

APPENDIX 6.

TAXATION IN THE OIL INDUSTRY

AVERAGE RATES OF TAXES AND FEES IN EFFECT DURING THE REPORTING PERIODS FOR THE TAXATION OF OIL AND GAS COMPANIES IN RUSSIA

Indicators	2016	2017	Δ, %
EXPORT CUSTOMS DUTY (USD/T)			
Oil	75.61	86.74	14.7
Light petroleum products	30.21	25.99	(14)
Diesel fuel	30.21	25.99	(14)
Petrol	46.07	25.99	(43.6)
Naphtha	53.63	47.67	(11.1)
Dark petroleum products	61.96	86.74	(40)
MINERAL EXTRACTION TAX OIL (RUB/T)			
Oil	5,770	8,134	41

EXPORT CUSTOMS DUTY RATES FOR OIL AND PETROLEUM PRODUCTS

The rates of export customs duties for oil and petroleum products are calculated by the Ministry of Economic Development of the Russian Federation in accordance with the method for calculating export customs duties

on crude oil and certain categories of goods produced from oil approved by Resolution No. 276 of the Russian Government dated 29 March 2013.

EXPORT CUSTOMS DUTY ON CRUDE OIL

In accordance with clause 4 of Article 3.1 of Law of the Russian Federation No. 5003-1 dated 21 May 1993 'On the Customs Tariff', export customs duty rates on oil should not exceed the amount of the maximum duty rate calculated as follows:

Urals price quotes (P) (USD/t)	Maximum export customs duty rate
≤ 109.50	0%
109.50 < P ≤ 146.00	35% x (P - 109.50)
146.00 < P ≤ 182.50	12.78 + 45% x (P - 146.00)
> 182.50	29.20 + 42% x (P - 182.50) for 2016
	29.20 + 30% x (P - 182.50) from 2017

Oil exported to the Republic of Kazakhstan and the Republic of Belarus shall not be subject to the export customs duty. Starting from 17 January 2017, oil exported to Kyrgyzstan for domestic consumption in amounts stipulated by indicative balances shall be exempted from export customs duties.

Federal Law of the Russian Federation No. 239-FZ dated 3 December 2012 legally settled the issue of the Russian Government establishing special formulas used to calculate reduced export customs duty rates on crude oil with special physical and chemical features classified under FEACN codes TS 2709 00 900 1 and 2709 00 900 3 for which the rates are set depending on the average price of Urals oil over the monitoring period in accordance with Resolution No. 276 of the Russian Government dated 29 March 2013 in the following amount:

- $R = (P - 182.5) \times C - 56.57 - 0.14 \times P$, where P – is the price of Urals oil (USD/tonne) and C is the incremental coefficient, which was equal to 36% in 2016 and 30% in 2017.

Resolution No. 846 of the Russian Government dated 26 September 2013 approved the procedure for preparing proposals on the use of the special formulas for calculating export customs duty rates for crude oil and monitoring of the validity of their application, including with respect

to new projects located on the territory of the Republic of Sakha (Yakutia), the Irkutsk Region, the Krasnoyarsk Territory, and areas located north of 65 degrees of the Yamalo-Nenets Autonomous District.

With Decree No. 868 dated 3 December 2013, the Russian Ministry of Energy approved the application form and guidelines for analysing the validity of the use of the special formulas for calculating export duty rates for crude oil.

In accordance with clause 1.1 of Article 35 of Law of the Russian Federation No. 5003-1 dated 21 May 1993 'On the Customs Tariffs', an exemption from the payment of the export customs duty has been established for oil extracted at a new offshore field for the period until:

- 31 March 2032 – for fields that are entirely located in the Azov Sea or that have 50% or more of their area in the Baltic Sea, Black Sea (depth up to 100 m), Pechora Sea or White Sea, Sea of Okhotsk (south of 55° N latitude) or the Caspian Sea;

- 31 March 2042 – for fields that have 50% or more of their area in the Black Sea (depth up to 100 m), Sea of Okhotsk (north of 55° N latitude), or the Barents Sea (south of 72° N latitude);
- indefinitely – for fields that have 50% or more of their area in the Kara Sea, Barents Sea (north of 72° N latitude), or the east Arctic (the Laptev Sea, the East Siberian Sea, Chukchi Sea, or Bering Sea).

In accordance with sub-clause 5 of Article 11.1 of the Tax Code of the Russian Federation, a new offshore field is recognized as an offshore field at which the start date of commercial raw hydrocarbon production is after 1 January 2016.

EXPORT CUSTOMS DUTY FOR PETROLEUM PRODUCTS

In accordance with Article 3.1 of Law of the Russian Federation No. 5003-1 dated 21 May 1993 'On the Customs Tariff', the export customs duty rate for certain categories of goods produced from oil shall be set by the Russian Government. Petroleum products exported to the Republic of Kazakhstan, Republic of Belarus, and Kyrgyzstan (until 31 December 2016) shall not be subject to the export customs duty. In accordance with Article 6.1 of the Agreement with the Republic of Kazakhstan, the export of petroleum products according to the list constituting Appendix No. 2 to the Agreement from the Russian Federation to the Republic of Kazakhstan shall be prohibited as of 1 January 2014. In addition, petroleum products

exported to Tajikistan, Armenia, and Kyrgyzstan shall be exempted from export customs duty as part of indicative balances starting from 13 November 2013, 19 January 2015, and 17 January 2017, respectively.

Resolution No. 276 of the Government of the Russian Federation dated 29 March 2013 established the following procedure for determining the rates of export customs duties on petroleum products:

- $R_{cod} = K \times R_{co}$, where R_{co} is the export customs duty rate on crude oil, and C is the estimated coefficient with respect to the category of petroleum products.

COEFFICIENTS FOR THE CALCULATION OF EXPORT CUSTOMS DUTY RATES FOR PETROLEUM PRODUCTS

Petroleum products	2016	From 2017
Light and middle distillates		
Diesel fuel	0.4	0.3
Lubricants		
Naphtha	0.71	0.55
Petrol	0.61	0.3

EXCISE TAX FOR PETROLEUM PRODUCTS

Producers of petroleum products are recognized as taxpayers that pay excise taxes for petroleum products on the territory of the Russian Federation. In addition, the tax is paid by legal entities when importing excisable goods to the territory of Russia.

In accordance with Article 193 of the Tax Code of the Russian Federation, the following excise rates have been set for petroleum products.

EXCISE TAX FOR PETROLEUM PRODUCTS (RUB/T)

Petroleum products	2016		2017	2018		2019	2020
	01/01-31/03	01/04-31/12		01/01-30/06	01/07-31/12		
Petrol							
Below Class 5	10,500	13,100	13,100	13,100	13,100	13,100	13,100
Class 5	7,530	10,130	10,130	11,213	11,892	12,314	12,752
Straight-run	10,500	13,100	13,100	13,100	13,100	13,100	13,100
Diesel fuel	4,150	5,293	6,800	7,665	8,258	8,541	8,835
Motor oils	6,000	6,000	5,400	5,400	5,400	5,400	5,400
Middle distillates	4,150	5,293	7,800	8,662	8,662	9,241	9,535

MINERAL EXTRACTION TAX (MET)

In accordance with Article 342 of the Tax Code of the Russian Federation, the following formulas have been established for determining the mineral extraction tax (MET) rate for oil.

CHANGES TO THE MET FROM 2016

Tax	2016	From 2017
MET for oil	$857 \times C_p - D_m$	$919 \times C_p - D_m$

$D_m = C_{met} \times C_p \times (1 - C_d \times C_r \times C_e \times C_{dp} \times C_{can})$ for 2016

$D_m = C_{met} \times C_p \times (1 - C_d \times C_r \times C_e \times C_{dp} \times C_{can}) - C_c$
from 2017

$C_{met} = 559$ from 2016

C_p is the coefficient that describes the dynamics of global oil prices and is determined using the following formula:

$C_p = (P - 15) \times R / 261$, where P is the average monthly price of Urals on the Rotterdam and Mediterranean exchanges (USD/barrel) and R is the average monthly RUB exchange rate vs. the USD.

C_d is the coefficient that describes the degree of depletion of a particular subsoil site. This coefficient envisages a reduction in the MET rate on oil for fields with a high degree of depletion. The degree of depletion of reserves is determined as N/V , where N is the amount of cumulative oil production at a particular subsoil site and V is the initial recoverable oil reserves under all categories for a particular subsoil site as of 1 January 2006. If the degree of depletion of the reserves of a particular subsoil site is greater than or equal to 0.8 and less than or equal to 1, C_d shall be calculated using the formula: $C_d = 3.8 - 3.5 \times N/V$. If the degree of depletion of the reserves of a particular subsoil site is greater than 1, C_d shall be assumed as equal to 0.3. In other cases, C_d shall be assumed as equal to 1. For a subsoil site that contains an oil deposit(s) for which C_e is less than 1, C_d shall be assumed as equal to 1.

Cr is the coefficient that describes the size of the reserves of a particular subsoil site. This coefficient envisages a reduction in the MET rate for small fields. If the initial recoverable oil reserves (Vr – the initial recoverable oil reserves under all categories for a particular subsoil site as of 1 January of the year preceding the year of the tax period) are less than 5 million tonnes and the degree of depletion of its reserves is determined to be less than or equal to 0.05, Cr shall be calculated using the formula: $Cr = 0.125 \times Vr + 0.375$.

Ce is the coefficient that describes the degree of difficulty of extracting oil. Its value varies from 0.2 to 1 depending on the difficulty of extracting oil from a particular deposit:

- 0.2 – when extracting oil from a particular deposit of raw hydrocarbons with an approved permeability index of no more than $2 \times 10^3 \mu\text{m}^2$ and formation net pay of no more than 10 m for the particular deposit;
- 0.4 – when extracting oil from a particular deposit of raw hydrocarbons with an approved permeability index of no more than $2 \times 10^3 \mu\text{m}^2$ and formation net pay of more than 10 m for the particular deposit;
- 0.8 – when extracting oil from a particular deposit of raw hydrocarbons falling under the Tyumen Formation productive deposits in accordance with the data of the State Register of Mineral Reserves;
- 1 – when extracting oil from other raw hydrocarbon deposits.

Cdp is the coefficient that describes the degree of depletion of a particular raw hydrocarbon deposit. This coefficient envisages a reduction in the MET rate on oil for deposits with a high degree of depletion. The degree of depletion of reserves is determined as Ndp/Vdp , where Ndp is the amount of cumulative oil production at a particular deposit and Vdp is the initial recoverable oil reserves under all categories for a particular deposit as of 1 January of the year preceding the year of the tax period. If the degree of depletion of the reserves of the deposit is greater than or equal to 0.8 and less than or equal to 1, Cdp shall be calculated using the formula: $Cdp = 3.8 - 3.5 \times Ndp/Vdp$. If the degree of depletion of the reserves of a particular

deposit is greater than 1, Cdp shall be assumed as equal to 0.3. In other cases, Cdp shall be assumed as equal to 1. If a subsoil section that contains an oil deposit(s) for which the value of Ce is less than 1, the Cdp coefficient with respect to other deposits of this section (for which Ce is equal to 1) shall be assumed as equal to the Cd coefficient determined for the entire subsoil site.

Ccan is the coefficient that describes the region of production and the properties of the oil. This coefficient envisages a reduction in the MET rate for oil at subsoil sites located fully or partially in regions with difficult climatic and geological conditions (in particular, the Yamal Peninsula in the Yamalo-Nenets Autonomous District, the Irkutsk Region, and the Republic of Sakha (Yakutia)). The Ccan coefficient is assumed as equal to 0 until the first day of the month following the month during which at least one of the following conditions occurs: the maximum volume of cumulative oil production is achieved at the subsoil section (1) or the deadline expires (2). Upon expiration of the deadline for applying the tax incentive, Ccan is assumed as equal to 1.

Cc is set at 306 for 2017, 357 for 2018, 428 for 2019-2020, and 0 after 2021.

In addition, tax laws prescribe a zero tax rate for oil extracted from deposits classified as Bazhenov productive sediments subject to compliance with the requirements of the Tax Code of the Russian Federation.

In accordance with clause 2.1 of Article 342 and clause 6 of Article 338 of the Tax Code of the Russian Federation (taking into account the provisions of Federal Law No. 335-FZ dated 27 November 2017), the following ad valorem MET rates have been set for oil extracted at new offshore fields (as a % of cost):

- 30% upon expiration of 5 years following the start date of commercial hydrocarbon production, but no later than 31 March 2022 for fields that are located fully within the Azov Sea or that have 50% or more of their area in the Baltic Sea;

- 15% upon expiration of 7 years following the start date of commercial hydrocarbon production, but no later than 31 March 2032 for fields that have 50% or more of their area in the Black Sea (depth up to 100 m), the Sea of Japan, the Pechora Sea or White Sea, Sea of Okhotsk (south of 55° N latitude), or the Caspian Sea;
- 10% upon expiration of 10 years following the start date of commercial hydrocarbon production, but no later than 31 March 2037 for fields that have 50% or more of their area in the Sea of Okhotsk (north of 55° N latitude), the Black Sea (depth up to 100 m), or the Barents Sea (south of 72° N latitude);
- 5% upon expiration of 15 years following the start date of commercial hydrocarbon production, but no later than 31 March 2042 for fields that have 50% or more of their area in the Kara Sea, Barents Sea (north of 72° N latitude), or the east Arctic (the Laptev Sea, the East Siberian Sea, Chukchi Sea, or Bering Sea).

EFFECTIVE MET RATE ON OIL FOR THE GROUP

Rates	2016	2017	Δ, %
Standard MET rate for oil (RUB/t)	5,770	8,134	41
Effective MET rate for oil (taking into account Cd, Cr and Ce) (RUB/t)	5,149	6,825	32.9
Deviation of the effective MET rate for oil from the standard rate (RUB/t)	621	1,309	
Deviation of the effective MET rate for oil from the standard rate (%)	10.8	16.1	

Over the 12 months of 2017, the effective MET rate for oil was RUB 6,825/tonne, which is RUB 1,309/tonne below the standard rate in accordance with tax legislation. This deviation is due to the influence of the incentives on the MET for oil prescribed by tax legislation, including the reduction coefficients Cd, Cr, Ce, and Ccan.

MET FOR NATURAL GAS AND GAS CONDENSATE

In accordance with Article 342 of the Tax Code of the Russian Federation, the following MET rates have been set for flammable natural gas and gas condensate.

MET FOR NATURAL GAS AND GAS CONDENSATE

Natural gas (RUB/1,000 m ³)	$35 \times Feu \times Kd + Tg$
Gas condensate (RUB/t)	$42 \times Feu \times Kd \times Kkm$

Feu is the base value of the fuel equivalent unit calculated by the taxpayer depending on the price of the natural gas and gas condensate as well as the ratio for the production volume of such hydrocarbons.

Kd is the coefficient that describes the degree of difficulty of extracting minerals from a raw hydrocarbon deposit. This coefficient envisages a reduction in the MET rate

on natural gas and gas condensate and is assumed as equal to the minimum value of the following 5 reduction coefficients – Kr (incentive on a territorial basis), Kvg (incentive for depleted subsoil sections), Kgz (incentive for deposits with depth of more than 1.7 km), Kas (incentive for subsoil sections of the regional gas supply system), and Korz (incentive for deposits classified as Turonian productive sediments).

Tg is the indicator that describes expenses on the transportation of natural gas (according to information from the Russian Federal Tariffs Service and Russian Federal Antimonopoly Service) – assumed as equal to 0 for 2016-2017.

Kkm – is the adjusting coefficient, which is equal to 5.5 for 2016 and 6.5/Kg from 2017 where Kg is the coefficient that describes the export yield per standard fuel unit.

TAX INCENTIVES

Current legislation on taxes and fees envisages the various tax incentives utilized by the Group's subsidiaries (including reduced tax rates and reduction coefficients on the MET rate for oil and natural gas):

TYPES OF TAX INCENTIVES

Tax incentives applied over the course of 2017	Applicability to Group
MET FOR NATURAL GAS	
Cs reduction coefficient on MET rate	Gazpromneft-Noyabrskneftegaz JSC Gazpromneft-Yamal LLC Gazpromneft-Orenburg LLC
MET FOR OIL	
Cr reduction coefficient on MET rate	Gazpromneft-Noyabrskneftegaz JSC Gazpromneft-Orenburg LLC
Cd reduction coefficient on MET rate	Gazpromneft-Noyabrskneftegaz JSC Gazpromneft-Vostok LLC Yuzhuralneftegaz JSC
Ce reduction coefficient on MET rate	Gazpromneft-Noyabrskneftegaz JSC Gazpromneft-Vostok LLC Zapolyarneft LLC Gazpromneft-Khantos LLC
Cdp reduction coefficient on MET rate	Gazpromneft-Noyabrskneftegaz JSC Gazpromneft-Vostok LLC
Ccan reduction coefficient on MET rate	Gazprom Neft PJSC Gazpromneft-Angara LLC Gazpromneft-Yamal LLC
RUB 0 rate for oil production from deposits of Bazhenov productive sediments	Gazpromneft-Khantos LLC Gazpromneft-Noyabrskneftegaz JSC
Reduced MET rate for production at the new offshore field located in the Pechora Sea	Gazprom Neft Shelf LLC

Tax incentives applied over the course of 2017	Applicability to Group
PROFIT TAX OF ORGANIZATIONS	
Use of a reduced rate of 16% (4% incentive in accordance with the regional legislation of the KMAD)	Gazpromneft-Khantos LLC
Use of a reduced rate of 17% (3% incentive in accordance with the regional legislation of the KMAD)	Gazpromneft-Noyabrskneftegaz JSC
Use of a reduced rate of 17% (3% incentive in accordance with the regional legislation of the Orenburg Region)	Yuzhuralneftegaz JSC
Use of a reduced rate of 16.5% (3.5% incentive in accordance with the regional legislation of the YNAD)	Gazpromneft-Noyabrskneftegaz JSC Zapolyarneft LLC
Use of a reduced rate of 19.475% (0.525% incentive in accordance with the regional legislation of the Tyumen Region)	Gazpromneft-Khantos LLC
Use of a reduced rate of 16.5% (3.5% incentive in accordance with the regional legislation of St. Petersburg)	Gazprom Neft PJSC Gazpromneft-Aero JSC Gazpromneft-NTC LLC Gazpromneft-Development LLC Gazpromneft Business Service LLC Gazpromneft Regional Sales LLC Gazpromneft Marine Bunker LLC Gazprom Neft Shelf LLC ¹
PROPERTY TAX	
Exemption from property tax for fields under development after 1 January 2011 (in accordance with the regional legislation of the KMAD)	Gazpromneft-Khantos LLC
Use of a reduced rate of 1.1% for property created/acquired when implementing investment projects in the YNAD (in accordance with the regional legislation of the YNAD)	Gazpromneft-Noyabrskneftegaz JSC Zapolyarneft LLC
Exemption from property tax for property created/acquired when implementing investment projects in the Orenburg Region (in accordance with the regional legislation of the Orenburg Region)	Gazpromneft-Orenburg LLC
Exemption from property tax for property created/acquired as well as put into operation during when implementing investment projects in the amount of 50% of the amount of tax payable to the budget of the Tomsk Region (in accordance with the regional legislation of the Tomsk Region)	Gazpromneft-Vostok LLC

¹ — As regards other activities related to the consolidated taxpayers group of Gazprom PJSC