

3. OPERATING RESULTS

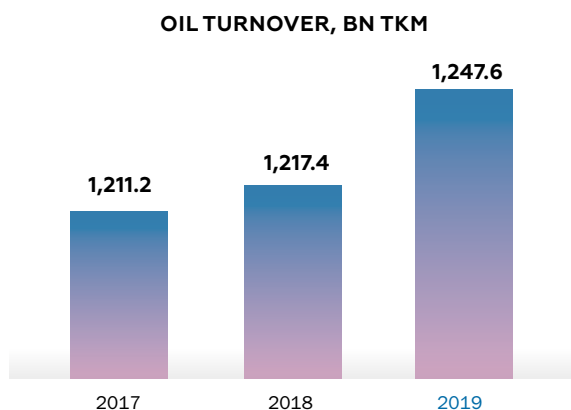
The core business activity of Transneft is rendering services of oil and petroleum products transportation via trunk pipelines in the Russian Federation and beyond, including transportation outside of Russia on the basis of interstate and intergovernmental agreements.

Transneft and its subsidiaries provide crude oil storage, compounding¹ and sales services.

Apart from the core activity of transporting oil across Russia, the Company plans and supervises oil transportation and supply to other countries, ensures acceptance at foreign custody transfer points, collects and compiles data.

As an agent of Russian shippers transporting oil via the territory of Belarus, Ukraine and Kazakhstan, Transneft has signed contracts for oil transportation services with Polotsktranspetrol Druzhba, GomeItransneft Druzhba, Ukrtransnafta and KazTransOil (TON-2).

3.1. § Oil Transportation



In 2019, oil turnover in accordance with executed routing orders stood at 1,247.6 billion tkm, which is 2.5% more than in 2018 and 3% more than in 2017.



¹ Compounding is controlled blending of oil streams in a pipeline.

**OIL TURNOVER² IN ACCORDANCE WITH ROUTING ORDERS EXECUTED,
FOR EACH TRANSNEFT SUBSIDIARY, MLN TKM**

	2017	2018	2019
Oil turnover	1,211,229	1,217,397	1,247,584
Transneft Siberia, JSC	249,759	244,301	243,856
Transneft Kama Region, JSC	139,005	128,331	140,889
Transneft Druzhba, JSC	135,124	130,422	118,635
Transneft East, LLC	125,600	153,659	172,278
Transneft Urals, JSC	104,443	106,824	97,785
Transneft Volga Region, JSC	95,676	93,547	90,268
Transneft Baltic, LLC	83,298	73,451	80,422
Transneft Far East, LLC	70,758	68,332	78,139
Transneft Upper Volga, JSC	56,890	55,240	61,200
Transneft Western Siberia, JSC	53,618	62,179	63,033
Transneft Central Siberia, JSC	35,780	40,979	40,314
Chernomortransneft, JSC	33,843	32,095	33,857
Transneft North, JSC	27,434	28,035	26,907

² The actual freight turnover is shown for routing orders accomplished.

3. OPERATING RESULTS

The total oil accepted into the trunk pipeline system of Transneft amounted to 484.8 million tonnes in 2019, which is 0.9% higher than in 2018 and 1.5% higher than in 2017. Oil acceptance from Russian producers in 2019 increased by 0.7% compared to 2018 and amounted to 465.6 million tonnes. Acceptance of oil from Kazakhstan decreased by 2.5% compared to 2018 and amounted to 16.3 million tonnes, which is 3.6% lower than in 2017. Acceptance of oil from Azerbaijan in 2019 decreased by 36.6% compared to 2018 and amounted to 0.8 million tonnes. In 2019, Transneft ensured oil deliveries to the destination points, as per the contracts signed, in the amount of 485.0 million tonnes, which is 1.1% more than in 2018 and 1.6% more than in 2017.

The 2019 results show an increase in transportation of crude oil due to the general growth of oil volumes fed by producers to the oil trunk pipeline system. At the same time, redirection of oil flows from the domestic market to export was carried out within the framework of oil companies' requests for oil transportation.



The factors that significantly affected the transportation of oil included an increase in oil deliveries to China via the Skovorodino – Mohe oil pipeline from 16.5 million tonnes in 2017 to 30.0 million tonnes in 2019, the launch of oil deliveries to the RN-Komsomolsk Refinery via the pipeline offshoot from the ESPO PS in the second half of 2019 and the resumption of oil transportation from Turkmenistan through the port of Novorossiysk.

OIL ACCEPTANCE AND DELIVERY INDICATORS FOR 2017–2019, MLN TONNES

Indicators	2017	2018	2019	change,% 2019/2018	change,% 2019/2017
Acceptance into the Transneft system, total:	477.6	480.4	484.8	0.9%	1.5%
oil from Russia	459.2	462.3	465.6	0.7%	1.4%
oil from Kazakhstan	16.9	16.8	16.3	-2.5%	-3.6%
oil from Azerbaijan	1.5	1.3	0.8	-36.6%	-45.1%
oil from Turkmenistan	0	0	2.1		
Oil delivery¹, total:	477.5	480.0	485.0	1.1%	1.6%
to refineries in Russia	243.7	249.3	245.9	-1.4%	0.9%
Transshipment to the CPC-R system	0.02	0	0.01		-50.0%
Fuel deliveries to third parties			0.18		
To the CIS:	18.6	19.0	18.6	-2.1%	-0.1%
oil from Russia	18.1	18.0	17.6	-2.4%	-2.6%
oil from Kazakhstan	0.5	1.0	1.0	4.2%	85.2%
To markets beyond the CIS:	215.2	211.5	220.3	4.2%	2.4%
oil from Russia	197.2	194.6	202.0	3.8%	2.4%
oil from Kazakhstan	16.4	15.7	15.3	-2.4%	-6.8%
oil from Azerbaijan	1.6	1.2	0.9	-27.3%	-44.3%
oil from Turkmenistan	0	0	2.0		

¹ Including fuel for third-party recipients

**OIL DELIVERY FOR EXPORT TO THE CIS COUNTRIES AND TO MARKETS BEYOND THE CIS
FOR 2017-2019, MLN TONNES**

Indicators	2017	2018	2019	change,% 2019/2018	change,% 2019/2017
EXPORT TOTAL:	233.8	230.4	238.9	3.7%	2.2%
To the CIS:	18.6	19.0	18.6	-2.1%	-0.05%
Refineries in Belarus, total	18.0	18.0	17.6	-2.2%	-2.22%
Naftan	8.3	8.3	8.1	-1.8%	-1.82%
The Mozyr Refinery	9.8	9.8	9.5	-2.6%	-2.6%
Refineries in Uzbekistan, total	0.1	0.0	0.0	-100.0%	-100.0%
Refineries in Kazakhstan, total	0.5	1.0	1.0	4.2%	85.2%
POCR, LLP	0.5	1.0	1.0	4.2%	85.2%
To markets beyond the CIS:	215.2	211.5	220.3	4.1%	2.4%
The Sheskhari Oil Depot	30.7	27.6	31.0	12.1%	1.1%
The Primorsk SSOP	44.0	38.5	47.5	23.3%	7.9%
The Kozmino SSOP	31.71	30.39	33.19	9.2%	4.7%
The Ust-Luga SSOP	32.7	27.8	26.4	-5.0%	-19.3%
Adamova Zastava (Germany)	19.90	20.63	16.06	-22.2%	-19.3%
Adamova Zastava (Poland)	15.64	14.92	13.06	-12.5%	-16.5%
Budkovce (the Czech Republic)	4.0	4.0	3.81	-4.8%	-5.7%
Budkovce (Slovakia)	5.5	5.2	5.0	-4.0%	-9.1%
Fenyestitke (Hungary)	4.4	4.1	4.3	4.6%	-1.8%
China	10.0	10.0	10.0	0.0%	0.0%
The Russia – China border (the Amur River, the People's Republic of China)	16.5	28.3	30.0	6.0%	81.8%
Shipment via railway loading racks	0.2	0.0	0.0		-100.0%

Exports to CIS countries and to markets beyond the CIS in 2019 increased by 3.7% compared to 2018 and by 2.2% compared to 2017, and amounted to 238.9 million tonnes.

Oil delivery to refineries located in Russia amounted to 245.9 million tonnes, a 1.4% decrease compared to 2018 and a 0.9% decrease compared to 2017.

**TARGET AND ACTUAL INDICATORS FOR OIL TRANSPORTATION SERVICES
RENDERED IN 2019**

Indicators	(target) 2019	(actual) 2019	deviation, +/-	execution, %
Total oil transportation volume, million tonnes:	483.1	485.0	0.4	100%
Domestic market:	254.8	246.1	-3.4	97%
to refineries in Russia	254.7	245.9	-3.4	97%
transshipment to the CPC-R system	0.1	0.0	-86.4	14%
other deliveries (fuel deliveries to third parties)		0.2		
Export	228.3	238.9	4.6	105%
to the CIS countries	19.0	18.6	-2.1	98%
to markets beyond the CIS	209.3	220.3	5.2	105%
Oil turnover, bn tkm	1,237.9	1,247.6	0.8	101%