	9.48	88.5
Profit / (loss) attributable to Gazprom Neft shareholders						
146,477	139,734	4.8		503,445	117,699	>200
Operational results						
202.24	189.02	7.0	Hydrocarbon production, including a share in joint ventures (Mboe)	749.27	709.74	5.6
27.38	25.60	7.0	Hydrocarbon production, including a share in joint ventures (Mtoe)	101.44	96.06	5.6
2.20	2.05	7.3	Daily hydrocarbon production (Mboepd)	2.05	1.94	5.7
118.97	115.23	3.2	Crude oil and condensate production, including a share in joint ventures (Mbbl)	459.79	449.20	2.4
486.23	430.86	12.9	Gas production, including a share in joint ventures (bcf)	1,690.29	1,521.32	11.1
11.10	11.77	(5.7)	Refining throughput at own refineries and joint ventures (Mt)	43.53	40.39	7.8

* 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

12 months 2021 highlights

- Hydrocarbon production at Gazprom Neft exceeded 100 Mtoe for the first time ever in 2021
- In December 2021 the shareholders' meeting approved an interim dividend of RUB 40.00 per share for the 9 months 2021
- The Yamal Gas subsea Arctic pipeline with the capacity of 20 bcm per annual – transporting gas from the Novoportovskoye field to the Russian Unified Gas Supply System (UGSS) – was launched in December 2021
- In 2021, Gazprom Neft commissioned a 1.5-million-tonne-capacity oil transport system from the Chayandinskoye field, feeding into the ESPO trunk pipeline system, and oil-production infrastructure at the Pestovoye and En-Yakinskoye fields in the Yamalo-Nenets Autonomous Okrug as part of developing Gazprom-owned oil-rim deposits
- In September 2021, Gazprom Neft and LUKOIL signed an agreement on establishing a joint venture through Meretoyakhaneftegaz to develop a major oil and gas cluster in the Yamalo-Nenets Autonomous Okrug
- A number of agreements were concluded during the St Petersburg International Economic Forum in June 2021, including:
 - with NOVATEK on a creation of a joint venture to develop the offshore Severo-Vrangelievsky license block
 - with Shell on further collaboration in hydrocarbon exploration and production, technological collaboration, and “green” energy
 - with Tatneft on cooperating in implementing enhanced oil recovery (EOR) projects
- As part of developing its ESG agenda, the Company became a founding member of the National ESG Alliance in 2021. The ESG Alliance's core mission is to facilitate transition to a sustainable model for economic development based on mutual interest, cooperation and partnership between all parties
- Licenses procured include: one hydrocarbon E&P license in the Orenburg Oblast; three geological prospecting licenses for underlying strata and “flank” fields in the Orenburg Oblast and the Khanty-Mansi and Yamalo-Nenets Autonomous Okrugs; and two licenses to develop exploration and production technologies for hard-to-recover reserves in the Khanty-Mansi Autonomous Okrug
- In 2021, Gazprom Neft became the first major Russian oil company to sign an agreement with the Ministry of Energy of the Russian Federation on developing new deep oil refining capacity, allowing the Company to receive an investment premium on crude feedstock excise duty

- In 2021, a diesel hydrotreatment and dewaxing unit was commissioned at the Omsk Refinery
- In December 2021, the "Selektum" catalyst-technologies industry development centre was commissioned in Omsk
- NIS (Naftna Industrija Srbije, a joint venture between the Government of Serbia and Gazprom Neft), the Serbian government and HIP Petrohemija have entered into a strategic partnership agreement in the field of petrochemical development
- In September 2021, Gazprom Neft and Sovcomflot concluded an agreement on cooperating in developing innovative technologies and using low-carbon-footprint marine fuels in sea transport
- Gazprom Neft confirmed its "B" rating in the international Carbon Disclosure Project rankings (CDP).

Results for 12 months 2021 compared with 12 months 2020

- Total hydrocarbon production, including Group's share in joint ventures, increased by 5.6% and equaled 101.44 Mtoe mainly due to higher crude oil production at oil rim projects and the gas infrastructure launch at the Tazovskoye and Novoportovskoye oilfields
- The 7.8% Y-o-Y increase in refining throughput is mainly due to demand recovery following the lifting of restrictions in force in 2020 under the COVID-19 pandemic, as well as the EURO+ launch at the Moscow refinery in July 2020
- The 53.5% Y-o-Y increase in revenue is driven by higher crude oil and petroleum products prices and higher petroleum products sales volume due to demand growth on the international and domestic markets
- The 103.2% Y-o-Y increase in adjusted EBITDA mainly results from the higher volumes of hydrocarbon production and refining throughput, as well as higher crude oil and petroleum products prices due to demand growth
- The growth in profit attributable to Gazprom Neft shareholders mainly results from the higher EBITDA.

Results for 4Q 2021 compared with 3Q 2021

- Total hydrocarbon production, including Group's share in joint ventures, increased by 7.0% and equaled 27.38 Mtoe mainly due to the infrastructure necessary for initiating gas supplies into the external transport pipeline at the Novoportovskoye oilfield being commissioned
- The 5.7% Q-o-Q increase in refining throughput is due to the seasonal decrease of petroleum products demand and scheduled repairs at the Omsk refinery
- The 10.1% Q-o-Q increase in revenue is mainly due to higher crude oil and petroleum products prices on the international and domestic markets and higher export crude oil sales volume
- The 7.3% Q-o-Q growth in adjusted EBITDA mainly results from the higher volumes of hydrocarbon production
- The increase in profit attributable to Gazprom Neft shareholders mainly follows the EBITDA growth.

Analysis of operational results

Oil and Gas Reserves

(MMboe)	Share in proportionally consolidated companies and joint ventures							Total
	Gazprom Neft*	Slavneft	Tomsk neft	SPD	Arcticgas	Northgas	Messoyakha	
<i>Proved Reserves (December 31, 2019)</i>	6 806	961	503	167	2 724	471	111	11 743
Production	(445)	(37)	(25)	(22)	(131)	(20)	(22)	(702)
Reserves additions / (disposals)**	4 169	-	-	-	-	-	-	4 169
Revision of previous estimates	415	50	(3)	17	62	(61)	51	531
<i>Proved Reserves (December 31, 2020)</i>	10 945	974	475	162	2 655	390	140	15 741
Production	(484)	(37)	(27)	(22)	(129)	(17)	(24)	(740)
Reserves additions / (disposals)	-	-	-	-	-	-	-	-
Revision of previous estimates	1 796	37	(16)	6	8	(20)	18	1 829
<i>Proved Reserves (December 31, 2021)</i>	12 257	974	432	146	2 534	353	134	16 830
Total group probable reserves	9 689	1 844	405	168	936	74	412	13 528
Total group possible reserves	12 043	1 409	303	116	381	51	506	14 809

* Reserves above include reserves of Badra and Kurdistan fields on a working interest basis, which differs from net entitlement basis used in the Group consolidated financial statements

** As of 31.12.2020 the Company's reserves included oil-rims reserves and reserves of the Neocomian-Jurassic deposits of the Gazprom Group fields, developed under long-term risk operator contracts

- The Company's proved reserves as of 31.12.2021 increased by 1,312 MMboe and totaled 12,257 MMboe, including 5,139 MMbbl of crude oil and liquid hydrocarbons and 41,560 bcf of gas
- The Group proved reserves, including shares in joint operations and joint ventures, as of 31.12.2021 increased by 1,089 MMboe and totaled 16,830 MMboe, including 7,307 MMbbl of crude oil and liquid hydrocarbons and 55,603 bcf of gas
- Reserve replacement ratio and reserves to production ratio for Group proved reserves, including shares in joint operations and joint ventures, as of 31.12.2021 are equal to 247% and 23 years, respectively
- Proved reserves figures exclude reserve volumes related to the Serbian subsidiary, NIS due to limitations on disclosure of this information in Serbia
- Reserve estimates are made by independent reservoir engineers DeGolyer and MacNaughton on the basis of standards of the Society of Petroleum Engineers Petroleum Reserves Management System (PRMS)
- The PRMS reserves shown in the table correspond to those reported in the Group's consolidated financial statements in the supplementary information on oil and gas activities. The PRMS reserves in the above table are prepared using the best management's estimates of future oil and natural gas prices.

Production drilling

	12 months		Δ, %
	2021	2020	
Consolidated subsidiaries			
Production drilling ('000 meters)	3 008	3 359	(10,4)
New production wells	667	750	(11,1)
Average new well flow (tonnes per day)	66,61	76,57	(13,0)
Joint operations			
Production drilling ('000 meters)	177	411	(56,9)
New production wells	49	86	(43,0)
Joint ventures			
Production drilling ('000 meters)	1 312	1 622	(19,1)
New production wells	261	329	(20,7)

- The dynamics of drilling volumes is due to the production programme optimisation considering crude oil production limitations under the OPEC+ agreement and the Company's cash flows optimisation.

Production

4Q 2021	3Q 2021	Δ, %		12 months 2021	2020	Δ, %
	(Mt)		Crude oil, condensate and NGLs*		(Mt)	
2.49	2.67	(6.7)	Noyabrskneftegaz	10.28	10.51	(2.2)
3.06	3.15	(2.9)	Khantos	12.44	12.44	-
0.76	0.75	1.3	SPD	2.94	2.91	1.0
0.72	0.68	5.9	Orenburg	2.85	3.06	(6.9)
0.23	0.22	4.5	NIS	0.88	0.91	(3.3)
0.37	0.39	(5.1)	Vostok	1.55	1.67	(7.2)
1.78	1.82	(2.2)	Novoportovskoye	7.25	7.71	(6.0)
1.00	0.74	35.1	Prirazlomnoye	3.62	3.27	10.7
0.24	0.27	(11.1)	Badra & Kurdistan	1.06	1.20	(11.7)
0.92	0.81	13.6	Oil rims	3.17	1.47	115.6
0.20	0.21	(4.8)	Tazovskoye	0.56	0.22	154.5
0.05	0.05	-	Others	0.20	0.21	(4.8)
11.82	11.76	0.5	Total production at subsidiaries and joint operations	46.80	45.58	2.7
1.52	1.31	16.0	Share in production at Slavneft	4.92	4.85	1.4
1.15	1.11	3.6	Share in production at Arcticgas	4.48	4.48	-
0.67	0.67	-	Share in production at Messoyakha	2.68	2.78	(3.6)
0.82	0.63	30.2	Share in production at Tomskneft***	2.87	2.59	10.8
0.05	0.05	-	Share in production at Northgas	0.21	0.24	(12.5)
4.21	3.77	11.7	Share in production at joint ventures	15.16	14.94	1.5
16.03	15.53	3.2	Total crude oil, condensate and NGLs	61.96	60.52	2.4
	(bcm)		Gas**		(bcm)	
1.90	1.89	0.5	Noyabrskneftegaz	7.57	7.95	(4.8)
0.27	0.28	(3.6)	Khantos	1.11	1.12	(0.9)
0.03	0.03	-	SPD	0.12	0.13	(7.7)
0.83	0.71	16.9	Orenburg	3.32	3.57	(7.0)
0.09	0.10	(10.0)	NIS	0.38	0.43	(11.6)
0.23	0.21	9.5	Vostok	0.83	0.77	7.8
3.45	2.38	45.0	Novoportovskoye	10.46	8.68	20.5
0.02	0.03	(33.3)	Badra	0.12	0.16	(25.0)
0.24	0.23	4.3	Oil rims	0.81	0.19	>200
1.58	1.44	9.7	Tazovskoye	3.29	0.13	>200
0.04	0.02	100.0	Others	0.14	0.09	55.6
8.68	7.32	18.6	Total production at subsidiaries and joint operations	28.15	23.22	21.2
0.09	0.08	12.5	Share in production at Slavneft	0.31	0.28	10.7
3.87	3.73	3.8	Share in production at Arcticgas	15.10	15.40	(1.9)
0.25	0.23	8.7	Share in production at Messoyakha	0.91	0.40	127.5
0.24	0.22	9.1	Share in production at Tomskneft***	0.85	0.85	-
0.62	0.61	1.6	Share in production at Northgas	2.52	2.93	(14.0)
5.07	4.87	4.1	Share in production at joint ventures	19.69	19.86	(0.9)
13.75	12.19	12.8	Total gas production	47.84	43.08	11.0
	(Mtoe)		Hydrocarbons		(Mtoe)	
19.33	18.62	3.8	Total production at subsidiaries and joint operations***	72.93	68.02	7.2
8.05	6.98	15.3	Share in production at joint ventures***	28.51	28.04	1.7
27.38	25.60	7.0	Total hydrocarbon production	101.44	96.06	5.6
202.24	189.02	7.0	Mtoe	749.27	709.74	5.6
2.20	2.05	7.3	Daily hydrocarbon production (Mboepd)	2.05	1.94	5.7

* 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

*** In 4Q 2021 the Tomskneft investment recognition changed to an investment in joint venture, previously Tomskneft was accounted as joint operation. For the convenience of analysis and comparability, data on crude oil and gas production are disclosed in one line as joint venture. The total hydrocarbon production at subsidiaries and joint operations includes share in the production at Tomskneft before the date of change in the recognition of the investment

- The 5.7% Y-o-Y and 7.3% Q-o-Q increase in daily hydrocarbon production is due to the impact of crude oil production limitations under the OPEC+ agreement and gas production increase
- The Group's crude oil and condensate production increased by 2.4% Y-o-Y and 3.2% Q-o-Q due to crude oil and gas infrastructure launch and workover activities at oil rim projects and at the Tazovskoye oilfield
- The 11.0% Y-o-Y increase in Group gas production results from the crude oil and gas infrastructure launch at the Tazovskoye oilfield and oil rim projects, as well as infrastructure necessary for initiating gas supplies into the external transport pipeline at the Novoportovskoye oilfield being commissioned
- The 12.8% Q-o-Q increase in Group gas production is mainly driven by infrastructure necessary for initiating gas supplies into the external transport pipeline at the Novoportovskoye oilfield being commissioned.

Logistics, refining and marketing

Crude oil purchases

4Q 2021	3Q 2021	Δ, %	(Mt)	12 months		
				2021	2020	Δ, %
3.10	3.32	(6.6)	Crude oil purchases in Russia*	10.64	7.76	37.1
0.65	0.66	(1.5)	Crude oil purchases internationally	2.33	1.81	28.7
3.75	3.98	(5.8)	Total crude oil purchased	12.97	9.57	35.5

* Crude oil purchases in Russia:

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

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

- The Y-o-Y increase in crude oil purchases on the domestic and international markets is due to the higher refining throughput in Russia and at the Pancevo refinery
- The 6.6% Q-o-Q decrease in crude oil purchases on the domestic market is due to higher amount of own resource.

Refining

4Q 2021	3Q 2021	Δ, %	(Mt)	12 months		
				2021	2020	Δ, %
Refining throughput						
4.87	5.56	(12.4)	Omsk	20.18	19.77	2.1
3.22	3.15	2.2	Moscow	12.07	10.02	20.5
0.99	1.05	(5.7)	Pancevo	3.61	3.32	8.7
9.08	9.76	(7.0)	Total throughput at refineries owned by subsidiaries	35.86	33.11	8.3
2.02	2.01	0.5	Share in YANOS	7.67	7.28	5.4
11.10	11.77	(5.7)	Total refining throughput	43.53	40.39	7.8
Production of petroleum products						
2.18	2.43	(10.3)	Gasoline (Class 5)	8.98	8.43	6.5
0.61	0.50	22.0	Naphtha	2.16	2.19	(1.4)
3.57	3.60	(0.8)	Diesel	13.44	12.55	7.1
1.60	1.36	17.6	Fuel oil	5.76	5.12	12.5
0.92	1.09	(15.6)	Aviation fuels	3.55	2.67	33.0
0.57	0.63	(9.5)	Marine fuels	2.10	2.40	(12.5)
0.61	1.14	(46.5)	Bitumens	3.29	3.08	6.8
0.11	0.12	(8.3)	Lubricants	0.44	0.43	2.3
0.39	0.37	5.4	Petrochemicals	1.54	1.46	5.5
0.23	0.23	-	Other	1.00	1.10	(9.1)
10.79	11.47	(5.9)	Total production	42.26	39.43	7.2

- The 7.8% Y-o-Y increase in total refining throughput is mainly due to demand recovery following the lifting of restrictions in force in 2020 under the COVID-19 pandemic, as well as the EURO+ launch at the Moscow refinery in July 2020
- The 5.7% Q-o-Q decrease in total refining throughput is due to the seasonal decrease of petroleum products demand and scheduled repairs at the Omsk refinery
- The increase in gasoline production volume by 6.5% and diesel fuels by 7.1% Y-o-Y is mainly due to the higher total refining throughput, as well as the EURO+ launch at the Moscow refinery in July 2020
- The increase in fuel oil volume by 12.5% and bitumens by 6.8% Y-o-Y is mainly due to the higher total refining throughput
- The 12.5% Y-o-Y decrease in marine fuels production volume follows the new capacities launch at the Moscow refinery, which allow producing higher volume of light petroleum products due to demand recovery following the lifting of restrictions in force in 2020 under the COVID-19 pandemic
- The 33.0% Y-o-Y increase in aviation fuel production volume follows the higher demand due to domestic and international traffic recovery and has been archived due to the EURO+ launch at the Moscow refinery in July 2020
- The decrease in gasoline production volume by 10.3% and increase in naphtha production volume by 22.0% Q-o-Q is due to demand and pricing conditions on the domestic and international markets, as well as scheduled repairs at the Omsk refinery
- The 0.8% and 15.6% Q-o-Q decrease in diesel and aviation fuels production volume is due to the lower total refining throughput and scheduled repairs at the Omsk refinery
- The increase in fuel oil production volume by 17.6% and decrease in bitumens production volume by 46.5% Q-o-Q is mainly due to seasonal factors.

Purchases of petroleum products on the international markets

	4Q 2021		3Q 2021		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
Diesel	6,470	0.13	11,334	0.25	(42.9)	(48.0)
Aviation fuels	2,810	0.05	1,602	0.03	75.4	66.7
Marine fuels	662	0.01	557	0.01	18.9	-
Lubricants	388	-	289	0.01	34.3	-
Other	5	-	7	-	(28.6)	-
Total	10,335	0.19	13,789	0.30	(25.0)	(36.7)

	12 months 2021		12 months 2020		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
Diesel	21,391	0.47	15,339	0.60	39.5	(21.7)
Aviation fuels	6,882	0.13	6,194	0.17	11.1	(23.5)
Marine fuels	2,861	0.07	2,631	0.11	8.7	(36.4)
Lubricants	1,266	0.01	785	0.01	61.3	-
Other	184	-	478	0.01	(61.5)	-
Total	32,584	0.68	25,427	0.90	28.1	(24.4)

- The Y-o-Y and Q-o-Q decrease in petroleum products purchases volume on the international markets results from the pricing efficiency of own resource allocation in the current market conditions
- The Y-o-Y decrease in marine fuels purchases volume results from the higher volume supply from own refineries.

Purchases of petroleum products in the CIS

	4Q 2021		3Q 2021		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	4,984	0.13	5,183	0.15	(3.8)	(13.3)
Diesel	4,058	0.08	4,055	0.09	0.1	(11.1)
Petrochemicals	420	0.01	291	-	44.3	-
Other	233	-	152	0.01	53.3	-
Total	9,695	0.22	9,681	0.25	0.1	(12.0)

	12 months 2021		12 months 2020		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	18,815	0.53	14,856	0.48	26.6	10.4
Diesel	14,833	0.32	13,117	0.30	13.1	6.7
Petrochemicals	1,335	0.03	1,149	0.04	16.2	(25.0)
Other	539	0.01	181	0.01	197.8	-
Total	35,522	0.89	29,303	0.83	21.2	7.2

Purchases of petroleum products on the domestic market

	4Q 2021		3Q 2021		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	20,798	0.44	17,156	0.34	21.2	29.4
Diesel	16,608	0.32	14,042	0.31	18.3	3.2
Aviation fuels	3,834	0.08	4,054	0.09	(5.4)	(11.1)
Marine fuels	6,830	0.15	5,038	0.12	35.6	25.0
Bitumens	783	0.03	2,050	0.10	(61.8)	(70.0)
Petrochemicals	1,172	0.03	1,888	0.02	(37.9)	50.0
Other	2,692	-	1,366	-	97.1	-
Total	52,717	1.05	45,594	0.98	15.6	7.1

	12 months 2021		12 months 2020		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	74,402	1.58	52,293	1.26	42.3	25.4
Diesel	54,948	1.17	35,917	0.84	53.0	39.3
Aviation fuels	10,596	0.24	3,725	0.12	184.5	100.0
Marine fuels	18,793	0.48	5,728	0.18	>200	166.7
Bitumens	3,700	0.17	1,060	0.07	>200	142.9
Petrochemicals	4,128	0.08	1,978	0.06	108.7	33.3
Other	7,092	0.05	5,083	0.11	39.5	(54.5)
Total	173,659	3.77	105,784	2.64	64.2	42.8

- The Y-o-Y increase in petroleum products purchases volume on the domestic market is driven by demand growth following the lifting of restrictions under the COVID-19 pandemic
- The Y-o-Y increase in marine fuels purchases volume on the domestic market is driven by raw materials purchases for highly efficient proprietary blended products production in the current market conditions.

Sales of petroleum products through premium channels

4Q 2021	3Q 2021	Δ, %		12 months		
				2021	2020	Δ, %
	(units)		Filling stations currently in operation	(units)		
1,271	1,258	1.0	In Russia	1,271	1,252	1.5
205	204	0.5	In the CIS	205	202	1.5
421	418	0.7	In Eastern Europe	421	416	1.2
1,897	1,880	0.9	Total filling stations (as at the end of the period)	1,897	1,870	1.4
			Average daily per-station sales in Russia			
19.60	19.52	0.4	(tonnes per day)	18.55	16.97	9.3
	(Mt)		Sales volume through premium channels	(Mt)		
5.41	5.55	(2.5)	Motor fuels (gasoline and diesel)	20.44	18.35	11.4
0.79	0.95	(16.8)	Aviation fuels	2.93	2.14	36.9
0.40	0.44	(9.1)	Marine fuels	1.67	1.77	(5.6)
0.08	0.08	-	Lubricants	0.33	0.31	6.5
0.17	0.20	(15.0)	Bitumens	0.66	0.49	34.7
6.85	7.22	(5.1)	Total sales volume through premium channels	26.03	23.06	12.9

Sales through premium channels include retail sales (specifically "wing-tip" aviation refueling), 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 9.3% increase in the average daily sales per filling station in Russia and the 11.4% Y-o-Y increase in motor fuels sales volume were caused by demand recovery following the lifting of restrictions under the COVID-19 pandemic and conducting successful marketing campaigns
- The Q-o-Q decrease in total sales volume through premium channels were mainly caused by seasonal factors
- The 36.9% Y-o-Y growth in aviation fuel sales volume is driven by higher domestic traffic due to demand recovery following the lifting of restrictions under the COVID-19 pandemic
- The marine fuels sales volume in 2021 remained at the level of 2020 despite the lower market capacity and due to the higher Company's market share in the result of effective work with third-party resources
- The 34.7% Y-o-Y increase in bitumens sales volume follows the improvement of market conditions.

Analysis of financial results

Condensed Interim Consolidated Statement of Profit or Loss

4Q 2021	3Q 2021	Δ, %	(RUB mln)	12 months		Δ, %
				2021	2020	
875,649	799,320	9.5	Crude oil, gas and petroleum products sales	2,971,777	1,919,593	54.8
31,243	24,470	27.7	Other revenue	96,665	80,027	20.8
906,892	823,790	10.1	Total revenue*	3,068,442	1,999,620	53.5
Costs and other deductions						
(300,362)	(256,412)	17.1	Purchases of oil, gas and petroleum products	(883,747)	(498,315)	77.3
(87,698)	(73,749)	18.9	Production and manufacturing expenses	(293,681)	(257,391)	14.1
(37,960)	(32,241)	17.7	Selling, general and administrative expenses	(132,328)	(115,926)	14.1
(42,267)	(39,880)	6.0	Transportation expenses	(157,169)	(141,671)	10.9
(57,483)	(58,360)	(1.5)	Depreciation, depletion and amortisation	(228,058)	(222,151)	2.7
(180,956)	(185,053)	(2.2)	Taxes other than income tax	(729,423)	(577,390)	26.3
(27,446)	(21,801)	25.9	Export duties	(82,264)	(40,605)	102.6
(232)	(63)	>200	Exploration expenses	(435)	(994)	(56.2)
(734,404)	(667,559)	10.0	Total operating expenses	(2,507,105)	(1,854,443)	35.2
172,488	156,231	10.4	Operating profit	561,337	145,177	>200
28,216	26,731	5.6	Share of profit of associates and joint ventures	102,402	48,047	113.1
(3,219)	760	-	Net foreign exchange (loss) / gain	4,765	(23,654)	-
8,500	4,634	83.4	Finance income	18,564	11,378	63.2
(5,736)	(5,615)	2.2	Finance expense	(25,631)	(28,746)	(10.8)
(13,365)	(7,842)	70.4	Other loss, net	(28,470)	(8,732)	>200
14,396	18,668	(22.9)	Total other income / (expense)	71,630	(1,707)	-
186,884	174,899	6.9	Profit before income tax	632,967	143,470	>200
(23,098)	(17,881)	29.2	Current income tax expense	(67,917)	(22,835)	197.4
(12,365)	(12,246)	1.0	Deferred income tax expense	(45,687)	(2)	>200
(35,463)	(30,127)	17.7	Total income tax expense	(113,604)	(22,837)	>200
151,421	144,772	4.6	Profit for the period	519,363	120,633	>200
(4,944)	(5,038)	(1.9)	Less: Profit attributable to non-controlling interest	(15,918)	(2,934)	>200
146,477	139,734	4.8	Profit attributable to Gazprom Neft shareholders	503,445	117,699	>200

* Sales include sales related excise tax

Revenues

4Q 2021	3Q 2021	Δ, %	(RUB mln)	12 months		Δ, %
				2021	2020	
Crude oil						
223,333	174,698	27.8	Export sales	707,625	405,104	74.7
7,263	6,439	12.8	International market sales	26,472	15,136	74.9
9,739	11,151	(12.7)	Export sales to the CIS	38,613	18,713	106.3
55,137	39,122	40.9	Domestic sales	158,592	64,757	144.9
295,472	231,410	27.7	Total crude oil revenue	931,302	503,710	84.9
Gas						
34	38	(10.5)	International market sales	204	249	(18.1)
18,902	14,932	26.6	Domestic sales	51,818	31,770	63.1
18,936	14,970	26.5	Total gas revenue	52,022	32,019	62.5
Petroleum products						
126,705	104,236	21.6	Export sales	417,728	261,703	59.6
61,337	57,580	6.5	International market sales	198,739	117,131	69.7
95,817	93,182	2.8	Sales on the international market	327,586	220,890	48.3
(34,480)	(35,602)	(3.2)	Less excise taxes on sales	(128,847)	(103,759)	24.2
32,868	32,173	2.2	CIS	116,032	77,029	50.6
33,052	32,336	2.2	Sales to the CIS	117,119	77,801	50.5
(184)	(163)	12.9	Less excise taxes on sales	(1,087)	(772)	40.8
340,331	358,951	(5.2)	Domestic sales	1,255,954	928,001	35.3
561,241	552,940	1.5	Total petroleum products revenue	1,988,453	1,383,864	43.7
31,243	24,470	27.7	Other revenue	96,665	80,027	20.8
906,892	823,790	10.1	Total revenue	3,068,442	1,999,620	53.5

Sales volumes

4Q 2021	3Q 2021	Δ, %		12 months		Δ, %
				2021	2020	
			(Mt)	(Mt)		
Crude oil						
5.33	4.46	19.5	Export sales	18.67	18.48	1.0
0.18	0.17	5.9	International market sales*	0.72	0.79	(8.9)
0.27	0.35	(22.9)	Export sales to the CIS	1.22	1.10	10.9
1.69	1.34	26.1	Domestic sales	5.48	4.57	19.9
7.47	6.32	18.2	Total crude oil sales	26.09	24.94	4.6
			(bcm)	(bcm)		
Gas						
-	-	-	International market sales	0.01	0.02	(50.0)
5.35	5.28	1.2	Domestic sales	17.28	13.35	29.4
5.35	5.28	1.2	Total gas sales	17.29	13.37	29.3
			(Mt)	(Mt)		
Petroleum products						
3.15	2.71	16.2	Export sales	11.42	11.92	(4.2)
1.13	1.13	-	International market sales	4.03	3.54	13.8
0.64	0.71	(9.9)	Export sales to the CIS	2.63	2.34	12.4
7.44	8.17	(8.9)	Domestic sales	29.30	25.83	13.4
12.36	12.72	(2.8)	Total petroleum products sales	47.38	43.63	8.6

* Sales on international markets include Production-Sharing Agreements

Average realised sales prices

4Q 2021	3Q 2021	Δ, %		12 months		
				2021	2020	Δ, %
(RUB per tonne)			Crude oil	(RUB per tonne)		
41,901	39,170	7.0	Export sales	37,902	21,921	72.9
36,070	31,860	13.2	Export sales to the CIS	31,650	17,012	86.0
32,625	29,196	11.7	Domestic sales	28,940	14,170	104.2
(RUB per tonne)			Petroleum products	(RUB per tonne)		
40,224	38,463	4.6	Export sales	36,579	21,955	66.6
51,644	45,544	13.4	Export sales to the CIS	44,532	33,248	33.9
45,743	43,935	4.1	Domestic sales	42,865	35,927	19.3

Crude oil sales

- The 10.9% Y-Y increase in crude oil export sales volume to the CIS is mainly due to absence of crude oil sales in Q1 2020
- The 19.9% Y-Y increase in crude oil domestic sales volume is primarily follows the higher own crude oil production in Russia
- The 18.2% Q-Q increase in total crude oil sales volume is primarily follows the higher own crude oil production in Russia and the lower refining throughput due to scheduled repairs of the Group refineries.

Gas sales

- The 29.3% Y-o-Y increase in gas sales volume is primarily driven by the infrastructure necessary for initiating gas supplies into the external transport pipeline at the Novoportovskoye oilfield being commissioned and gas infrastructure launch at the Tazovskoye oilfield.

Exports of petroleum products

	4Q 2021		3Q 2021		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
Naphtha	22,796	0.44	15,207	0.32	49.9	37.5
Diesel	39,221	0.79	37,572	0.84	4.4	(6.0)
Fuel oil	35,116	1.18	25,695	0.89	36.7	32.6
Aviation fuels	5,766	0.11	4,214	0.07	36.8	57.1
Marine fuels	13,348	0.38	12,669	0.38	5.4	-
Bitumens	2,976	0.10	2,425	0.09	22.7	11.1
Lubricants	2,612	0.02	2,464	0.03	6.0	(33.3)
Petrochemicals	1,157	0.03	1,081	0.02	7.0	50.0
Other	3,713	0.10	2,909	0.07	27.6	42.9
Total	126,705	3.15	104,236	2.71	21.6	16.2

	12 months 2021		12 months 2020		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
Naphtha	64,348	1.40	39,391	1.65	63.4	(15.2)
Diesel	145,401	3.36	105,905	4.10	37.3	(18.0)
Fuel oil	120,414	4.35	62,676	4.02	92.1	8.2
Aviation fuels	15,548	0.31	10,658	0.29	45.9	6.9
Marine fuels	38,577	1.17	27,736	1.25	39.1	(6.4)
Bitumens	9,231	0.35	3,496	0.21	164.0	66.7
Lubricants	9,531	0.09	6,433	0.10	48.2	(10.0)
Petrochemicals	4,124	0.10	2,473	0.16	66.8	(37.5)
Other	10,554	0.29	2,935	0.14	>200	107.1
Total	417,728	11.42	261,703	11.92	59.6	(4.2)

- The Y-o-Y decrease in petroleum products export sales volumes is driven by the market conditions and sales economic efficiency on the domestic market

- The Y-o-Y increase in fuel oil sales volumes is mainly caused by the higher total fuel oil refining throughput
- The 66.7% Y-o-Y increase in bitumens sales volumes is mainly driven by demand recovery following the lifting of restrictions under the COVID-19 pandemic and measures undertaken to increase market share
- The 107.1% Y-o-Y increase in other petroleum products sales volumes is mainly driven by current market conditions and higher sales of heavy vacuum gas oil produced at the Moscow refinery
- The 37.5 and 32.6% Q-o-Q increase in naphtha and fuel oil export sales volumes follows the higher total refining throughput of these products during scheduled repairs at the Omsk refinery.

Sales of petroleum products to the CIS

	4Q 2021		3Q 2021		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	10,241	0.20	10,460	0.21	(2.1)	(4.8)
Diesel	17,349	0.33	15,869	0.35	9.3	(5.7)
Aviation fuels	1,772	0.04	1,099	0.02	61.2	100.0
Bitumens	632	0.02	2,600	0.11	(75.7)	(81.8)
Lubricants	1,554	0.02	1,614	0.01	(3.7)	100.0
Petrochemicals and other	1,504	0.03	694	0.01	116.7	200.0
Total	33,052	0.64	32,336	0.71	2.2	(9.9)

	12 months 2021		12 months 2020		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	38,656	0.85	28,141	0.78	37.4	9.0
Diesel	58,219	1.29	35,863	1.02	62.3	26.5
Aviation fuels	4,858	0.11	2,134	0.06	127.6	83.3
Marine fuels	-	-	84	0.01	-	-
Bitumens	5,250	0.22	4,960	0.30	5.8	(26.7)
Lubricants	5,954	0.06	3,677	0.06	61.9	-
Petrochemicals and other	4,182	0.10	2,942	0.11	42.1	(9.1)
Total	117,119	2.63	77,801	2.34	50.5	12.4

- The Y-o-Y increase in gasoline sales volume to the CIS results from demand growth following the gradual lifting of restrictions under the COVID-19 pandemic and market share growth.

Sales of petroleum products on the domestic market

	4Q 2021		3Q 2021		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	119,661	2.39	130,950	2.58	(8.6)	(7.4)
Naphtha	852	0.02	1,495	0.03	(43.0)	(33.3)
Diesel	116,861	2.36	116,996	2.53	(0.1)	(6.7)
Fuel oil	8,497	0.37	6,637	0.33	28.0	12.1
Aviation fuels	41,515	0.87	43,648	1.04	(4.9)	(16.3)
Marine fuels	13,011	0.32	13,509	0.35	(3.7)	(8.6)
Bitumens	12,278	0.50	20,496	0.79	(40.1)	(36.7)
Lubricants	6,373	0.06	7,422	0.07	(14.1)	(14.3)
Petrochemicals	15,516	0.34	13,946	0.32	11.3	6.3
Other	5,767	0.21	3,852	0.13	49.7	61.5
Total	340,331	7.44	358,951	8.17	(5.2)	(8.9)

	12 months 2021		12 months 2020		Δ, %	
	RUB mln	Mt	RUB mln	Mt	RUB mln	Mt
High octane gasoline	474,678	9.64	396,870	8.87	19.6	8.7
Naphtha	8,314	0.21	2,200	0.10	>200	110.0
Diesel	412,118	8.86	325,679	7.61	26.5	16.4
Fuel oil	25,653	1.29	9,285	1.03	176.3	25.2
Aviation fuels	135,785	3.33	81,345	2.57	66.9	29.6
Marine fuels	47,589	1.26	31,202	1.27	52.5	(0.8)
Bitumens	55,391	2.48	29,561	2.29	87.4	8.3
Lubricants	24,972	0.25	16,776	0.27	48.9	(7.4)
Petrochemicals	55,597	1.32	25,847	1.17	115.1	12.8
Other	15,857	0.66	9,236	0.65	71.7	1.5
Total	1,255,954	29.30	928,001	25.83	35.3	13.4

- The Y-o-Y increase in petroleum products sales volume on the domestic market is caused by demand recovery following the lifting of restrictions under the COVID-19 pandemic
- The Q-o-Q decrease in gasoline and aviation fuels sales volume on the domestic market is mainly driven by seasonal factor
- The 36.7% Q-o-Q decrease in bitumens sales volume on the domestic market follows the seasonal demand decrease due to lower road construction works.

Purchases of oil, gas and petroleum products

- The 77.3% Y-o-Y increase in expenses for oil, gas, and petroleum products purchases is driven by higher crude oil prices on the domestic and international markets and higher crude oil and petroleum products purchase volumes on the domestic market
- The 17.1% Q-o-Q increase in expenses for oil, gas, and petroleum products purchases is driven by higher crude oil and petroleum products prices on the domestic and international markets.

Production and manufacturing expenses

4Q 2021	3Q 2021	Δ, %	(RUB mln)	12 months		
				2021	2020	Δ, %
39,501	35,854	10.2	Hydrocarbon production costs	138,024	121,922	13.2
2,044	1,926	6.1	RUB per toe	1,893	1,792	5.6
3.84	3.58	7.3	USD* per boe	3.51	3.39	3.5
34,153	29,285	16.6	Subsidiaries inside Russia	113,979	96,434	18.2
1,938	1,782	8.8	<i>RUB per toe</i>	1,764	1,632	8.1
3.64	3.31	10.0	<i>USD* per boe</i>	3.27	3.09	5.8
			including			
23,922	20,495	16.7	Brownfields	82,001	77,372	6.0
1,894	1,718	10.2	<i>RUB per toe</i>	1,681	1,528	10.0
3.56	3.19	11.6	<i>USD* per boe</i>	3.11	2.89	7.6
10,231	8,790	16.4	Greenfields	31,978	19,062	67.8
2,050	1,953	5.0	<i>RUB per toe</i>	2,021	2,256	(10.4)
3.85	3.63	6.1	<i>USD* per boe</i>	3.74	4.27	(12.4)
3,046	2,523	20.7	Subsidiaries outside Russia (including PSA)**	10,408	9,866	5.5
5,439	4,276	27.2	<i>RUB per toe</i>	4,429	3,809	16.3
10.22	7.94	28.7	<i>USD* per boe</i>	8.20	7.20	13.9
2,302	4,046	(43.1)	Joint operations	13,637	15,622	(12.7)
2,037	2,545	(20.0)	<i>RUB per toe</i>	2,296	2,480	(7.4)
3.83	4.73	(19.0)	<i>USD* per boe</i>	4.25	4.69	(9.4)
21,877	20,081	8.9	Refining costs	78,140	69,455	12.5
12,500	10,464	19.5	Refining expenses at own refineries	42,681	37,100	15.0
1,377	1,072	28.5	<i>RUB per tonne</i>	1,190	1,121	6.2
2.59	1.99	30.2	<i>USD* per bbl</i>	2.20	2.12	3.8
3,982	4,022	(1.0)	Refining expenses at refineries of joint ventures***	15,183	14,562	4.3
1,971	2,001	(1.5)	<i>RUB per tonne</i>	1,980	2,000	(1.0)
3.70	3.72	(0.5)	<i>USD* per bbl</i>	3.67	3.78	(2.9)
5,395	5,595	(3.6)	Lubricants and bitumens manufacturing expenses	20,276	17,793	14.0
8,508	8,551	(0.5)	Transportation expenses to refineries	34,462	33,069	4.2
17,812	9,263	92.3	Other operating expenses	43,055	32,945	30.7
87,698	73,749	18.9	Total	293,681	257,391	14.1

* 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

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 expenses at the Group's upstream subsidiaries.

- The level of hydrocarbon expenses per toe at subsidiaries inside Russia Y-o-Y and Q-o-Q is driven by workover and scheduling deferred activities, necessary for higher hydrocarbon production due to the lifting of limitations under the OPEC+ agreement, and inflationary impact
- The 10.4% Y-o-Y decrease in hydrocarbon expenses per toe at greenfields was mainly due to the higher production
- The 13.9% Y-o-Y increase in hydrocarbon expenses (USD per boe) at subsidiaries outside Russia is due to natural crude oil depletion outside Russia
- The 28.7% Q-o-Q increase in hydrocarbon expenses (USD per boe) at subsidiaries outside Russia is mainly due to scheduled repairs at the gas treatment process units in Iraq

- In 4Q 2021 the Tomskneft investment recognition changed to an investment in joint venture, earlier Tomskneft was accounted as joint operation. In comparable conditions, an increase in hydrocarbon expenses per toe at joint operations would amount to 5.6% Q-o-Q.

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 expenses at the Group's refineries.

- The 6.2% Y-o-Y increase in refining expenses per tonne at own refineries is driven by:
 - Schedule of repairs at the refineries
 - Increase in energy expenses due to higher natural monopoly tariffs
- The 28.5% Q-o-Q increase in refining expenses per tonne at own refineries is driven by:
 - The lower throughput by 7%
 - Increase in energy expenses due to seasonal factors
 - Increase in expenses for scheduled repairs
- The 1.0% Y-o-Y and 1.5% Q-o-Q decrease in refining unit expenses at joint ventures is mainly due to the higher throughput
- The Y-o-Y and Q-o-Q dynamics in lubricants and bitumens manufacturing expenses mainly results from the production volume changes.

The 4.2% Y-o-Y increase in transportation expenses to refineries is mainly due to the higher total throughput.

The Y-o-Y and Q-o-Q increase in other operating expenses is mainly driven by the higher other revenue related to services rendered growth.

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.

- The 14.1% Y-o-Y and 17.7% Q-o-Q increase in selling, general and administrative expenses results from higher selling expenses to maintain and increase market share in the conditions of demand recovery, as well as higher accrual for estimated liabilities.

Transportation expenses

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

- The 10.9% Y-o-Y and 6.0% Q-o-Q increase in transportation expenses is primarily driven by the higher sales volume and indexation of natural monopoly tariffs.

Depreciation, depletion and amortisation

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

- The 2.7% Y-o-Y increase in depreciation, depletion and amortisation expenses follows the higher cost of depreciable assets driven by the implementation of the investment programme.

Taxes other than income tax

4Q 2021	3Q 2021	Δ, %	(RUB mln)	12 months		
				2021	2020	Δ, %
194,107	184,839	5.0	Mineral extraction tax (MET)	687,776	291,715	135.8
16,046	19,345	(17.1)	Additional income tax (AIT)	67,536	29,296	130.5
(42,106)	(30,473)	38.2	Excise	(75,378)	210,349	-
8,262	7,210	14.6	Social security contributions	31,408	27,997	12.2
4,647	4,132	12.5	Other taxes	18,081	18,033	0.3
180,956	185,053	(2.2)	Total taxes other than income tax	729,423	577,390	26.3

- The 135.8% Y-o-Y and 5.0% Q-o-Q increase in MET expense is mainly due to higher crude oil prices and a higher MET rate as a result of the tax maneuver
- The Y-o-Y increase in additional income tax for hydrocarbon producers (AIT) expense is due to the rise of taxable fields quantity since 2021
- The 17.1% Q-o-Q decrease in additional income tax for hydrocarbon producers (AIT) expense is mainly driven by the Tomskneft investment recognition as an investment in joint venture in 4Q 2021 (previously Tomskneft was accounted as joint operation)
- The Y-o-Y and Q-o-Q decrease in excise taxes expense is driven by increase in damping compensation and excise duty on oil feedstock due to changes in tax parameters, higher prices for crude oil and petroleum products, as well as implementation of investment premium mechanism.

Export duties

4Q 2021	3Q 2021	Δ, %	(RUB mln)	12 months		
				2021	2020	Δ, %
16,275	13,585	19.8	Export duties on crude oil	49,726	14,544	241.9
11,171	8,216	36.0	Export duties on petroleum products	32,538	26,061	24.9
27,446	21,801	25.9	Total export duties	82,264	40,605	102.6

- The 102.6% Y-o-Y and 25.9% Q-o-Q increase in total export duties is mainly driven by higher taxable crude oil and petroleum products export sales volume and prices growth, which were partially offset by the impact of the tax maneuver and export duty lag for calculating export duties.

Share in profit of associates and joint ventures

4Q 2021	3Q 2021	Δ, %	(RUB mln)	12 months		
				2021	2020	Δ, %
17,834	16,593	7.5	Arcticgas	62,946	34,301	83.5
4,177	3,361	24.3	Messoyakhaneftegas	14,817	9,037	64.0
4,084	3,943	3.6	Slavneft	14,923	338	>200
895	919	(2.6)	Northgas	3,184	1,700	87.3
278	-	-	Tomskneft*	278	-	-
948	1,915	(50.5)	Other companies	6,254	2,671	134.1
28,216	26,731	5.6	Share in profit of associates and joint ventures	102,402	48,047	113.1

* In 4Q 2021 the Tomskneft investment recognition changed to an investment in joint venture, previously Tomskneft was accounted as joint operation

- Prices growth had a positive impact on the financial results of joint ventures.

Other income and expenses

- Other expenses are mainly represented by the disposal of non-current assets and other expenses not related to principal activities, including costs of supporting social projects in the regions of presence.

Other financial items

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

Analysis of cash flows and capital expenditures

(RUB mln)	12 months		
	2021	2020	Δ %
Net cash provided by operating activities	941,923	517,057	82.2
Net cash used in investing activities	(460,062)	(374,165)	23.0
Net cash used in financing activities	(143,204)	(123,957)	15.5
Increase in cash and cash equivalents	338,657	18,935	>200

Operating activities

(RUB mln)	12 months		
	2021	2020	Δ %
Net cash provided by operating activities before changes in working capital, income tax, interest and dividends	779,082	358,904	117.1
Net changes in working capital	160,657	206,073	(22.0)
Income tax paid	(61,168)	(18,785)	>200
Interest paid	(53,550)	(55,418)	(3.4)
Dividends received	116,902	25,318	>200
Other cash flows from operating activities	-	965	-
Net cash provided by operating activities	941,923	517,057	82.2

- The Y-o-Y increase in net cash provided by operating activities is mainly due to operating profit growth and dividends received from the joint ventures.

Investing activities

(RUB mln)	12 months		
	2021	2020	Δ %
Capital expenditures	(441,833)	(413,526)	6.8
Purchases of oil and gas licences, intangible assets	(30,559)	(30,091)	1.6
Net changes in deposits	81	15,000	(99.5)
Proceeds from sale of property, plant and equipment, net of tax	1,246	42,357	(97.1)
Net changes in loans issued and other investments	(9,592)	(1,330)	>200
Interest received	17,975	12,697	41.6
Other cash flows from investing activities	2,620	728	>200
Net cash used in investing activities	(460,062)	(374,165)	23.0

- The 23.0% Y-o-Y increase in net cash used in investing activities mainly results from lower proceeds from sales of property, plant and equipment, higher capital expenditures and lower cash placed on deposits.

Financing activities

(RUB mln)	12 months		
	2021	2020	Δ %
Repayment of borrowings	(50,303)	(22)	>200
Proceeds from sale of non-controlling interest in subsidiaries	13,088	905	>200
Dividends paid to Gazprom Neft shareholders	(70,762)	(93,494)	(24.3)
Dividends paid to non-controlling shareholders	(7,598)	(8,357)	(9.1)
Repayment of principal portion of lease liabilities	(12,368)	(11,326)	9.2
Other cash flows from financing activities	(15,261)	(11,663)	30.8
Net cash used in financing activities	(143,204)	(123,957)	15.5

- The 15.5% Y-o-Y increase in net cash used in financing activities is mainly driven by higher repayment of borrowings.

Capital expenditures

4Q 2021	3Q 2021	Δ, %	(RUB mln)	12 months		
				2021	2020	Δ, %
104,668	60,808	72.1	Exploration and production	298,180	276,211	8.0
102,803	58,814	74.8	Consolidated subsidiaries	289,870	260,099	11.4
1,865	1,994	(6.5)	Joint operations	8,310	16,112	(48.4)
47,868	29,284	63.5	Refining	118,389	115,462	2.5
8,627	3,531	144.3	Marketing and distribution	17,540	15,117	16.0
2,130	1,965	8.4	Others	7,724	6,736	14.7
163,293	95,588	70.8	Capital expenditures	441,833	413,526	6.8

- The 8.0% Y-o-Y increase in capital expenditures on exploration and production is due to oil rims projects' implementation and higher infrastructure construction volumes at major project Zapadno-Zimnee
- The 72.1% Q-o-Q increase in capital expenditures on exploration and production is due to higher production programme and key oilfields development under higher demand conditions and lower limitations under the OPEC+ agreement
- The 63.5% Q-o-Q increase in capital expenditures on refining is due to the implementation schedule of advanced refining projects at the Group's refineries
- The Q-o-Q increase in capital expenditures on marketing and distribution is due to the implementation schedule of production projects
- The Y-o-Y increase in capital expenditures on marketing and distribution is due to the development and digitalisation of its own sales network.

Debt and liquidity

(RUB mln)	December 31 2021	December 31 2020
Short-term loans and borrowings	180,678	45,695
Long-term loans and borrowings	553,342	738,530
Cash and cash equivalents	(573,421)	(237,011)
Short-term deposits	(4)	(131)
Net debt	160,595	547,083
Short-term debt / total debt, %	24.6	5.8
Net debt / EBITDA for the previous 12 months	0.18	1.32

- The Group's diversified debt structure includes syndicated and bilateral loans, bonds and other instruments

- The average debt maturity decreased from 3.23 years as of December 31, 2020, to 3.06 years as of December 31, 2021
- The average interest rate increased from 5.13% as of December 31, 2020, to 6.25% as of December 31, 2021.

Financial ratios

EBITDA reconciliation

4Q	3Q			12 months		
2021	2021	Δ, %	(RUB mln)	2021	2020	Δ, %
151,421	144,772	4.6	Profit for the period	519,363	120,633	>200
35,463	30,127	17.7	Total income tax expense	113,604	22,837	>200
5,736	5,615	2.2	Finance expense	25,631	28,746	(10.8)
(8,500)	(4,634)	83.4	Finance income	(18,564)	(11,378)	63.2
57,483	58,360	(1.5)	Depreciation, depletion and amortisation	228,058	222,151	2.7
3,219	(760)	-	Net foreign exchange (loss) / gain	(4,765)	23,654	-
13,365	7,842	70.4	Other loss, net	28,470	8,732	>200
258,187	241,322	7.0	EBITDA	891,797	415,375	114.7
(28,216)	(26,731)	5.6	less Share of profit of associates and joint ventures	(102,402)	(48,047)	113.1
55,549	51,417	8.0	add Share of EBITDA of associates and joint ventures	196,732	117,875	66.9
285,520	266,008	7.3	Adjusted EBITDA	986,127	485,203	103.2

Profitability

	December 31 2021	December 31 2020	Δ, p.p.
Adjusted EBITDA margin, %	32.14	24.26	7.9
Net profit margin, %	16.93	6.03	10.9
Return on assets (ROA), %	11.27	2.98	8.3
Return on equity (ROE), %	21.64	5.39	16.3
Adjusted Return on average capital employed (ROACE), %	20.37	6.21	14.2

Adjusted ROACE calculation

	December 31 2021	December 31 2020
For 12 months preceding		
Adjusted EBITDA	986,127	485,203
Depreciation, depletion and amortisation	(276,569)	(269,110)
Effective income tax charge on EBIT	(148,640)	(44,669)
Adjusted EBIT*	560,918	171,424
Average capital employed	2,754,159	2,760,238
Adjusted ROACE	20.37	6.21

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

Liquidity

	December 31 2021	December 31 2020	Δ, %
Current ratio	0.89	0.97	(8.2)
Quick ratio	0.56	0.51	9.8
Cash ratio	0.42	0.30	40.0

Leverage

	December 31 2021	December 31 2020	
Net debt / Total Assets, %	3.24	12.84	Δ, p.p. (9.6)
Net debt / Equity, %	6.33	24.18	(17.9)
Gearing, %	5.75	18.84	(13.1)
			Δ, %
Net debt / Market Capitalisation	0.06	0.37	(83.8)
Net debt / EBITDA	0.18	1.32	(86.4)
Total debt / EBITDA	0.82	1.89	(56.6)

Key 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 Rouble - dollar exchange rate and inflation
- Changes in the tax regime
- Changes in natural monopoly tariffs.

Changes in market prices for crude oil and petroleum products

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

Petroleum product prices on the international markets are primarily determined by global oil prices, supply and demand, and completion levels on different markets. Petroleum product price trends on international markets, in turn, impact domestic prices. Price trends differ for different types of petroleum products.

The increase in crude oil and petroleum product prices on the international market for the 12 months 2021 positively influenced the Group's results.

4Q 2021	3Q 2021	Δ, %		12 months		
				2021	2020	Δ, %
(USD / barrel)			International market	(USD / barrel)		
79.76	73.51	8.5	Brent	70.91	41.84	69.5
78.13	71.18	9.8	Urals (average Med + NWE)	69.13	41.40	67.0
(USD / tonne)				(USD / tonne)		
771.50	717.88	7.5	Premium gasoline (average NWE)	678.04	383.34	76.9
721.67	661.40	9.1	Naphtha (average Med. + NWE)	627.77	346.17	81.3
684.62	601.38	13.8	Diesel fuel (average NWE)	584.21	367.08	59.2
674.08	596.85	12.9	Gasoil 0.1% (average Med.)	576.92	359.35	60.5
419.55	391.50	7.2	Fuel oil 3.5% (average NWE)	379.25	214.44	76.9
(RUB / tonne)			Domestic market	(RUB / tonne)		
47,832	52,356	(8.6)	High-octane gasoline	48,520	42,113	15.2
47,632	44,258	7.6	Diesel fuel	44,073	38,963	13.1
22,815	20,655	10.5	Fuel oil	20,005	8,849	126.1

Sources: Platts (international), Kortes (domestic)

Rouble-dollar exchange rate and inflation

The Group's presentation currency is the Russian Rouble. The functional currency of each 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.

4Q 2021	3Q 2021		12 months 2021	2020
3.07	1.13	Change in Consumer Price Index (CPI), %	8.39	4.78
72.61	73.47	Average RUB / USD exchange rate for the period	73.65	72.14
72.76	72.37	RUB / USD exchange rate as of the beginning of the period	73.88	61.91
74.29	72.76	RUB / USD exchange rate as of the end of the period	74.29	73.88
2.11	0.54	Depreciation (appreciation) of Russian Rouble to USD, %	0.56	19.34

Taxation

Average tax rates during reporting periods for oil and gas companies in Russia

4Q 2021	3Q 2021	Δ, %		12 months 2021	2020	Δ, %
(USD / tonne)			Export duty	(USD / tonne)		
70.49	64.63	9.1	Crude oil	59.15	45.87	29.0
21.10	19.33	9.2	Light petroleum products	17.69	13.72	28.9
21.10	19.33	9.2	Diesel	17.69	13.72	28.9
21.10	19.33	9.2	Gasoline	17.69	13.72	28.9
38.73	35.50	9.1	Naphtha	32.47	25.18	29.0
70.49	64.63	9.1	Heavy petroleum products	59.15	45.87	29.0
			Mineral extraction tax			
22,364	20,279	10.3	Crude oil (RUB/ tonne)	19,273	8,720	121.0

Export duties on crude oil and petroleum products

Export duty rates for crude oil and petroleum products are calculated by the Ministry of Economic Development of the Russian Federation following the Methodology for Calculating Export Duties on Crude Oil and Certain Categories of Petroleum Products approved by Resolution of the Government of the Russian Federation No. 276 of March 29, 2013.

Export duty on crude oil

The export duty rate for crude oil is determined according to one of the following principles:

a) in accordance with Article 3.1, Clause 4 of Federal Law of the Russian Federation No. 5003-1 of 21 May 1993 'On the Customs Tariff' (further – the Customs tariff federal law), export duty rates for crude oil must not exceed the product of K_{oil} coefficient and marginal duty rate calculated as follows:

Urals Price quote (P), USD/ tonne	The maximum export duty rate
≤ 109.50	0%
$109.50 < P \leq 146.00$	$K_{oil} \times (35\% \times (P - 109.50))$
$146.00 < P \leq 182.50$	$K_{oil} \times (12.78 + 45\% \times (P - 146.00))$
> 182.50	$K_{oil}^* \times (29.2 + 30\% \times (P - 182.5))$

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

Oil exported to Kazakhstan is not subject to export duty. Crude oil exports to Kyrgyzstan and Belarus within indicative limits are exempt from export duties.

b) pursuant to Article 3.1, Clause 6.2 of the Customs tariff federal law, the Government of the Russian Federation may set a protective export duty rate for crude oil calculated as follows:

Urals Price quote (P), USD/ tonne	The maximum export duty rate
≤ 182.50	0%
$P > 182.50$	$29.20 + 45\% \times (P - 182.50)$

The protective rate shall be applied within six months starting from the month following the three-month period, in which volatility of crude oil prices exceeds 15%.

c) According to Article 35, Clause 1.1 of the Customs tariff federal law, oil produced at a new offshore field shall be exempt from export duty:

- Until March 31, 2032: fields located (i) entirely in the Sea of Azov or (ii) with at least 50% of their area lying in the Baltic Sea, the Black Sea (at a depth up of to 100 meters), the Pechora Sea, the White Sea, the Sea of Okhotsk (south of 55° N), or the Russian sector of the Caspian seabed
- Until March 31, 2042: fields with at least 50% of their area in the Black Sea (at a depth of more than 100 meters), the Sea of Okhotsk (north of 55° N), or the Barents Sea (south of 72° N)
- Indefinitely: for fields with at least 50% of their area in the Kara Sea, the Barents Sea (north of 72° N), or the Eastern Arctic (the Laptev Sea, the East Siberian Sea, the Chukchi Sea, and the Bering Sea).

In accordance with Article 11.1, Clause 5 of the Tax Code of the Russian Federation, a new offshore field is defined as an offshore field at which commercial hydrocarbon production commenced on or after January 1, 2016.

d) In accordance with Article 35, Clause 7 of the Customs tariff federal law, with effect from January 1, 2019 oil produced at subsurface sites subject to additional income tax (AIT) shall not be subject to export duty for a period when the Cy coefficient applied to the MET rate for oil is less than 1.

Export duty on petroleum products

In accordance with Article 3.1 of the Customs tariff federal law, the export duty rate for specific categories of petroleum products shall be set by the Government of the Russian Federation. At the same time, petroleum products exported to Tajikistan, Belarus, Armenia and Kyrgyzstan within indicative limits shall be exempt from export duties.

Resolution of the Government of the Russian Federation No. 276 of March 29, 2013, established the following principle for determining export duty rates for petroleum products:

$R = K * R_{CRUDE}$, where R_{CRUDE} is the export duty rate for crude oil and C is the estimated coefficient for individual categories of petroleum products.

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

Light and middle distillates	
Diesel	0.3
Lubricants	
Naphtha	0.55
Gasoline	0.3

In accordance with Article 3.1, Clause 6.2 of the Customs tariff federal law, the Government of the Russian Federation may set a protective export duty rate on specific categories of petroleum products equal to 60% of the export duty on crude oil. This procedure shall be applied within six months starting from the month following the three-month period, in which volatility of crude oil prices exceeds 15%.

Excise tax on petroleum products

Producers of refined products pay the excise tax on petroleum in the Russian Federation. In addition, the tax is paid by legal entities importing excisable goods into the Russian Federation.

Article 193 of the Tax Code of the Russian Federation set the following excise duty rates for petroleum products (RUB/tonne):

	2020	2021	2022
Gasoline			
Below Class 5	13,100	13,624	14,169
Class 5	12,752	13,262	13,793
Naphtha	14,720	15,533	16,345
Diesel fuel	8,835	9,188	9,556
Motor oil	5,616	5,841	6,075
Middle distillate	9,535*		

* For the period from January 1 to March 31, and from April 1, the excise rate for middle distillates is calculated according to the formula described below

With effect from January 1, 2019, crude oil feedstock is an excisable product. The excise tax shall be paid by crude oil feedstock owners having a registration certificate for oil feedstock refinery processing at their facilities or facilities owned by third-party processors. The excise tax rate for crude oil feedstock is calculated as follows:

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

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

R – the average USD/Russian rouble exchange rate.

S_{PU} – a specific coefficient that reflects the petrochemical-products processing output.

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

K_{REG} – a regional coefficient of petroleum markets. For production facilities located in the Omsk Oblast, K_{REG} is 1.05.

The excise tax on crude oil feedstock is subject to tax deductions. Tax deductions amount to an excise tax on crude oil multiplied by 2 and increased by K_{DEMP} and investment premium for refineries K_{INV} .

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

$$K_{DEMP} = D_G \times V_G \times K_{G_COMP} + D_{DF} \times V_{DF} \times K_{DF_COMP} + D_{G_FE} \times V_{G_FE} + D_{DF_FE} \times V_{DF_FE} \text{ for period from July 1, 2019 to April 30, 2021}$$

Article 200 Clause 27 of the Tax Code of the Russian Federation was adjusted in accordance with Federal Law N 305-FZ dd. 02.07.2021 as follows: nominal average wholesale price for Class 5 gasoline with an octane number of 92 in the Russian Federation was decreased from 56,300 to 52,300 RUB per tonne to the end of 2021, and Far Eastern allowances were excluded:

$$K_{DEMP} = D_G \times V_G \times K_{G_COMP} + D_{DF} \times V_{DF} \times K_{DF_COMP} \text{ for period from May 1, 2021}$$

$$K_{INV} = A_{COM} \times (1,3 - K_{REG}) \times D_{FIN} \times (7000000/12) \text{ from January 2021 (for Omsk and Moscow refineries)}$$

D_{FIN} – a coefficient determines the share in the investment agreement financing, D_{FIN} for Omsk and Moscow refineries of the Group equal to 1.

V_G / V_{DF} – the volume of Class 5 motor gasoline with an octane number of 92 or higher / Class 5 diesel fuel sold or used for own needs in the Russian Federation.

K_{G_COMP} – equal to 0.6 for the period January-June 2019, 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} – the difference between the average export alternative price and the nominal average wholesale price for Class 5 gasoline with an octane number of 92 / Class 5 diesel fuel in the Russian Federation.

V_{G_FE} / V_{DF_FE} – the volume of Class 5 motor gasoline with an octane number of 92 or higher / Class 5 diesel fuel sold at delivery locations in the Far Eastern Federal District of Russia.

D_{G_FE} / D_{DF_FE} – Far Eastern allowances calculated as the sum of 2,000 RUB and D_G / D_{DF} . If the value of D_G / D_{DF} is greater than 2 000 Roubles or less than 0, D_G / D_{DF} shall be assumed to be 2,000 RUB or 0, respectively.

F_G, F_{DF} – compensatory allowances for motor gasoline (diesel fuel) equal to:

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

With effect from April 1, 2020, the tax rate for middle distillates shall be calculated using the following formula:

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

A_{DF} – is the excise tax rate for diesel fuel.

If D_{DF} is greater than 0, it shall be assumed to be 0 for calculating the middle distillates excise tax rate.

Mineral extraction tax (MET)

MET on crude oil

a) pursuant to Article 342 of the Tax Code of the Russian Federation, the following formulas shall be used to calculate the MET rate for crude oil:

MET oil	$919 \times K_c - D_m$
---------	------------------------

$$D_m = K_{met} \times K_c \times (1 - K_z \times K_d \times K_{dv} \times K_{kan}) - K_k - K_{MAN} - K_{GDF} \text{ w.e.f. 2019}$$

where K_{met} – 559.

K_c – a coefficient that reflects global oil price changes and is calculated using the following formula:

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

K_z – a coefficient that reflects the reserves volume of a specific subsurface site. This coefficient reduces the MET rate for small subsurface sites. In particular, if initial extractable oil reserves of all categories at a particular subsurface site as of January 1 of the year preceding the tax year (V_r) are less than 5 mt, and the depletion degree is lower than or equal to 0.05 as of January 1, 2012 (or as of January 1 of the year when the relevant license was issued, if the license was issued after January 1, 2012), C_r shall be calculated using the following formula:

$$K_z = 0.125 \times V_r + 0.375.$$

K_d – a coefficient that reflects the complexity level of oil extraction. It ranges from 0.2 to 1, depending on the complexity level of oil extraction from a specific deposit:

- 0.2 – when oil is extracted from a specific deposit with confirmed permeability of no more than $2 \cdot 10^{-3} \mu^2$ and the net pay thickness of no more than 10 m
- 0.4 – when oil is extracted from a specific deposit with confirmed permeability of no more than $2 \cdot 10^{-3} \mu^2$ and the net pay thickness of no more than 10 m
- 0.8 – when oil is extracted from a specific deposit classified in the State Mineral Reserves register as forming part of the Tyumen Formation pay zone
- 1 – when oil is extracted from other hydrocarbon deposits.

Kdv – a coefficient that reflects the depletion degree for a specific hydrocarbon deposit. Kdv applies to subsurface Sites that contain deposits with $K_d < 1$. This coefficient reduces the MET rate for oil from highly depleted deposits. The degree of depletion of a deposit with $K_d < 1$ is calculated as N_{dp}/V_{dp} , where N_{dp} is cumulative oil production from a specific deposit, and V_{dp} is initial extractable oil reserves of all the categories at a particular deposit as of January 1 of the year preceding the tax year. If the depletion degree for a specific deposit ranges from 0.8 to 1, the Kdv coefficient shall be calculated using the formula: $K_{dv} = 3.8 - 3.5 \times N_{dp}/V_{dp}$. If the depletion degree of a specific deposit exceeds 1, Kdv shall be assumed to be 0.3. In other cases, Kdv shall be considered to be 1. For other deposits at the respective subsurface site (with K_d is 1), the Kdv coefficient shall be assumed to be equal to the value of the K_d coefficient is calculated for the entire subsurface site

Kkan – a coefficient that characterizes the region of production and the properties of the oil. This coefficient reduces the MET rate for oil for subsurface sites located entirely or partially in areas with challenging climatic and geological conditions (including the Yamal Peninsula in the Yamalo-Nenets Autonomous Okrug, the Irkutsk Oblast, and the Republic of Sakha (Yakutia)). It can be assumed to be 0 till the first day of the month following the month when at least one of the following conditions is met: (1) the limit on cumulative oil production from the subsurface site is reached, or (2) the stipulated period expires. After the tax incentive period expires, Kkan shall be assumed to be 1.

Kk is set at 428 RUB with effect from 2019.

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

K_E – a coefficient calculated as follows:

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 – the average US dollar/Russian rouble exchange rate.

K_{ADJ} – 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} – a coefficient that reflects the introduction of a protective export duty rate for crude oil by the Government of the Russian Federation (for details, see paragraph b) of the Export Duty on Crude Oil section).

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

$$K_{GDF} = N_G \times I_G + N_{DF} \times I_{DF} + N_{BUG} \text{ for period from January 1, 2020 to April 30, 2021}$$

In accordance with Federal Law N 305-FZ dd. 02.07.2021 **K_{DEMP}** calculation was changed retrospectively since May 1, 2021. It impacted **K_{GDF}** calculation considering decrease of the nominal average wholesale price for Class 5 gasoline with an octane number of 92 in the Russian Federation:

$$K_{GDF} = 105 \times I_G + 92 \times I_{DF} + N_{BUG} + N_{FE} \text{ for period from May 1, 2021}$$

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

I_G и I_{DF} - are binary coefficients for motor gasoline / diesel fuel 0 if D_G , D_{DF} does not exceed 0. If D_G , D_{DF} exceeds 0, I_G и I_{DF} is set at 1 respectively.

$N_{BUG} = (N_{K_DEMP} - S_{K_DEMP}) \times 37.5 / 484 + D_{FE_G} \times 2 / 484 + D_{FE_DF} \times 3.7 / 484 - 124$ for the period to April 30, 2021

$N_{BUG} = (N_{K_DEMP} - S_{K_DEMP} - 0.5 \times K_{K2021}) \times (37.5 / 484) - 124$ for period from May 1, 2021

$S_{K_DEMP} = (D_{G_S} + F_G + D_{DF_S} + F_{DF}) \times 0.5$ (characterises the damper effective before 2020)

$N_{K_DEMP} = D_G \times K_{G_COMP} + D_{DF} \times K_{DF_COMP}$ (characterises the damper effective from 2020)

$K_{K2021} = (P_{GT_2021} - P_{GT}) \times K_{G_COMP} + (P_{DFT_2021} - P_{DFT}) \times K_{DF_COMP}$ (characterises the damper adjustment in 2021)

P_{GT_2021} , P_{DFT_2021} – nominal average wholesale price for Class 5 gasoline with an octane number of 92 / diesel fuel in the Russian Federation stipulated in the Tax Code of the Russian Federation as P_{GT} , P_{DFT} for the period to 2024 from damper adjustment in 2021.

D_{G_S} , D_{DF_S} – the difference between the average export alternative price and the cut-off price of Class 5 automotive AI-92 gasoline (diesel fuel).

$N_{FE} = D_{FE_G} \times (2 / 484) + D_{FE_DF} \times (3.7 / 484)$ (characterises Far Eastern allowances)

b) Article 342, Clause 2.1 and Article 338, Clause 6 of the Tax Code of the Russian Federation sets the following *ad valorem* MET rates for oil produced at new offshore fields (as a percentage of its value):

- 30% for five years from the start of commercial hydrocarbon production: for fields located entirely in the Sea of Azov, or with at least 50% of their area lying in the Baltic Sea
- 15% for seven years from the start of commercial hydrocarbon production: for fields with at least 50% or more of their area lying in the Black Sea (at a depth of up to 100 meters), the Sea of Japan, Russian territory of the Caspian Sea, as well as for fields commercial hydrocarbon production at which begins before January 1, 2020, with 50% or more of their area lying in the White and the Pechora Seas, and the Sea of Okhotsk (south of 55°N)
- 10% for ten years from the start of commercial hydrocarbon production: for fields with 50% or more of their area lying in the Black Sea (at a depth over 100 meters), as well as for fields commercial hydrocarbon production at which begins before January 1, 2020, with 50% or more of their area lying in the Sea of Okhotsk (south of 55°N), the Barents Sea (south of 72°N)
- 5% for 15 years from the start of commercial hydrocarbon production: for fields with 50% or more of their area lying in the Kara and the Barents Seas (north of 72°N), and the Eastern Arctic Seas (the Laptev, the East Siberian, the Chukchi and the Bering Seas), as well as for fields commercial hydrocarbon production at which begins before January 1, 2020, with 50% or more of their area lying in the White, the Pechora, the Barents Seas, and the Sea of Okhotsk (south of 72°N).

In addition, the tax legislation stipulates a reduced tax rate for oil extracted from deposits classified as part of the Bazhenov Formation, provided that the requirements of the Russian Tax Code are complied with.

c) In accordance with Article 342.6 of the Tax Code of the Russian Federation, the following formula shall be used to calculate the MET rate for crude oil produced at subsurface sites subject to additional income tax for hydrocarbon producers (AIT):

MET on crude oil $(50\% \times (P - 15) \times 7.3 \times Kr - EDR) \times R$ for the period to August 31, 2021

MET on crude oil $(50\% \times (P - 15) \times 7.3 \times Kr - EDR) \times R + K_{GDF} \times I_{T_P}$ for the period from September 1, 2021

P – the average monthly Urals price on the Rotterdam and Mediterranean markets (USD/bbl).

R – the average monthly USD/Russian rouble exchange rate.

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

Kr – a coefficient that reflects the time period from the date when commercial oil production commenced at the subsurface site. This coefficient reduces the MET rate for oil from new subsurface sites located entirely or partially in Western (including the Khanty-Mansi Autonomous Okrug-Yugra and the Yamalo-Nenets Autonomous Okrug) and Eastern Siberia (including the Irkutsk Oblast and the Republic of Sakha (Yakutia)). The Kr coefficient is applied until the end of the stipulated time period starting from the year following the year when the degree of depletion for a subsurface site exceeded 1%. The Kr coefficient for subsurface sites not considered as ‘new’ is 1.

I_{T,P} – a coefficient that reflects the region of oil production assumed to be equal to zero for dehydrated, desalinated and stabilized oil extracted from subsurface areas belonging to the fifth group of AIT (specified in subclause 5, clause 1 of Article 333. 45 of the Tax Code of the Russian Federation), and equal to 1 for subsurface areas belonging to the first-fourth groups.

Effective MET rate for crude oil for the Group

4Q	3Q			12 months		
2021	2021	Δ, %		2021	2020	Δ, %
22,364	20,279	10.3	Standard MET rate for crude oil, RUB/tonne	19,273	8,720	121.0
17,048	15,623	9.1	Effective MET rate for crude oil (after Kz, Kd, Kdv and Kr are applied), RUB/tonne	14,881	6,316	135.6
5,316	4,656		Difference between the standard and effective MET rates for crude oil, RUB/tonne	4,392	2,404	
23.8%	23.0%		Difference between the standard and effective MET rates for crude oil, %	22.8%	27.6%	

For the 12 months 2021, the average effective MET rate for crude oil was 14,881 RUB/tonne, which is 4,392 RUB/tonne less than the average standard rate set by the tax legislation. This deviation was due to incentives applied in the MET rate for crude oil according to the tax legislation, including the application of the Kz, Kd, Kdv and Kr coefficients.

MET on natural gas and gas condensate

Pursuant to Article 342 of the Tax Code of the Russian Federation, the following MET rates have been set for flammable natural gas and gas condensate:

	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 – the base value of a unit of fuel equivalent calculated by the taxpayer based on natural gas and gas condensate prices and the ratio of their respective production volumes.

Kc – coefficient that reflects the complexity of mineral extraction from a deposit. This coefficient reduces the MET rate and is assumed to be equal to the lowest of the following five reduction coefficients: Kr (reduction based on location), Kvg (reduction for depleted sites), Kgz (reduction for deposits located at a depth of more than 1.7 km), Kas (reduction for subsurface sites, gas from which is used for regional gas supply system purposes) and Korz (reduction for deposits classified as forming part of the Turonian pay zones)

Tg – Indicator reflecting the cost of natural gas transportation (assumed to be equal to 0 in 2020–2021, according to the Federal Anti-Monopoly Service of the Russian Federation).

Kkm – adjustment coefficient equal to 6.5/Kg, where Kg reflects the export margin per unit of fuel equivalent.

The average effective MET rate for natural gas for the 12 months 2021 was 631 RUB per one thousand cubic meters, which is 62 RUB less than the average standard rate set by the tax legislation. This deviation was due to MET benefits for natural gas established in accordance with the tax legislation, including applying the Kc coefficient.

Additional income tax for hydrocarbon producers (AIT)

Additional income tax (AIT) in producing raw hydrocarbons took effect from 2019. The AIT shall be payable on income from hydrocarbon production at a rate of 50%, excluding an estimated export duty and transportation costs, as well as actual capital and operating expenses attributed to developing a subsurface site.

This new tax is set to reduce the total amount of fiscal payments that depend on gross indicators (MET and export duty for crude oil), while increasing fiscal payments that depend on the profitability of hydrocarbon production.

A closed list of pilot blocks in Western and Eastern Siberia has been compiled which may be subject to AIT while the new fiscal regime is tested. Gazprom Neft's portfolio includes blocks in all of these groups.

Transportation of crude oil and petroleum products

Transportation tariff policies are established by the state authorities to balance 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 transportation infrastructure owners, other macroeconomic factors, and compensation of economically reasonable expenses incurred by natural monopolies. Tariffs are revised by the FTS annually and comprise dispatch, loading, transshipment, pumping, and other surcharges.

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

4Q 2021	3Q 2021	Δ, %	(RUB per tonne)	12 months		
				2021	2020	Δ, %
Crude oil						
Export						
2,746	2,885	(4.8)	Pipeline	2,857	2,725	4.8
CIS						
1,804	1,847	(2.3)	Pipeline	1,814	1,526	18.9
Transportation to Refineries						
837	806	3.8	Omsk	813	796	2.1
1,812	1,734	4.5	Moscow	1,756	1,679	4.6
1,457	1,369	6.4	Yaroslavl	1,447	1,404	3.1
Petroleum products						
Export from ONPZ						
6,121	6,198	(1.2)	Gasoline	6,056	4,926	22.9
6,128	6,119	0.1	Fuel oil	6,156	5,965	3.2
3,558	3,342	6.5	Diesel fuel	3,525	4,248	(17.0)
Export from MNPZ						
2,686	-	-	Gasoline	3,064	3,533	(13.3)
3,834	3,837	(0.1)	Fuel oil	3,836	3,918	(2.1)
2,637	2,536	4.0	Diesel fuel	2,595	2,734	(5.1)
Export from YANOS						
3,231	3,237	(0.2)	Gasoline	3,237	3,086	4.9
3,424	3,426	(0.1)	Fuel oil	3,421	3,306	3.5
2,339	2,433	(3.9)	Diesel fuel	2,259	2,182	3.5

The Group's crude oil export route mix (tonnes) for the 12 months 2021 and 2020 is presented below:

	12 months	
	2021	2020
Crude oil export		
Primorsk Baltic Sea port	9.3%	6.3%
Druzhba pipeline	10.2%	16.4%
Port of Novorossiysk	0.0%	2.1%
ESPO pipeline and the port of Kozmino	23.6%	17.9%
Exported without using Transneft system, including:	57.0%	57.3%
Prirazlomnoye	19.7%	16.8%
Novoportovskoye	37.3%	40.5%
Total	100.0%	100.0%
Crude oil export to CIS countries		
Belarus	100.0%	100.0%
Total	100.0%	100.0%

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