Rosneft’s 2020 Annual Report contains elements of integrated reporting as defined in the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC). It aims to present the Company’s financial and non-financial results and sustainable development achievements, highlighting the existing links between the competitive environment and Rosneft’s strategy, business model, risk management and a clearly defined corporate governance structure.

Since 2017, Rosneft has been involved in the activities of the IIRC business network, which seeks to develop fundamental principles of integrated reporting, while also contributing to and promoting the International Integrated Reporting Framework.

“Rosneft” and the “Company” mean Rosneft Oil Company PJSC either separately or together with its subsidiaries and affiliates, as the context may require. This Annual Report contains forward-looking statements that are subject to risks and uncertainties. The actual Rosneft results may differ materially from the information contained in the forward-looking statements due to a number of factors. To convert tonnes to barrels, a factor of 7.404 is used. To convert 1,000 cubic metres of gas to barrels of oil equivalent, an average factor of 6.09 is used. To convert Rospan’s gas condensate to barrels of oil equivalent, a factor of 8.3 is used.

The Annual Report was approved by the General Shareholders Meeting on June 01, 2021 (unnumbered Minutes).
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MESSAGE FROM THE CHAIRMAN OF ROSNEFT’S BOARD OF DIRECTORS

In 2020, Rosneft released an updated public statement regarding the Company’s contribution towards the UN Sustainable Development Goals, its stance on human rights, and the Declaration on Respecting Human Rights to be used when interacting with suppliers of goods, works and services.

Rosneft was first in Russia to prepare a comprehensive Carbon Management Plan for the period until 2035 with clear targets to reduce greenhouse gas (GHG) emissions. Rosneft Board of Directors approved the document in December 2020. Its key goals include preventing GHG emissions of up to 20 mmt of CO₂ equivalent, reducing upstream emissions intensity by 50%, cutting methane emissions intensity to below 0.25%, and achieving zero routine flaring of associated petroleum gas.

Rosneft is continuing its energy saving and associated petroleum gas (APG) utilization programme seeking to achieve zero routine flaring of APG. Simultaneously, the Company is planning to increase to 23% the share of gas in its production portfolio.

We are working to optimize emissions from power generation and further exploring ways to replace electricity produced by traditional combined heat and power units with power generated from low-carbon and renewable energy sources.

With capacity to use underground storage facilities and Rosneft own depleted fields for Carbon Capture, Utilisation and Storage (CCUS) the Company is well positioned to leverage its existing infrastructure for gas capture and other CCUS purposes, including chemical neutralisation, transport and storage of carbon.

Natural carbon capture has also been an important element of the Company’s effort to reduce its carbon footprint. The Company has set an ambitious goal to unlock the carbon capture potential of Russia’s forests by 2035 with a massive reforestation and ecosystem preservation programme to fight emissions.

Rosneft is implementing a comprehensive programme to improve production processes and reduce methane emissions, which are significantly even more harmful for the environment than CO₂.

The expansion of this programme along with the use of innovative technologies, including drones, laser and thermal imaging devices, and ultrasonic detectors, will help reduce the intensity of methane emissions to below 0.25%.

Rosneft accomplishments in reducing GHG emissions have been recognized by international partners. We have signed a cooperation agreement in carbon management and sustainable development with our long-term partner and shareholder, BP. While signed in early 2021, the agreement was largely based on the decisions and initiatives that the Company was consistently implementing in 2020.

As Rosneft Board Chairman I believe it is very important that the Company looks beyond 2035 to explore ways of achieving carbon neutrality by 2050.

A company’s ESG performance has become a key factor considered by investors. Rosneft’s strong results across key ESG metrics allowed the Company to continue developing international partnerships and cooperating on promising projects. In 2020, the Company scored a major success by attracting the world’s leading oil and gas companies Equinor and Trafigura to joint projects.

Rosneft and Equinor closed a deal in December, by which the Norwegian company acquired 49% of the Krasnoyarsk Geological Research and Analytical Centre (KrasGeoNats). The latter owns 12 licenses for exploration and production of conventional reserves in onshore areas of Eastern Siberia.

Trafigura purchased a 10% stake in LLC Vostok-Oil, a promising project in the north of the Krasnoyarsk Region.

Gerhard SCHROEDER
Chairman of the Board of Directors

DEAR SHAREHOLDERS AND INVESTORS,

In 2020, Rosneft worked consistently to achieve its sustainable development goals. I am very pleased that despite the global economic turmoil the Company fully achieved its plans in this area.

Therefore the Company’s performance has been praised by major international agencies. Rosneft has been named Russia’s best oil and gas company in prominent ESG ratings from Refinitiv, Bloomberg, as well as the CHRB.

In 2020, we significantly improved our position on FTSE Russell’s ESG Index, which includes performance in human rights, indigenous support, workplace conditions, and industrial safety and health. FTSE Russell, a division of the London Stock Exchange, confirmed that Rosneft remains a member of the FTSE4Good Index Series group of international stock indices. It is encouraging to see and a great achievement by Rosneft and its employees that we are ahead of 84% of participants in the ICB’s international oil and gas supersector.

In 2020, Rosneft accomplished a promising project. In 2020, Rosneft released an updated public statement regarding the Company’s contribution towards the UN Sustainable Development Goals, its stance on human rights, and the Declaration on Respecting Human Rights to be used when interacting with suppliers of goods, works and services.

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Trafigura purchased a 10% stake in LLC Vostok-Oil, a promising project in the north of the Krasnoyarsk Region.

Summing up the 2020 results, I would like to emphasize Rosneft’s unique potential and ability to stay the course in today’s turbulent market environment. In these challenging conditions, the Company effectively reinforced its financial position and laid a strong foundation for future projects.
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE MANAGEMENT BOARD

Igor SECHIN
Chief Executive Officer and Chairman of the Management Board

DEAR SHAREHOLDERS AND INVESTORS,

In 2020, Rosneft significantly strengthened its financial position despite the pandemic-related restrictions and temporary cuts in oil production under the OPEC+ agreement. We have continued to work in compliance with the government directives.

The health and well-being of Rosneft employees is and has always been our top priority. We acted promptly to develop and roll out measures to prevent the spread of COVID-19 that meet the world’s best practices. We monitor the situation on a daily basis at all Rosneft facilities, with as many of our personnel as possible working remotely. Strict observance by all employees of anti-pandemic rules and requirements helped prevent the spread of COVID-19 at our production facilities.

We have developed a Carbon Management Plan for the period until 2035 that outlines a framework for the Company’s transition to a low-carbon economy. Successful implementation of the plan will cement our position as a leading player in the global energy market in the context of energy transition and help maximise monetisation of the Company’s proved reserves.

Rosneft is actively introducing its own innovative technologies. One example of this is the progress in Associated Petroleum Gas (APG) utilization enabling us to not only inject it into the reservoir, thus maintaining formation pressure, but also to generate electricity. In recent years, we have invested more than RUB 164 bln in APG utilisation at our production assets.

In the reporting year, Rosneft continued working consistently towards our 2022 strategic goals approved by the Board of Directors. Launching the Vostok Oil project marked a major milestone for the Company and the country’s economy, paving the way for the development of the world’s largest oil and gas province in Russia’s north. Vostok Oil’s potential is confirmed by thorough feasibility studies and analysis of geological data and development technologies conducted by Rosneft specialists. Our findings are corroborated by leading international experts. Going forward, we plan to create a new world-class cluster, the only one of its kind today.

The project’s key advantage is its close proximity to the unique Northern Sea Route, enabling feedstock supplies to both Europe and Asia. Additionally, Vostok Oil will help increase cargo flow along the route as prescribed by the Russian President.

In 2020, Rosneft transformed and improved the quality of its production assets portfolio. In particular, we sold some of the depleted and high-water cut tail assets that were expensive to operate and had a low rate of return on invested capital. We also focused on large high-margin projects with quality reserves and low carbon footprint. In late 2020, Trafigura Group Pte. Ltd., one of the world’s leading trading companies, joined the ranks of Vostok Oil’s shareholders – an important step towards the formation of the project shareholder structure.

In 2020, Rosneft launched two new major projects – the Erginsky licence area and the Severo-Danilovsky field, boasting the production potential of over 45 mmb of liquid hydrocarbons per year.

During 2020, Rosneft continued with its large-scale exploration programme discovering three of the world’s largest oil and gas fields: Zapadno-Ikinskoye on the Taimyr Peninsula and Marshal Zhukov and Marshal Rokossovsky in the Kara Sea. The fields’ average resource potential is over 4 billion.

In the fourth quarter of 2020, the Company increased daily production of liquid hydrocarbons and gas by 19% and 75% quarter-on-quarter respectively, responding to positive changes in the market. With its state-of-the-art technologies, Rosneft can effectively manage the production process. We can rapidly boost hydrocarbon production as the demand for oil recovers.

Unit OPEX in hydrocarbon production went down by 71% year-on-year in the fourth quarter of 2020 to USD 2.6 per boe, while the annual rate was at USD 2.8 per boe, down by 9.7% year-on-year (USD 3.1 per boe in 2019).

In 2020, Rosneft continued developing its gas assets, with gas exceeding 20% in the Company’s total hydrocarbon production. This is in line with the strategy to increase the share of gas in our production portfolio.

In 2020, Rosneft spent RUB 785 bln in capital expenditures, meeting the optimisation target for its CAPEX programme originally approved at RUB 810 bln. When deciding to optimise the CAPEX programme, the Company’s management remained conscious of the need to continue investing in new production projects. It is worth noting that the CAPEX reductions in the production segment were introduced for the ongoing projects most affected by the OPEC+ production cuts.

Despite all the challenges, Rosneft delivered solid net profit in 2020, which reached record RUB 324 bln in the fourth quarter and RUB 147 bln for the year as a whole. The Company’s free cash flow remained positive in 2020 at RUB 425 bln, allowing for consistent shareholder payments and servicing of debt.

In the reporting year’s complex market environment, Rosneft was able to promptly react to and successfully tackle the external challenges. This helped maintain and reinforce our leading positions in the energy market. I am confident that the decisions and strategies implemented in 2020 will enable the Company to deliver strong results across its business sectors both in Russia and abroad.

ROSNEFT / ANNUAL REPORT 2020
COVID-19 MEASURES: CARING FOR OUR PEOPLE IS OUR TOP PRIORITY

Well aware of the life and health risks posed by COVID-19 and the production risks that come with anti-epidemic measures and restrictions, we took active steps to protect our staff and contractors and ensured continuous operation of our production facilities. Our work organisation and planning efforts included, but were not limited to, shift arrangements, strict health and sanitary compliance, quarantine and control measures, work zoning and oversight. We introduced compulsory medical examinations and provided our staff with necessary personal protective equipment. The control measures were in line with statutory and corporate requirements and standards.

In early March 2021, Rosneft launched COVID-19 vaccination for its employees. The Company received the first batch (50,000 doses) of Russian-made vaccine approved by the Russian Ministry of Health. To minimise the risk of infection, we will first vaccinate staff at our major remote facilities such as Yuganskneftegaz, Vankorneft, Bashneft Group and units with a large number of people. The Company has hired a dedicated medical organisation that provides logistics and vaccination in accordance with the Ministry of Health’s requirements, including preliminary medical check-ups and follow-up observation.

Given that the infection rate across the Company is on a downward trend, the epidemiological situation stabilised and mass vaccination began, in March 2021 Rosneft started a phased return of staff to offices.

We care for our people
- Remote working introduced for staff not involved in ensuring continuous production
- Regular testing: over 780,000 tests
- Strict compliance with sanitary and hygienic requirements
- 39 mln units of personal protective equipment (PPE) and over 680,000 litres of hand sanitisers
- 6.8 mln litres of disinfectants for offices and workplaces
- COVID-19 vaccination for employees

Health, life and workplace safety of our employees have always been our highest priority

We care for our business
- All Group Subsidiaries developed Plans of Priority Response Measures to Ensure Business Continuity and implemented a set of initiatives to ensure production stability and to prevent the spread of COVID-19
- Length of breaks between shifts increased to 60 and 90 days
- Production of two sanitiser and disinfectant components: ethanol and acetone
- We rolled out more than 250 observation units with over 21,500 beds and more than 322 isolation units with 2,800 beds
- 41.8 kt of acetone and 3.2 kt of ethanol were sold domestically
- Support for medical institutions: funding and PPE supply

We care for our customers
- Contactless payment solutions at filling stations
- Support for medical institutions: funding and PPE supply
23 countries of operation
78 regions of operation in Russia
6% share in global oil production
13 refineries in Russia

ASSETS AND REGIONS OF OPERATION

Source: company reports; Wood Mackenzie (Gazprom). Source: company reports for 2020.

Average hydrocarbon production growth in 2010–2020, %

Hydrocarbon production in 2020, mmboe per day

Hydrocarbon production costs in 2020, USD per boe

Hydrocarbon reserves, bboe as at 1 January 2021

Source: company reports for 2020.

† Data on Rosneft is provided according to the Russian resource classification system (AB+BC2) as at 1 January 2021, data on other companies is based on Wood Mackenzie’s appraisal and includes commercial and sub-commercial reserves.
MISSION AND VALUES

Rosneft is a national oil industry leader and the largest publicly-traded company in the world.¹

Our mission is to unlock energy potential through the development of projects in Russia and abroad, ensure energy security, and promote the sustainable use of natural resources.

BUSINESS PRINCIPLES

- Focus on the ESG agenda²
- Commitment to the UN Sustainable Development Goals
- Strong project management
- Maintaining operational leadership
- Ensuring high shareholder returns
- Commitment to strong business ethics
- Growing a talent pipeline and organisational capabilities
- Digitalising the entire business and creating a sustainable technological advantage
- Fostering in-house research and development

INVESTMENT CASE

Efficient capital management

USD 9.7 bln decrease in net debt

>35% reduction in general and administrative expenses

24% interest expense savings

Positive financial result in 2020 despite the decline in oil prices and production restrictions

RUB 425 bln free cash flow

RUB 147 bln net income

Sustainable shareholder returns and strong potential

50% of net income: dividend payout ratio

70% of investments banks have a Buy recommendation for Rosneft shares³

Vostok Oil large-scale project, strong upside potential for the Company

Total shareholder return (TSR)

<table>
<thead>
<tr>
<th></th>
<th>Rosneft</th>
<th>Index Oil and Gas</th>
<th>Brent</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR</td>
<td>+0.8</td>
<td>-9.6</td>
<td>-21.3</td>
</tr>
</tbody>
</table>

¹ In terms of production volumes among publicly-traded companies listed on western stock exchanges
² ESG (environmental, social, and corporate governance)
³ Share of investment banks that recommended to buy or hold Rosneft’s GDRs as at the end of 2020
### COMPANY STRUCTURE

#### Upstream

**ExxonMobil**
- LLC ExxonMobil
- LLC ExxonMobil
- LLC ExxonMobil

**Russia**
- LLC Rosneft
- PJSC Rosneft
- LLC Rosneft

**Norway**
- RN Petrolefsirket
- RN Petrolefsirket

**Myanmar**
- Bashneft International B.V.
- Mozambique

**Iraq**
- Bashneft International B.V.
- Bashneft International B.V.

**USA**
- RN Petrolefsirket
- RN Petrolefsirket

**Brazil**
- BP Brasil

**Services**

**Russia**
- LLC Rosneft
- PJSC Rosneft
- LLC Rosneft

**Timan-Pechora**
- LLC Bashneft

**Far East**
- LLC Bashneft

**Western Siberia**
- LLC Bashneft
- LLC Bashneft
- LLC Bashneft

**Services**

**Porto-Espírito Santo**
- LLC Petrobras

**Production**

**Eastern Siberia**
- JSC Rosneft
- JSC Rosneft

**Volga-Urals**
- JSC Rosneft
- JSC Rosneft

**Southern Russia**
- LLC Rosneft

**Vietnam**
- Bashneft Vietnam B.V.

**Kenya**
- Bashneft International B.V.

**SALES**

**Russia**
- LLC Rosneft
- PJSC Rosneft

**Oil Plants**
- LLC Rosneft
- LLC Rosneft

**Environment**

**Corporate Governance**

**Information for Shareholders and Investors**
**ROSNEFT–2022 STRATEGY**

**CORE STRATEGIC PRIORITIES**

<table>
<thead>
<tr>
<th>ENHANCING YIELD</th>
<th>ACHIEVEMENTS IN 2020</th>
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<tbody>
<tr>
<td>and efficiency of existing Rosneft assets</td>
<td>USD 2.8 per boe leadership in upstream unit OPEX</td>
</tr>
<tr>
<td></td>
<td>RUB 22.6 bln effect from operational efficiency programmes in oil refining and petrochemicals</td>
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<table>
<thead>
<tr>
<th>ENSURING DELIVERY</th>
<th></th>
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<tbody>
<tr>
<td>high quality project management</td>
<td>2 greenfields came on stream¹</td>
</tr>
<tr>
<td></td>
<td>23.7 mmt production at key projects</td>
</tr>
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<tr>
<th>TRANSFORMING CULTURE AND TECHNOLOGICAL CAPABILITIES</th>
<th></th>
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<tbody>
<tr>
<td>to further sharpen the competitive edge</td>
<td>&gt;RUB 40 bln innovations impact²</td>
</tr>
<tr>
<td></td>
<td>72 new technologies implemented and rolled out</td>
</tr>
</tbody>
</table>

**A NUMBER OF STRATEGIC GOALS DELIVERED AHEAD OF THE SCHEDULE**

<table>
<thead>
<tr>
<th>Share of horizontal wells</th>
<th>Lower well costs²</th>
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</thead>
<tbody>
<tr>
<td>68% 2020 actual</td>
<td>15% 2020 actual</td>
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<tr>
<td>40% 2022 target</td>
<td>10% 2022 target</td>
</tr>
</tbody>
</table>

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<tr>
<th>Faster horizontal drilling⁴</th>
<th>Longer well operation times between repairs²</th>
</tr>
</thead>
<tbody>
<tr>
<td>16% 2020 actual</td>
<td>13% 2020 actual</td>
</tr>
<tr>
<td>5% 2022 target</td>
<td>10% 2022 target</td>
</tr>
</tbody>
</table>

---

¹ The Erginsky licence area and the Severo-Danilovskoye field
² The 2020 combined proven economic effect from the Target Innovative Projects implemented over the last three years
³ On a comparable basis since the strategy launch
⁴ Faster horizontal drilling using the in-house service in comparable conditions
⁵ Since the strategy launch

---

In spite of the challenges of 2020, we kept our principles unchanged and achieved success across the key metrics of the Rosneft–2022 Strategy. The Company reaffirms its commitment to the reasonable use of resources by combining robust production efficiency and adherence to the sustainability principles.

Igor SECHIN, Chief Executive Officer and Chairman of the Management Board at Rosneft.

---

**Notes:**

1. The Erginsky licence area and the Severo-Danilovskoye field.
2. The 2020 combined proven economic effect from the Target Innovative Projects implemented over the last three years.

---

**Strategy** | **Operating results** | **Market Overview and Competitive Environment** | **Sustainable Development** | **Corporate Governance** | **Information for Shareholders and Investors**
FOCUS ON SUSTAINABLE DEVELOPMENT

Ensuring global leadership in accident-free operations, safe workplace conditions, protecting health of local residents in the regions where the Company operates, and minimising the environmental footprint.

RUB 42 bln green investments
14% reduction in gross air pollutant emissions

1.5 mln trees planted as part of forest conservation

>70 mln fingerlings released into Russian rivers to support reproduction of aquatic biological resources

THE ROSNEFT – 2022 STRATEGY FOCUSES ON ENSURING THE COMPANY’S LEADERSHIP IN MINIMISING THE ENVIRONMENTAL FOOTPRINT AND PROMOTING ECO-FRIENDLY PRODUCTION

PRESERVING THE ENVIRONMENT FOR FUTURE GENERATIONS IS AN INTEGRAL PART OF OUR CORPORATE CULTURE

<table>
<thead>
<tr>
<th>Target</th>
<th>2020 result</th>
</tr>
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<tbody>
<tr>
<td>767 kt of CO\textsubscript{2} eq reduction in GHG emissions</td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>14% reduction in gross air pollutant emissions</td>
<td></td>
</tr>
</tbody>
</table>

Strengthening environmental and social responsibility positions

Integrated approach to sustainable development
Gas Investment programme
Energy saving programme
Environmental efficiency improvement programme
Marine biodiversity conservation programme

1.5 mln trees planted as part of forest conservation

>70 mln fingerlings released into Russian rivers to support reproduction of aquatic biological resources

94% share of recycled and reused water

RUB 119 mln investments within the programme

767 kt of CO\textsubscript{2} eq reduction in GHG emissions
0.4 mmtce energy savings within the programme

94% share of recycled and reused water

RUB 119 mln investments within the programme
COMMITTED TO OUR CONSUMERS AND ENVIRONMENT

Our eco-friendly solutions

- **Compressed natural gas**: eco-friendly fuel with minimum exhaust gases
  - 4 regions sales, 19% sales growth

- **PULSAR branded gasoline**: ensures clean fuel system
  - 33 regions sales, >1,100 filling stations

- **Greener motor oils**: reduce fuel consumption and make exhaust gases less toxic

- **RMLS (low-sulphur marine fuel)**: complies with the latest MARPOL standards
  - 0.6 mmt production

Efficiency and eco-friendliness

Use of renewable energy sources

- **EVs Charging points**: at filling stations in 6 regions

- **CNG advantages**: 0.6 mmt produced

- **Euro-6 fuel advantages**
  - S: no sulphur, no benzoene
  - NOx: -52%
  - CO: -51%
  - S: less sulphur, less benzoene
  - CO: less engine and catalytic converter wear
  - NOx: less engine deposits
  - S: less impurities

CNG advantages

- **SCO2 advantages**

- **NOX advantages**

- **CO advantages**

- **S advantages**

- **Euro-6 fuel advantages**

CARBON MANAGEMENT PLAN FOR THE PERIOD UNTIL 2035

In pursuing its climate agenda, Rosneft focuses on protecting the environment in line with Russia’s Energy Strategy to 2035 and the Paris Agreement goals.

In 2020, we approved the Carbon Management Plan for the period until 2035 underlying our environmental agenda to contribute to low-carbon economy. It covers climate risk management and seeks to unlock opportunities associated with future demand for energy.

The Carbon Management Plan also seeks to find potential ways of achieving carbon neutrality by 2050.

**2035 targets**

- Reducing emissions: -20 mmt of CO2 eq
- Cutting the methane emissions intensity: <0.25%
- CO2 upstream unit emissions: -30%
- Routine flaring of associated petroleum gas: 0

**Planned emission reduction initiatives**

- **Reducing emissions**
  - Analysis, development and piloting of technology solutions for carbon sequestration, production and use of blue hydrogen at our refineries
  - Further progress of our Energy Saving Programme (continuous improvement)
- **Cutting the methane emissions intensity**
  - Cutting-edge technologies for APG injection and utilisation
  - Potential offered by underground storage facilities, depleted fields and their infrastructure
  - Rosneft is considering the use of renewable energy sources in greenfield projects
- **CO2 upstream unit emissions**
  - We intend to cut the methane emissions intensity by implementing innovative technologies, including:
    - drones
    - laser and thermal imaging devices
    - scanning technologies
    - ultrasonic detectors
- **Routine flaring of associated petroleum gas**
  - Zero routine flaring of associated petroleum gas will be achieved through further implementation and augmentation of the gas investment programme
- **Natural absorption additionally lowering emissions**
  - Unlocking the biosequestration potential of Russia’s forests and a massive reforestation and ecosystem preservation programme will open up additional opportunities to offset greenhouse gas emissions.
FOCUS ON DIGITAL TRANSFORMATION AND TECHNOLOGY

Target

2020 result

Oil Refining and Petrochemicals

Digital Plant

6 refineries

Rolling out the standard solution for optimised blending of heavy petroleum products at 5 refineries

6 refineries

rolled out advanced process management systems

• Production process engineering models are being introduced, a system for optimised mixing of heavy petroleum products put into operation

Global asset performance management system to extend functional operation times between repairs

The Meridium-based system to improve the efficiency of process equipment performance management for comprehensive monitoring of critical equipment began pilot operation

Digital Field, remote drilling and production control centres, IoT, Big Data

• Digital field management

>17,000 surface infrastructure facilities digitalised as part of digital field management

15% reduction in in-shift oil losses

40% reduction in costs related to on-site response interventions into reservoir pressure maintenance system

36% Reduction in logistics costs

Enhancement of in-house technology capabilities

55 t per day in a flow mode (or 6.8 t per day per hydraulic fracturing stage) of the average initial flow rate for MSHF horizontal wells in the RN-Yuganskneftegaz’s Bazhenov suite

>21,000 hydraulic fracturing operations carried out using the RN-GRID hydraulic fracturing simulator during strategy implementation

• A low-permeability reservoir development technology involving the use of horizontal production and injection wells and multi-stage hydraulic fracturing was deployed

• A new software module, Decision Support in Development of New Areas of Low-Permeable Reservoirs, was added to the RN-KIN corporate software package

1 Based on the results of implementation at a pilot Bashneft site

Downstream

Digital Filling Station and Digital Supply Chain programmes

~1,500 filling stations connected to the remote fuel payment service

Automation and robotisation

+38 oil depots automated measurements

• 100% of material flows at filling stations and ca. 90% oil depots covered with measuring instruments

• We implemented a dedicated automation system for retail filling stations

• We tested software robots designed to manage inventories and procurement procedures

Advanced technology powering sustainability initiatives

• We developed a technology for producing eco-friendly drilling fluids from vegetable oils using biodegradable components

• We successfully pilot tested a set of innovative technologies and tools to identify and quantify methane leaks

• The trials of a unique microbial agent based on indigenous psychrophilic microorganisms for eliminating hydrocarbon pollution in the marine environment and cold climate began

• To enhance industrial safety, we are implementing a pilot computer vision platform, which automatically detects people in hazardous areas, checks whether they use personal protective equipment, and notifies of any emergencies

• Pilot testing of an APG desulphurisation plant using a microporous membrane technology began

• The Company developed a commercial technology to manufacture dispersant compositions to be used in emergency oil clean-up operations at sea

>127 technologies tested in 2020

>72 technologies implemented and rolled out in 2020

> RUB 40 bln of effect from target innovative projects implemented over the last three years

> 40% reduction in costs related to on-site response interventions into reservoir pressure maintenance system

15% reduction in in-shift oil losses

36% Reduction in logistics costs

> 21,000 hydraulic fracturing operations carried out using the RN-GRID hydraulic fracturing simulator during strategy implementation

• A low-permeability reservoir development technology involving the use of horizontal production and injection wells and multi-stage hydraulic fracturing was deployed

• A new software module, Decision Support in Development of New Areas of Low-Permeable Reservoirs, was added to the RN-KIN corporate software package

1 Based on the results of implementation at a pilot Bashneft site
PROGRESS AGAINST STRATEGIC OBJECTIVES

EXPLORATION AND PRODUCTION

<table>
<thead>
<tr>
<th>Target</th>
<th>2020 result</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% liquid hydrocarbon reserve replacement ratio and organic growth</td>
<td></td>
</tr>
<tr>
<td>Increase the success rate of onshore exploration drilling in Russia</td>
<td></td>
</tr>
<tr>
<td>Exploration leadership</td>
<td>19 new fields¹</td>
</tr>
<tr>
<td>208 new deposits</td>
<td></td>
</tr>
<tr>
<td>2 btoe hydrocarbon reserves discovered in 2020</td>
<td></td>
</tr>
<tr>
<td>Fast-track the development of new reserves based on viability</td>
<td>23.7 mmt production at key projects</td>
</tr>
<tr>
<td>5% increase in production at key projects</td>
<td></td>
</tr>
<tr>
<td>100% liquid hydrocarbon reserve replacement ratio and organic growth</td>
<td></td>
</tr>
<tr>
<td>Optimise Russian onshore field development (increase the share of new horizontal wells)</td>
<td>15.2 mmt production increase due to new well start-ups</td>
</tr>
<tr>
<td>68% share of horizontal wells</td>
<td></td>
</tr>
<tr>
<td>1.1 thousand new horizontal wells drilled using multi-stage hydraulic fracturing techniques</td>
<td></td>
</tr>
<tr>
<td>A stronger impact of base production recovery measures</td>
<td>10.8 mmt recovered base production volume</td>
</tr>
<tr>
<td>6.5% increase in base production per well</td>
<td></td>
</tr>
<tr>
<td>MORE EFFICIENT SERVICE</td>
<td></td>
</tr>
<tr>
<td>Decrease non-productive time</td>
<td>&lt;5% maintaining a low proportion of the non-productive drilling time</td>
</tr>
<tr>
<td>Hydraulic fracturing fleets expanded to 19 units</td>
<td></td>
</tr>
<tr>
<td>21 hydraulic fracturing fleets</td>
<td></td>
</tr>
<tr>
<td>Reduce well drilling time by 5% on a comparable basis</td>
<td>13% reduction of directional drilling time</td>
</tr>
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</tr>
<tr>
<td>Ensure a high share of in-house services</td>
<td>59% share of in-house services in the Company's total drilling metrage</td>
</tr>
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¹ Including 17 onshore and 2 offshore fields

Due to production restrictions set by the OPEC+ deal and the sale of production assets, some quantitative strategic production targets became outdated.

Improved performance

Optimise capex (by 10% for similar well design, by 10% for linear objects)

14.8% reduction of production well construction costs on a comparable basis since the strategy launch

Engage in partnerships for capital intensive and high risk projects

- Equinor: a deal to jointly develop East Siberian fields

Optimise opex (by -2–3% per year on a comparable basis)

2.8 USD/barrel Maintaining leadership in upstream unit OPEX

Commissioning projects on time and on budget

Implement major gas production projects, including Rospan and Kharampur

- Rospan: construction of the first start-up complex completed (launch in Q1 2021)
- Kharampur:
  - Construction and installation over 40% complete
  - First stage of connecting to Gazprom pipelines completed

In the future

Monetise gas reserves within Eastern Siberia and the Far East

Efforts are ongoing to provide access to local gas transportation infrastructure and find sales markets

Increasing technological edge

Increase APG utilisation, including through the development of captive power generation and petrochemicals

>98% APG utilisation at Samotlorneftegaz and Vankorneftegaz

21 new APG utilisation facilities

Develop liquid petroleum gas (LPG) and natural gas liquids (NGL) production

A positive opinion of the Main Department of State Expert Evaluation for all construction stages of the Mayak gas processing complex obtained

Procurement documents drafted

Develop Turonian deposits

Design and survey commenced to ensure the full-scale development of the Turonian deposit

Due to production restrictions set by the OPEC+ deal and the sale of production assets, some quantitative strategic production targets became outdated.

¹ Including 17 onshore and 2 offshore fields
OIL REFINING AND PETROCHEMICALS

Substantial profitability growth

Complete ongoing refinery development projects in Russia to substantially increase profitability

Refinery development projects in Russia continued
Most projects are in the active stage: the bulk of equipment has been purchased, construction and installation are in progress

Increase efficiency and optimise opex (by 2–3% per year on a comparable basis)

RUB 22.6 bln effect from operational efficiency programmes in oil refining and petrochemicals

2.2% decrease in opex

COMMERCE, LOGISTICS AND RETAIL

Commerce and logistics

Improve the cost efficiency of sales and access to end consumers (domestic/export sales)

14% increase in the sales of motor oils for passenger cars thanks to stronger retail sales

Expand and diversify distribution channels (jet fuel, marine fuels, and lubricants)

Adjust the product mix to market trends by marketing new products (bitumen, marine fuels)

• Aircraft fueling with jet fuel started at 5 airports of Russia, Europe and Asia
• Marine fuel sales started at the St Petersburg International Mercantile Exchange
• 110% - Polymer modified bitumen sales growth*
• 0.6 mmt of the new residual marine low sulphur (RMLS 40) fuel used in bunkering

Retail

Promote strong brands and service excellence at filling stations

Expand non-fuel business (introduce new categories of goods)

600+ filling stations fitted with equipment for making hot dogs, sandwiches, and hot beverages

Expand customer proposition at filling stations (programme and use of fuel cards)

• Expansion of non-fuel services at filling stations through the installation of post lockers and carwash robotics

15.5 mn people engaged through loyalty programme

1.7 mn holders of virtual loyalty cards

9% growth in sales of petroleum products through the retail channel since 2017

Rosneft is the No. 1 most recognised brand4

Improve performance and optimise costs

2.5% optimisation of expenses on a comparable basis

Performance indicators include an integrated KPI for innovations

The Programme envisages a reserve replacement ratio of at least 100%, efficient brownfield operation and production ramp-up driven by new projects in Eastern Russia, development of hard-to-recover reserves, gas output growth secured by a long-term high-performing sales portfolio, and stronger margins across the entire value chain.

In implementing the Programme, we focus on cost effectiveness and KPI targets for all key initiatives.

LONG-TERM DEVELOPMENT PROGRAMME AND PROGRESS REPORT

Originally developed in 2014, the Long-Term Development Programme (the Programme) is subject to annual updates5.

In 2020, we revised the Programme, taking into account the Company’s performance results and action plans to achieve certain long-term goals and updated initiatives drafted pursuant to the Russian Government directives6. The updated Programme was approved by the Company’s Board of Directors (Minutes No. 14 dated 21 December 2020).

The Programme details the Company’s strategic focus areas, targets and goals for all business areas and corporate functions. It also includes a list of key initiatives to achieve the strategic goals and implement the strategy in the medium term.

The main priorities, key performance indicators (KPIs) and actions plans under the current Innovation Development Programme, Import Substitution and Equipment Localisation Programme, and Energy Saving Programme take into account the Programme provisions and are integrated into the current version of the document.

The Programme envisages an integrated KPI for innovations.

Rosneft’s Investment Programme aims to help the Company achieve its strategic objectives stipulated in the Strategy and the Programme (Investment Programme in 2020 section) in key business areas.

We completed the Programme’s key initiatives planned for core businesses and functional units for 2020. For the Programme outcomes in 2020, see the Operating results section.

Ernst & Young LLC, an independent auditor, has completed its engagement and provided assurance about Rosneft’s Long-Term Development Programme Progress Report and achievement of the key performance indicators in 2020. The opinion was received on April 20, 2021.

1 In accordance with Instruction of the President of the Russian Federation Vladimir Putin No. Pr-3086 dated 27 December 2013, approved by Rosneft’s Board of Directors on 9 December 2014 (Minutes No. 12).

2 Polymer modified PMB and PG.

Based on 2020 marketing research.


5 In accordance with the Russian Government Directive No. 4955p-P13 dated 17 July 2014 and the Long-Term Development Programme.

KPI STRUCTURE

The Company’s KPI system seeks to decompose the Company’s Development Strategy and its Long-Term Development Programme into specific KPIs, cascade them to all management levels, evaluate progress against targets, and create incentives for efficient management decision-making. A strong motivation tool for employees, KPIs ensure a step-by-step achievement of the Company’s strategic goals.

KPI PROGRESS

To calculate annual bonuses for managers and employees, the Company analyses progress against KPIs following the review of the annual performance based on the management accounts and audited public financial statements.

The Company’s Internal Audit Service annually assesses the performance against corporate and individual KPIs and targets for the senior managers are set by Rosneft’s top managers responsible for the performance of businesses.

Top manager assessment results are discussed by the HR and Remuneration Committee.

The Company’s KPI system seeks to decompose the Company’s Development Strategy and its Long-Term Development Programme into specific KPIs, cascade them to all management levels, evaluate progress against targets, and create incentives for efficient management decision-making. A strong motivation tool for employees, KPIs ensure a step-by-step achievement of the Company’s strategic goals.

The KPI system ensures:

- well-balanced integrated indicators motivating employees to achieve the Company’s main goals;
- transparency, measurability, minimum sufficiency, and consistency of KPIs;
- a top-down approach to cascading and breaking down KPIs.

With both financial and industry-specific KPIs in place, the system includes:

- corporate KPIs based on the key financial, economic, and industry-specific indicators from the Company’s consolidated business plan and business plans of its business units;
- individual KPIs based on individual strategic goals for each top executive.

KPIs and targets for the senior management are set by Rosneft’s Board of Directors on an annual basis subject to preliminary discussion by the relevant committee.

Based on the current business plan, the 2020 KPIs for Rosneft’s top managers were adopted by the Board of Directors on 16 March 2020 (Minutes No. 16).

Corporate KPIs and the individual KPIs of the CEO for 2020 include:

- return on average capital employed (ROACE);
- hydrocarbon production rate;
- accident rate;
- workforce productivity;
- TSR equal to or above the Russian industry’s average;
- cost reduction vs the previous reporting period on a comparable basis;
- financial leverage (net debt / EBITDA);
- integrated KPI for innovations;
- compliance ratio as regards instructions from the Board of Directors and the Management Board.

Resolution regarding annual bonus payments and their size depending on the management’s progress against KPIs.

Target KPIs are normalised to reflect the factors beyond the management’s control, such as FX volatility and global market prices in accordance with the Regulations on the KPI Normalisation Procedure Related to Management Performance Review and Assessment in the Reporting Period to Calculate Annual Bonuses and the Guidelines for KPI Normalisation Related to Performance Review against Business Plan.

Actual KPI progress for the Company and Chief Executive Officer in 2019–2020

<table>
<thead>
<tr>
<th>KPI</th>
<th>2020 (actual)</th>
<th>Progress in 2020</th>
<th>Progress in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROACE</td>
<td>6.9</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Financial leverage (net debt / EBITDA)</td>
<td>2.4</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Injury rate, %</td>
<td>93</td>
<td>Above target</td>
<td>Above target</td>
</tr>
<tr>
<td>Integrated KPI for innovations</td>
<td>XX</td>
<td>On target</td>
<td>On target</td>
</tr>
</tbody>
</table>

1 Approved by the Board of Directors (Minutes No. 27 dated 6 April 2019).
2 Approved by Order No. 730 dated 12 December 2019.
3 in RUB.
4 Based on the management accounts.
INVESTMENT PROGRAM IN 2020

Rosneft 2020 investment program was approved as part of the 2020–2021 Business Plan by the Board of Directors meeting held on the 19th of December, 2019 (Minutes No. 11 dated December 23, 2019). The Board of Directors approved the updated 2020 investment program June 29, 2019 (Minutes No. 2 dated June 29, 2020).

Actual CAPEX 2020 totalled RUB 785 bln.

Given the current macroeconomic environment, the Company took a number of steps over the year to optimise its investment portfolio, maintain financial stability and lay a strong foundation for its strategic initiatives.

This resulted in a more than 20% reduction of investments vs the initial plan (ca. 8% year-on-year), with investment efficiency targets achieved.

We ranked our investment projects by return given the Company strategic objectives. The portfolio optimisation allowed us to postpone the least profitable and long-term projects while carrying on with the pre-investment study. With portfolio management tools at our disposal, we can promptly respond to market changes and restore our investment activities in case the macro-economic environment improves.

Our investment program seeks to achieve key strategic goals, including increase in profitability, enhancing operational and investment efficiency, launching projects on time and on budget, and minimising the environmental footprint.

Over 96% of our investments are concentrated in Russia, with ca. 20% attributable to projects in Eastern Siberia and the Far East. In 2020, Upstream accounted for ca. 90% of our investments, including 4% spent on gas projects, and 7% for Downstream.

Upstream capex totalled RUB 706 bln. These investments help us maintain and develop mature and new oil and gas assets to meet the strategic goals related to production and reserve replacement. In 2020, capital investments in mature onshore and offshore fields amounted to ca. RUB 390 bln, or 50% of the Company capex.

Capital investments in major and new projects exceeded RUB 275 bln, or 35% of the capex.

We use the industry best management practices to implement our projects.

We retain leadership in terms of exploration and production unit capex, which amounted to USD 5.5 per boe in 2020, while also delivering on our hydrocarbon production targets.
INVESTMENT PROCESS

Our investment process hinges on the following key principles:

1. Availability of all required investment decisions
2. Performance above the minimum threshold for each project
3. Financing only in case of an investment decision and funds allocated in the business plan
4. Standardising approaches to project assessment and documentation
5. Authority delegation
6. Comprehensive due diligence
7. Project responsibility
8. Monitoring and control at all project stages, including follow-up monitoring
9. Compatibility with project stages
10. Alignment with related processes

Our investment activities help us ensure commitment to the following strategic priorities:
- sustainable business growth driven by investments in competitive and high value-added projects and portfolio optimisation;
- increasing efficiency across all business streams through an in-depth analysis of investment needs, efficient decision-making and project implementation, monitoring and control throughout the project life cycle;
- strengthening investment discipline by ensuring better project identification, classification, thorough project analysis and efficient decision-making process reliant on delegation of authority;
- honouring social responsibility principles regarding occupational safety and environmental protection;
- focus on the UN Sustainable Development Goals (SDGs) to help achieve progress in addressing global economic, social and environmental challenges, including those related to carbon management (see carbon management plan on page 25).

Rosneft investment governance process is integrated with all related processes, including strategic and business planning, budgeting, reporting and financial control, project management and corporate governance. It covers the following areas:

Discipline and responsibility: business projects are approved through decision-making delegation within the permitted limits as per the investment mandate following a regulated comprehensive project analysis process.

Investment decision-making: sound investment decisions, shorter periods of approval and review of investment memos and investment project owners and supervisors for compliance with timelines, budget, efficiency and performance criteria.

Portfolio optimisation criteria:
- economic efficiency;
- materiality;
- readiness for implementation;
- compliance with the strategy.

Portfolio optimisation:

- Market Overview and Competitive Environment
- Sustainable Development
- Corporate Governance
- Information for Shareholders and Investors
2 OPERATING RESULTS
KEY OPERATING AND FINANCIAL RESULTS

Key Operating Results

<table>
<thead>
<tr>
<th>Metric</th>
<th>2020</th>
<th>2019</th>
<th>Δ 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved SEC reserves of liquid hydrocarbons, mmt</td>
<td>3,489</td>
<td>3,935</td>
<td>–11%</td>
</tr>
<tr>
<td>Proved PRMS reserves of liquid hydrocarbons, mmt</td>
<td>3,891</td>
<td>4,383</td>
<td>–11%</td>
</tr>
<tr>
<td>Proved SEC reserves of marketable gas, bcm</td>
<td>2,106</td>
<td>2,119</td>
<td>–1%</td>
</tr>
<tr>
<td>Proved PRMS reserves of marketable gas, bcm</td>
<td>2,423</td>
<td>2,452</td>
<td>–1%</td>
</tr>
<tr>
<td>PRMS hydrocarbon reserves-to-production ratio, years</td>
<td>23</td>
<td>23</td>
<td>0%</td>
</tr>
<tr>
<td>Production of liquid hydrocarbons, mmt</td>
<td>204.5</td>
<td>230.2</td>
<td>–11%</td>
</tr>
<tr>
<td>Natural gas production, bcm</td>
<td>62.8</td>
<td>67.0</td>
<td>–6%</td>
</tr>
<tr>
<td>Oil exports, mmt</td>
<td>115.4</td>
<td>149.4</td>
<td>–23%</td>
</tr>
<tr>
<td>Oil refining, mmt</td>
<td>104.0</td>
<td>110.2</td>
<td>–6%</td>
</tr>
<tr>
<td>Petroleum product and petrochemicals output, mmt</td>
<td>64.2</td>
<td>71</td>
<td>–9.6%</td>
</tr>
</tbody>
</table>

Key Financial Results

<table>
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<tr>
<th>Metric</th>
<th>2020</th>
<th>2019</th>
<th>Δ 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and equity share in profits of associates and joint ventures, RUB bln</td>
<td>5,757</td>
<td>8,676</td>
<td>–34%</td>
</tr>
<tr>
<td>EBITDA, RUB bln</td>
<td>1,209</td>
<td>2,105</td>
<td>–43%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>20.4%</td>
<td>24.0%</td>
<td>–3.6 p.p.</td>
</tr>
<tr>
<td>Taxes and customs duties, RUB bln</td>
<td>2.4</td>
<td>3.7</td>
<td>–34%</td>
</tr>
<tr>
<td>Net income, RUB bln</td>
<td>181</td>
<td>802</td>
<td>–77%</td>
</tr>
<tr>
<td>Net income margin</td>
<td>3.1%</td>
<td>2.9%</td>
<td>–7%</td>
</tr>
<tr>
<td>ROACE</td>
<td>6.9%</td>
<td>17.5%</td>
<td>–10.6%</td>
</tr>
<tr>
<td>ROAE</td>
<td>3.0%</td>
<td>14.3%</td>
<td>–11.3%</td>
</tr>
<tr>
<td>Capex, RUB bln</td>
<td>785</td>
<td>854</td>
<td>–8%</td>
</tr>
<tr>
<td>Unit capex in exploration and production, USD/boe</td>
<td>5.5</td>
<td>6.1</td>
<td>–10%</td>
</tr>
<tr>
<td>Unit capex in production, USD/boe</td>
<td>2.8</td>
<td>3.1</td>
<td>–10%</td>
</tr>
<tr>
<td>Free cash flow, RUB bln</td>
<td>425</td>
<td>941</td>
<td>–55%</td>
</tr>
<tr>
<td>Dividend per share, RUB</td>
<td>6.94</td>
<td>33.41</td>
<td>–79%</td>
</tr>
<tr>
<td>Total accrued dividends, RUB bln</td>
<td>73.6</td>
<td>35.41</td>
<td>–54%</td>
</tr>
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In 2020, our revenue decreased by 33.6% year-on-year to RUB 5,575 bln on the back of a drop in global oil prices, cuts in oil production and sales under the OPEC+ deal and COVID-19-related decline in global oil demand.

Apart from lower revenue, a year-on-year decrease in EBITDA was driven by a negative effect of the damper mechanism, which is used as part of the reverse excise tax. The latter was partly offset by a 9.3% decline in general and administrative expenses.

In 2020, our revenue decreased by 33.6% year-on-year to RUB 5,575 bln on the back of a drop in global oil prices, cuts in oil production and sales under the OPEC+ deal and COVID-19-related decline in global oil demand.

In 2020, gas production amounted to 62.83 bcm, down 6.2% year-on-year. The decrease is primarily attributed to lower associated petroleum gas production as a result of oil production cuts in line with the new OPEC+ deal and a drop in gas demand amid the COVID-19 pandemic.

OPEX at our Russian refineries for 1M 2020 were up 19% year-on-year. Alongside this marginal growth, unit opex went up by 10.0% due to the need to optimise processing volumes to fit the current demand for petroleum products.

In 2020, oil and gas production amounted to 62.83 bcm, down 6.2% year-on-year. The decrease is primarily attributed to lower associated petroleum gas production as a result of oil production cuts in line with the new OPEC+ deal and a drop in gas demand amid the COVID-19 pandemic.

In 2020, the Company produced 4.14 mmb of liquid hydrocarbons per day (204.5 mmt), down 11.4% year-on-year due to the OPEC+ deal that took effect on 1 May 2020.

In 2020, gas production amounted to 62.83 bcm, down 6.2% year-on-year. The decrease is primarily attributed to lower associated petroleum gas production as a result of oil production cuts in line with the new OPEC+ deal and a drop in gas demand amid the COVID-19 pandemic.

Apart from lower revenue, a year-on-year decrease in EBITDA was driven by a negative effect of the damper mechanism, which is used as part of the reverse excise tax. The latter was partly offset by a 9.3% decline in general and administrative expenses.

In 2020, our revenue decreased by 33.6% year-on-year to RUB 5,575 bln on the back of a drop in global oil prices, cuts in oil production and sales under the OPEC+ deal and COVID-19-related decline in global oil demand.

Apart from lower revenue, a year-on-year decrease in EBITDA was driven by a negative effect of the damper mechanism, which is used as part of the reverse excise tax. The latter was partly offset by a 9.3% decline in general and administrative expenses.

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ROSNEFT’S EXPLORATION AND RESERVE REPLACEMENT

In 2020, the Company confirmed its leading positions in resource base and exploration efficiency.

- **13.3 bt** total oil and gas condensate reserves in Russia
- **24.9 bln tonnes** offshore oil and gas condensate resources
- **4.3 bln tonnes** onshore oil and gas condensate resources
- **8.7 tcm** total gas reserves in Russia
- **19.6 tcm** offshore gas resources
- **1.8 tcm** onshore gas resources

**19 fields and 208 new deposits** with total reserves over 2 btoe discovered through successful exploration.

- **152 bboe** (20.5 btoe) AB1C1+B2C2 hydrocarbon reserves
- **556 mmtoe** replacement of AB1C1 hydrocarbon reserves
- **214%** hydrocarbon reserve replacement ratio according to the Russian resource classification system

- **1,133 licences** in Russia (including 55 offshore licences)

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**Within the Company (excluding acquisitions/divestments).**
ONSHORE EXPLORATION IN RUSSIA

The Company’s top priorities are unlocking the resource potential and sustainable use of mineral resources, exercising strict compliance with environmental safety standards, and an extensive application of advanced technologies.

The Rosneft–2022 Strategy, approved by the Company’s Board of Directors, sets out the key exploration targets: to ensure 100% reserve replacement of liquid hydrocarbons and to increase the exploration drilling success rate to 95% by 2022 through the use of advanced technologies and innovative solutions.

The Company has deployed advanced seismic data processing and interpretation technologies and detailed velocity-depth modelling in order to improve the exploration drilling success rate. It also continued R&D in the integration of seismic and non-seismic methods.

The Company has developed and is implementing a set of R&D projects. Finite difference wave field simulations are used to identify optimum parameters for seismic surveys during the design stage. The Company completed projects to model surveillance systems in Eastern and Western Siberia, the Republic of Bashkortostan and the North Caucasus. The Company has deployed advanced seismic data processing and interpretation technologies and detailed velocity-depth modelling in order to improve the exploration drilling success rate. It also continued R&D in the integration of seismic and non-seismic methods.

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Unique wireless seismic technology

In 2019–2020, we completed the development of the innovative seismic acquisition system “Cheetah” and confirmed through test its geologic accuracy and productivity as well as the capability of working in hard-to-reach areas. We assessed and ranked the Company’s assets for priority implementation of new technologies. The work is also underway to optimise seismic surveying to address geological issues and reduce environmental impact.

INDEPENDENT INTERNATIONAL AUDIT OF RESERVES

Under the SEC (U.S. Securities and Exchange Commission) classification, Rosneft’s proved hydrocarbon reserves totaled 38,644 mmboe (5,678 mmtoe) as at 31 December 2020 (5,221 mmtoe). The audit to assess life-of-field reserves was performed by DeGolyer & MacNaughton.

In 2020, Rosneft’s SEC-proved reserve life amounted to more than 20 years. The SEC-proved organic reserve replacement ratio stood at 151%, while the replacement ratio for existing assets was 138%.

As at 31 December 2020, the Company’s reserves under the PRMS (Petroleum Resources Management System) standards, according to DeGolyer & MacNaughton, totaled 43,484 mmboe (5,884 mmtoe) in the 1P category, 83,761 mmboe (11,308 mmtoe) in the 2P category, and 126,216 mmboe (17,028 mmtoe) in the 3P category.

2020 saw an increase of over 700 mmtoe in Rosneft’s PRMS 3P reserves at existing assets (before acquisitions/divestments) as a result of successful exploration and production drilling and the use of advanced recovery enhancement techniques to extract hard-to-recover reserves, among others. The highest increase in reserves was registered at the fields of RN-Yuganskneftegaz, RN-Nyaganneftegaz, Rospan International, Verkhnechonskneftegaz, and RN-Purneftegaz. The reserves at Vostok Oil assets, including Tagulskoye and Zapadno-Jeretskoye fields, also went up significantly.

Breakdown of Proved Reserves of Marketable Gas, bcm

Breakdown of Proved Liquid Hydrocarbon Reserves, mmt
RESERVE REPLACEMENT BY REGION

WESTERN SIBERIA

Rosneft’s reserve growth in Western Siberia amounted to 269.9 mmt of oil and gas condensate and 65 bcm of gas. 33 exploitation wells were completed and tested with a success rate of 88%. 3D seismic surveys totalled 2.1 thousand sq km. One field and 62 new deposits were discovered with a total of 71 mmtoe in AB1C1+B2C2 reserves.

RN-Uvatneftegaz is consistently implementing the strategy to develop the Uvat project, including by ensuring the annual growth rate target for recoverable reserves. In the reporting period, significantly more oil reserves were discovered than extracted. In 2020, the increase in RN-Uvatneftegaz’s AB1C1 reserves (12.5 mmt) exceeded production (9.2 mmt) by 36%. The drilling of Linveskaya well No. 324P revealed three new deposits of the Piktovoye field with 9.5 mmt of potentially recoverable reserves. The drilling of Vostochno-Piktovaya well No. 324P revealed a prospective field with two new deposits and 3.5 mmt of potentially recoverable reserves.

In 2020, RN-Purneftegaz discovered ten new deposits at the Yutno-Tarasovskoye, Barsukovskoye, Verkhnepurpeyskoye, and Novopurepeyskoye fields with total reserves of 5.7 mmtoe.

At RN-Vankor, a successful exploration programme aimed at growing Vostok Oil’s resource base led to the discovery of Navoognennoye field containing more than 20 mmt of oil and about 1 bcm of gas. Oil was discovered in the Lower Cretaceous deposits north of the Messoyaksksky ridge, changing the Company’s view of the possible nature of the prospective targets’ saturation.

At its Western Siberian gas assets, Rosneft’s reserve increases in 2020 amounted to 7.2 mmt of oil and condensate and 276 bcm of gas.

The Company continued to study the unconventional gas-saturated reservoir of the Berezovskaya suite in Western Siberia. In 2020, Rosneft filed for a patent for its method of localising hydrocarbon reserves in siliceous upper cretaceous deposits. The invention helps assess hydrocarbon reserves in the sedimentary rocks’ siliceous deposits through exploration. The proposed method consists of determining the zonation of silica distribution in the Berezovskaya suite and similar structures.

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In 2020, Rosneft studied the permeability and porosity properties of reservoir rocks of the Kharampurskoye field’s Turonian deposit using the new Digital Core technology. The studies were carried out by Schlumberger’s Moscow-based laboratory and involved experts from BP Plc. Comparative analysis of the results is underway.

As part of the Gydan Peninsula study in 2020, the interpretation of 3D seismic surveys of the Minakhovsky licence area confirmed the field potential and verified the location of exploration wells. In 2020, Rosneft drilled and completed well No. 70, the first exploration well of the Minakhovsky licence area. Following extensive Geological Information System and MDT drilling, ten prospective fields are ready for testing, including five that have not been previously recorded on the balance of Russia’s hydrocarbon raw materials. The testing of well No. 70 included the first use of Jet Pump technology on a gas field – previously it had been used only for oil fields. The use of jet pumps accelerates the development of deposits with low permeability and porosity through creating a stronger drawdown within a shorter timeframe, clears the bottom-hole zone from killing fluid and drilling mud, as well as closes the well at the bottom for a faster transition to radial pressure build-up unaffected by the wellbore. The Company is looking into ways to cascade the experience to its other projects.

A new gas cluster will be created based on the Minkhovskoye field.
In 2020, total reserves growth in Eastern Siberia and the Far East was 56 mmtoe of oil and gas condensate and 38 bcm of gas. 12 exploration wells were completed and tested with a success rate of 92%. 2D seismic surveys of 42 linear km and 3D seismic surveys of 634 thousand sq km. Four fields and 16 new deposits discovered with a total of 811 mmtoe of AB1C1+B2C2 reserves.

As part of the Vastok Oil project, a unique Zapadno-Irkinskoye field was discovered on the Taimyr Peninsula, with more than 600 mmtoe of C1+C2 reserves.

The Srednebotuobinskoye field had a successful exploration year: a highly promising block identified with a new integrated seismic and geological model was not only confirmed by the drilling of exploration well No. 117 but also turned out to have a record oil-saturated thickness of 16.6 m. Rosneft plans to drill another exploration well No. 118 and 38 production wells at the new block. The drilling of well No. 117P helped to identify new drilling prospects at the field. Production drilling has already confirmed oil deposits in other eastern blocks of the Srednebotuobinskoye field. The drilling revealed gas in the carbonate deposits of the Yuryakhsky horizon, the prospects of which were previously associated only with deposits above the basement protrusions.

The drilling of Danilovskaya well No. 85 confirmed the industrial oil and gas bearing potential of the Ust-Kutsky horizon outside the zone of the basement protrusions for the first time, which will drive further exploration in the Irkutsk Region. The oil flow rate exceeded 500 cub m per day.

The drilling of Preobrazhenskaya appraisal well No. 14 to the south-east of the Lisovsky field within the reefal buildups confirmed the industrial oil and gas bearing potential of the Early Cambrian intercalation. The well once again confirmed the extremely high productivity of the Early Cambrian reefal buildup of the Osinsky horizon: the tests recorded an oil flow of 362 cub m per day.

We continued to drill additional sidetracks to increase the exploration drilling success rate, further study the target reservoirs, and search for new prospects.

The first well within the Predpatomsk foredeep led to a major discovery – the testing of the Vendian terrigenous deposits in Nizhnedzherbinskaya well No. 1 identified a new large gas condensate field named after Ivan Kulbertinov with reserves of more than 75 bcm of gas and 1.4 mmtoe of gas condensate.

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We continued to drill additional sidetracks to increase the exploration drilling success rate, further study the target reservoirs, and search for new prospects.

In 2020, reserves in the Volga-Ural Region, Timan-Pechora, and Southern Russia increased by a total of 61.9 mmtoe of oil and gas condensate and 5 bcm of gas. 65 wells were completed and tested, with a success rate of 82%. 3D seismic surveys totalled 1.8 thousand sq km, while 2D seismic surveys totalled 0.9 thousand linear km. Twelve fields and 130 new deposits were discovered with a total of 24 mmtoe in AB1C1+B2C2 reserves.

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PRODUCTION OF LIQUID HYDROCARBONS

2020 PERFORMANCE HIGHLIGHTS

The key factor affecting the Company’s crude oil production in 2020 was the government-ordered production cut as part of the OPEC+ deal taking effect in May 2020. As a result, the 2020 production of liquid hydrocarbons amounted to 4.14 mmb per day (204.5 mmt), down 11.4% year-on-year. In August, the restrictions eased, allowing the Company to quickly increase production and demonstrate a 1.9% quarter-on-quarter growth, to 3.98 mmb per day (49.46 mmt).

Previous production cuts provided Rosneft with invaluable technological expertise that allows it to manage production quickly and efficiently. The Company relies on the following instruments: limiting flow rates without well suspension, intermittent well operation, and optimisation of well interventions at the existing wells. The strategy facilitates flexible production management and prompt increase in production, if necessary.

Production drilling in 2020 amounted to 10.9 mm m, up 9.1% year-on-year. In line with our strategic priorities, we continue to focus on accelerating the construction of the most efficient high-tech wells. 68% of the 2.6 thousand wells commissioned in 2020 were horizontal, compared to 57% a year earlier. The share of horizontal wells drilled using multi-stage hydraulic fracturing techniques increased to 44% (up 10 p.p. year-on-year). The production per horizontal well was 2.6 times higher than per directional well.

Despite external constraints, the Company continues to develop brownfields and maintain leadership in the Russian oil industry in terms of launching new high-margin projects. In 2020, Rosneft launched two new major projects – the Erginsky licence area and the Severo-Danilovskoye field. In 2020, the Company’s share in the total production of hydrocarbon liquids as part of new major projects* totalled 19.9 mmt (403 kbd), up 4.8% year-on-year.

In compliance with the Russian President’s instruction to increase the cargo flow along the Northern Sea Route, the Company continues comprehensive development of the new oil and gas province in the Krasnoyarsk Territory’s north as part of the Vostok Oil project. Investment incentives for infrastructure facilitated the economic model’s efficiency and allowed Rosneft to begin project implementation.

INNOVATIVE TECHNOLOGIES FOR STABLE PRODUCTION

Key achievements in field development in 2020

The average flow rate per production well increased to 12.0 t per day (up 13% year-on-year), with a 17% increase in the well stock.

The annual average flow rate of new wells stood at 44.7 t per day (flat year-on-year). Accordingly, the Company retained its leadership in the production drilling efficiency among its Russian peers.

Horizontal wells accounted for 68% of new wells commissioned in 2020 (up 11 p.p. year-on-year), while the share of horizontal wells drilled using multi-stage hydraulic fracturing techniques (MSHF HW) increased from 34% to 44%.

The Company completed 1.4 thousand sidetracking operations (up 13% year-on-year), thus increasing crude oil production by 4 mmt (up 19% year-on-year).

The production per well attributable to base production recovery was up 6.5% year-on-year, from 1.16 kt to 1.23 kt per well.

In October 2020, RN-Yuganskneftegaz set a new record, performing 600 hydraulic fracturing operations in one month. The annual number of such operations is about five thousand.

* Launched since 2016 (including the Erginsky licence area and Severo-Danilovskoye field)
COMMISSIONING OF NEW WELLS

Rosneft is focused on high-tech wells: 68% of over the 2.6 thousand wells commissioned in 2020 were horizontal vs 57% in 2019 and 11 thousand new MSHF HWs were commissioned, with their share reaching 44%. Advanced planning, drilling, and development technologies facilitated new wells’ average annual flow rate of 44.7 t per day, flat year-on-year, and 15.2 mmt of incremental production.

In 2020, RN-Yuganskneftegaz commissioned 68% of new wells producing over 4.7 mmt and reached the eight-years maximum average annual flow rate of new wells (48.9 t per day, up 25% year-on-year). These results were attributable to innovative technologies and streamlined development systems. For example, the percentage of horizontal wells in production drilling increased from 38% in 2019 to 48% in 2020. In 2020, the Group Subsidiary continued to pilot horizontal drilling and completion technologies, commissioned 59 wells with MSHF and a horizontal section of over 1,200 m. The Priobskoye field successfully tested the Perf & Plug technology using Russian-made equipment. Rolling out this technology will increase the number of hydraulic fracturing stages in horizontal wells, ensure the possibility of refracturing, and reduce the well development costs in case of mass implementation.

In 2020, Samotlorneftegaz commissioned 406 new wells, the highest number over the past five years, (up 10% year on year), which resulted in 1.2 mmt of incremental production (up 5.5% year-on-year). The Group Subsidiary makes consistent efforts to pinpoint hidden deposits at the Samotlor field, including through the implementation of its appraisal sidetracking and well deepening programme. Due to these efforts, 16 wells in YuV1 formation with an average initial oil flow rate of 81.3 t per day and eight wells in BV8(1–3) formation with an average initial oil flow rate of 145 t per day were commissioned. The average initial oil flow rate for the field’s new wells stood at 39 t per day.

In 2020, Verkhnechonskneftegaz, operator of Severo-Danilovskoye oil and gas condensate field, started its drilling, which will consist solely of horizontal wells. The optimisation of well construction cycle in 2020 allowed the Group Subsidiary to commission 14 new wells with an incremental oil production of 191 t.

RN-Uvatneftegaz continued extensive drilling across the Uvat group of fields. To streamline the development of hard-to-recover reserves, the Group Subsidiary increased the percentage of multi-stage hydraulic fracturing horizontal wells in the total number of new horizontal wells from 51% in 2019 to 73% in 2020. The use of advanced technologies coupled with the accelerated commissioning of new wells on the back of the migration of operations to the structurally complicated fields of the Uvat group Central Development Centre, facilitated a 5% increase in incremental oil production from wells commissioned in 2019.

In 2020, Orenburgneft expanded its horizontal drilling programme and commissioned 15 horizontal wells (up +36% year-on-year), including six wells with multi-stage acid and proppant fracturing. The share of new horizontal wells reached 19%. These technologies make such wells highly productive, with horizontal wells having an initial flow rate of 69.8 t per day, which is almost 1.5 times higher than the average for the Group Subsidiary’s new production drilling programme (47.7 t per day).

Samaraneftegaz also increased its horizontal drilling operations in 2020. The Group Subsidiary commissioned eleven horizontal wells (up 83% year-on-year), including six with multi-stage acid fracturing and one with multi-stage proppant fracturing. The share of horizontal wells more than doubled year-on-year, reaching 14%, while the initial flow rate of horizontal wells in 2020 was a quarter higher than the average for all of the facility’s new production wells (67 t and 49.5 t per day, respectively, up 26%).

In 2020, Bashneft-Dobycha set a new production drilling record and commissioned 153 new wells (up 54% year-on-year) with plans underway to increase the annual commissioning rate going forward. Maintaining the focus on high-tech, the Group Subsidiary increased the share of horizontal wells by 12% year-on-year, to 86%. One of the key contributors to the production drilling programme and the share of horizontal wells in particular is the implementation of high-tech acid-proppant MSHF in carbonate Kashira-Podolsk deposits. MSHF HWs account for more than 70% of the new wells commissioning programme (up +22% year-on-year). The MSHF burst point system with cup packers allowed for expanding the range of initiatives aimed at minimising the post-commissioning flow rate decline.
MULTILATERAL WELLS

Multilateral wells are applied to improve the recovery and reservoir penetration quality for projects with high geological complexity. This method of pay zone penetration was successfully piloted and implemented at the Company’s fields with 116 multilateral wells commissioned in 2020.

At the Vankor cluster’s Taguiskoye field, 27 fishbone multilateral wells were commissioned in 2020, marking a new high for the field and a 12-per increase from the previous record set in 2018–2019.

Tyumenneftegaz continued successful use of multilateral wells at the Russkoye field to increase well productivity and scope of reserves. The Group Subsidiary commissioned 14 wells with one and two sidetracks. The average increase in the initial flow rate was +56% compared to horizontal wells drilled in similar conditions.

At the Srednebotuobinskoye field, Taas-Yuryakh Neftegazodobycha commissioned the longest multilateral well having 15 horizontal sidetracks with a total drilling length exceeding 10,000 m across a pay zone. The well’s initial flow rate stood at 402 t per day, 220% above the average rate of the Subsidiary’s multilateral and horizontal wells in 2020. Incremental oil production amounted to 122.7 kt, accounting for 15% of the total for all of the facility’s new wells commissioned in 2020. The technology is being successfully rolled out, with 36 multilateral wells commissioned at the field in 2020, which is a record high and nine wells above the level of 2019.

Orenburgneft drilled and commissioned its first-ever horizontal multilateral fishbone well (in the carbonate formation of the Pronkinskoye field), with a main wellbore of 811 m and the total length of four sidetracks reaching 1,198 m. The initial flow rate of the new high-tech well stood at 66 t per day, several times higher than the rate of the Group Subsidiary’s traditional directional wells.

To increase exposure to deposits within the pay zone and enhance the oil recovery rate, East Siberian Oil and Gas Company (Vostsibneftegaz) commissioned another high-tech multilateral fishbone well, with an initial flow rate of 281.5 t per day or more than double the target average rate of new wells commissioned in 2020 (135.5 t per day). The well consisting of main wellbore and three sidetracks is 2,200 m long.

SevKomNeftegaz, a joint project with Norway’s Equinor, launched pilot drilling of multilateral wells. The first fishbone multilateral well (main bore and three additional sidetracks) was successfully drilled and commissioned in the PK1 formation at the Severo-Komsomolskoye field. The Company plans to use such wells to improve the efficiency of developing thin under-gas-cap zones.

INFILL DRILLING

Along with drilling in new areas, the Company conducts infill drilling to augment production by transforming and expanding the development system.

In 2020, RN-Yuganskneftegaz expanded its infill drilling programme at the Priobskoye, Pirazhaznnye and Malobalykskoye fields. The programme included commissioning of 137 new wells (up 78% year-on-year), including 48 MSHF HWs (five ports per well on average). Going forward, the company intends to roll out the programme to its other fields, with the infill drilling growing at 27% above the approved targets over five years.

To maintain production and improve the quality of reserves recovery at the Samotlor field, Samotlorneftegaz continues its infill drilling programme. 261 infill wells were commissioned in 2020 (64% of all wells commissioned at the field). In addition, horizontal wells with MSHF are constructed.

The Vankor field has been successfully implementing its infill drilling programme. As at the end of 2020, the incremental production attributable to the commissioning of 52 new infill wells totalled 798 kt. In harsh geological conditions, advanced drilling and horizontal well completion technologies ensured an average flow rate of 99 t per day, which is almost three times higher than the average well flow rate across the Company.

SIDETRACKING

In order to increase production and achieve target recovery factor the Company carries out sidetracking operations in existing wells.

In 2020, such operations covered 14 thousand wells, up 13% year-on-year, resulting in an incremental production of around 4 mmt of crude oil (up 19% year-on-year). Modern approaches and sidetracking technologies allow not only recommissioning of wells that used to be in critical condition but also improved production at mature fields, including those with a long development history. Horizontal sidetracks enable extraction from formation intervals that have not been reached by previously drilled directional wells.

Improving the design of sidetracks by increasing the share of horizontal drilling to 74% vs 71% in 2019 helped to bring the average well flow rate after workover by sidetracking up from 18.4 t per day in 2019 to 19.5 t per day in 2020.

At RN-Yuganskneftegaz’s fields 394 sidetracking operations were carried out in 2020, including 337 sidetracks with horizontal completion (up +13% year-on-year). The active application of horizontal sidetracks at mature fields, for example in Cretaceous
In 2020, Samotlorneftegaz formation of the Kudrinskoye field. Potential oil flow rates (up to 244 t per day) from three in 2019), with the average initial flow rate reaching 129 t per day (up 14% year-on-year).

In 2020, Taas-Yuryakh Neftegazodobycha launched its sidetracking programme partially aimed at resuming operations at previously drilled and abandoned horizontal wells by turning them into multilateral. At the Srednebotuobinskoye field, the first two wells were commissioned following the drilling of several sidetracks. To increase well productivity and better develop previously undrained reserves, Samaraneftegaz has been actively engaging small-scale downhole pumping equipment in sidetracking since 2016. In 2020, such equipment was used in more than 75% of cases, ensuring the maximum average increase over the past five years at 28.1 t per day.

In 2020, Bashneft-Dobycha performed a record number of sidetracking operations, commissioning 126 wells and achieving an incremental oil production of 223.5 kt, more than double the 2019 level (53 operations, 112.5 kt).

In order to increase production and achieve the target oil recovery factor, RN-Uvatneftegaz has more than doubled the number of sidetracking operations, resulting in 131.5 kt of incremental oil production, three times higher than in 2019.

WELL INTERVENTIONS FOR INCREMENTAL AND RECOVERED PRODUCTION

In line with its approved Strategy, the Company keeps improving the efficiency of its well interventions. In 2020, the Company performed 4,473 well interventions for incremental oil production (excluding production-drilling and sidetracking). The well interventions translated into 51 kt of incremental oil and gas condensate production.

Over 8.8 thousand well interventions were performed in 2020, resulting in a recovered production of 10.8 mmt. The production per well attributable to base production recovery was up 6.5% year-on-year, from 1.16 kt to 1.23 kt per well. Production per well following well interventions increased primarily due to higher efficiency of bottom-hole zone treatment and well optimisation. In 2020, Rosneft performed 3,745 bottom-hole zone treatment operations with a total production recovery of 3.3 mmt (up 3% year-on-year), and 3,212 well optimisations with a total production recovery of 5.5 mmt.

MONITORING AND MANAGING WELL OPERATIONS IN HARSH GEOLOGICAL CONDITIONS

To minimise the risks of early gas blowout from the gas cap or underlying water and to be able to restrict and control the flow of gas with a coupling, the Company uses inflow control devices to restrict fluid inflow into certain horizontal well sections.

In 2019, Taas-Yuryakh Neftegazodobycha successfully piloted inflow control devices in horizontal and multilateral wells at the Srednebotuobinskoye field. 2020 saw gas-oil ratio stabilisation without restricting well operations, and higher crude oil production. For horizontal wells, GOR decreased four times and the flow rate doubled, while for multilateral wells, GOR reduced six times. Following the pilot operations, the company intends to roll out the technology to 41 wells of the field.

In 2020, the Group Subsidiary continued to use autonomous inflow control devices and completion systems with shiftable sleeves in horizontal wells of SevKomNeftegaz as part of pilot development of...
In 2020, Tyumenneftegaz also piloted the technology at five wells. According to preliminary modelling, levelling inflow profiles will increase cumulative oil production by up to 25%. The company plans to start full-scale implementation of this technology in 2022–2024.

In 2020, the Group Subsidiary introduced marker diagnostics to monitor inflow profiles at three wells of the Vankor Field. This technology allows monitoring of the flow profiles in horizontal and multilateral wells without suspending production and downhole operations. If successful, the tests will provide information on the underground well operations for a timely and targeted response to any complications.

At Vostilneftegaz’s Yurubcheno-Tokhomskoye field, seismic and geological analysis and detailed interpretation of geotechnical survey at the design stages, geological support of drilling and well completion helped to identify potential gas and bottom water inflow intervals. Following the tests, the company piloted the use of segmented liners to prevent production from among more than 250 participants from 60 companies and 20 countries.

In 2020, the Company continued to develop geological support activities. Geosteering, log data interpretation, and geomechanical modelling are now combined with seismic and geological support for drilling complex wells.

**DEVELOPMENT OF IN-HOUSE WELL LOGGING SERVICE**

In 2020, Bashneft-Petrotest engaged its specialists in high-tech well logging at Bashneft-Dobycha sites, continued to perform downhole logging and blasting and perforating operations at Bashkortostan and the Krasnodar Territory, and supported the piloting of new logging technologies at Varyaganneftegaz, Samotlorneftegaz, Orenburgneft, Bashneft-Dobycha, etc. It also initiated a new line of business for Bashneft-Petrotest – a physical support of drilling at RN-Yuganskneftegaz and Rospan International sites.

In 2020, Rosneft and Rosatom signed an agreement to cooperate in improving the processing and interpretation of data from AINK-PL equipment. The agreement will perfect the methodology for open and closed wells and to test the AINK-PL equipment to check its performance in various geological and technical conditions.

**ENHANCING CORPORATE SOFTWARE**

The Company is expanding the range of its proprietary application software related to geology and field development. In 2020, Rosneft finalised and successfully tested the first version of its RN-Geosim simulator designed for geological modelling and analysis of hydrocarbon deposits using three-dimensional geological models. The Company continues the development of RN-PetroLog well logging interpretation software suite with modules which can be used to upload, store and visualise logging data in the project tree, harmonise petrophysical project data for further multi-well processing, edit data interactively in graphical mode, and see statistics of a petrophysical project.

RN-KIM hydrodynamic simulator and RN-KIN information system for mining data analysis and development monitoring were further upgraded. At the end of 2020, 85% of models were created using the corporate hydrodynamic simulator.
OVERVIEW OF PRODUCTION IN REGIONS OF OPERATION

WESTERN SIBERIA

Western Siberia is Rosneft’s key hydrocarbon-producing region, accounting for 161 mmt of hydrocarbons or 63% of the Company’s production. In 2020, the liquid hydrocarbon production exceeded 125 mmt. The Company’s key producing assets in Western Siberia include RN-Yuganskneftegaz (27% of Rosneft’s total hydrocarbon production), Samotlorneftegaz (9%), and RN-Uvatneftegaz (4%).

To enhance oil recovery at its fields in Western Siberia, the Company monitors and streamlines its existing development systems by switching from conventional directional wells to MSHF HWs. This technology significantly boosts the well productivity rate and the scope of reserves under development, while also reducing the well stock and enhancing the project economics.

The Company massively leverages MSHF HWs at its mature assets in Western Siberia.

New projects are also underway, with the Erginsky cluster and the Russkoye field standing out as the largest plays.

Western Siberia is the largest gas-producing region, with 44 bcm extracted in 2020.

RN-YUGANSKNEFTEGAZ

RN-Yuganskneftegaz is the Company’s largest asset. The bulk of proved reserves (80%) are concentrated in the Priobskoye, Prirazlomnoye, Mamontovskoye and Malobalykskoye fields.

Taking into consideration the production restrictions set by the new OPEC+ agreement, RN-Yuganskneftegaz produced 69 mmt, including 65 mmt of liquid hydrocarbons. RN-Yuganskneftegaz ensures stable production both by drilling new wells and performing well interventions for incremental oil production and by maintaining and recovering its basic production.

In August 2020, RN-Yuganskneftegaz set a new record in commercial drilling of two-string horizontal wells – 15,700 m per rig, up by 47% compared to 2015.

In October 2020, RN-Yuganskneftegaz set a new record in commercial drilling of two-string horizontal wells – 27,542 m, which is 414 m per day higher than the previous record dated July 2017. The new milestone was achieved with fewer rigs and a 6% increase in efficiency. The company is committed to minimising downtime – 24/7 monitoring and control of the construction of each well reduce downtime to zero and ensure a high level of safety.

The initial flow rate of newly commissioned wells reached 89.6 t per day (up 18.8% year-on-year), while the average flow rate increased by 25.5% year-on-year, reaching 48.9 t per day.

In October 2020, RN-Yuganskneftegaz performed a record 600 hydraulic fracturing operations. The annual number of such operations is about five thousand. To expand the pay zone coverage, the company uses up to 20 stages of MSHF, including in the horizontal sections of wells. Hydraulic fracturing allows the company to reach and effectively produce the reserves from ultra-low-permeability reservoirs. The operations are fully designed in RN-GRID, the first Russian hydraulic fracturing simulator.

The use of proprietary simulator put an end to Rosneft’s reliance on foreign software for hydraulic fracturing modeling.

The efficiency of well interventions for recovered production increased by 20%, from 1.23 kt to 1.48 kt per well, mainly due to optimised production and clearing of the bottom-hole zone.

In accordance with Federal Law No. 340-FZ on Introducing Incentives for the Priobskoye licence area dated 15 October 2020, on 31 January 2021 the Company entered into an investment agreement with the Ministry of Finance of the Russian Federation and the Ministry of Natural Resources and Environment of the Russian Federation to stimulate oil production in the Priobskoye licence area.

MET tax deduction for the Priobskoye licence area in the amount of

SAMOTLORNEFTEGAZ

Over 98% of Samotlorneftegaz’s proved reserves are concentrated within the Samotlor field, one of the largest in the world. Commercial production at the Samotlor field began in 1969 and peaked at over 150 mmtpa in the 1980s.

In 2020, the company produced 23 mmt of hydrocarbons, including over 18 mmt of liquid hydrocarbons.

The Samotlor field relies on government support to continue drilling new wells and performing well interventions. Incremental production of oil and gas condensate at Samotlorneftegaz achieved through the drilling of new wells grew to 1.2 mmt (up 5.5% year-on-year), while the number of commissioned wells reached 406. Production from well interventions (excluding drilling) increased to 0.67 kt per well (up 71% year-on-year), mainly due to more efficient transitions and reaching other formations.

RN-YUGANSKNEFTEGAZ

69 mmt of hydrocarbons produced in 2020

In 2021–2030, the tax deduction for the Priobskoye licence area is expected to help achieve an incremental production of 70+ mmt

RN-UVTNFRTEGAZ

23 mmt of hydrocarbons produced in 2020

The bulk of proved reserves (ca. 70%) at RN-Uvatneftegaz are concentrated in the Ust-Tegazskoye, Zapoladnoye, Urimskoye, Severo-Tyamkinskoye, Severo-Tamarginskoye and Protogranovskoye fields, which are being developed as part of the Eastern Development Centre.
In 2020, RN-Uvatneftegaz produced 9.4 mmt of hydrocarbons, including 9.2 mmt of liquid hydrocarbons. It commissioned 83 new wells (up 5% year-on-year), resulting in a 1.04 mmt of incremental production (up 48 kt vs 2019). It also launched 2.6 times as many wells after sidetracking operations, with incremental production rising to 4,240 t per well, or 3.5x vs 2019.

RN-Uvatneftegaz is introducing new technology aimed at boosting production, gaining access to commercially recoverable reserves and cutting unit costs. In terms of reducing operating costs, the company successfully completed hydraulic fracturing tests in injection wells using the silica sand-enabled Salik service based on the HiWAY technique, which provides cost savings of 5–10%, or RUB 0.5 mln (net of VAT) per injection well on average, by reducing proppant, logistics and chemicals expenses. It also reduces the time needed to complete the job by accelerating the water and proppant filling. Such treatment does not impair well injectivity compared to the conventional hydraulic fracturing.

**RN-NYAGANNEFTEGAZ**

The bulk of proved reserves (over 99%) at RN-Nyaganneftegaz are concentrated in the Krasnoleninskoye field, including the Kamenny (western part), Em-Egavsky and Palyanovsky areas.

In 2020, RN-Nyaganneftegaz produced over 7 mmt of hydrocarbons, including 5.9 mmt of liquid hydrocarbons. The average daily flow rate of existing wells grew by 6.7 t per well, or 15%, vs 2019. A total of 207 well interventions (in addition to drilling) were performed at RN-Nyaganneftegaz’s fields, leading to a 2% increase in incremental production to 0.7 kt per well.

42 new production wells were drilled (up 66% vs 2019), with incremental production expanding to 163 kt (up 60% vs 2019). The share of horizontal wells drilled using multi-stage hydraulic fracturing techniques (MSSH-FHWs) rose from 53% in 2019 to 69%.

The efficiency of well interventions (excluding drilling) was up 50% at 1.4 kt per well, mainly thanks to recompletions, commingling and recommissioning.

The average daily flow rate of existing wells increased by 3% vs 2019 to 79 t per well, as voidage replacement grew by 3–4% year-on-year.

**RN-PURNEFTEGAZ**

The bulk of proved reserves (over 99%) at RN-Purneftegaz are concentrated in the Turukhansky and Taimyrsky areas.

In 2020, RN-Purneftegaz produced over 7 mmt of hydrocarbons, including 5.9 mmt of liquid hydrocarbons. The average daily flow rate of existing wells grew by 6.7 t per well, or 15%, vs 2019. A total of 207 well interventions (in addition to drilling) were performed at RN-Purneftegaz’s fields, leading to a 2% increase in incremental production to 0.7 kt per well.

42 new production wells were drilled (up 66% vs 2019), with incremental production expanding to 163 kt (up 60% vs 2019). The share of horizontal wells drilled using multi-stage hydraulic fracturing techniques (MSSH-FHWs) rose from 53% in 2019 to 69%.

The efficiency of well interventions (excluding drilling) was up 50% at 1.4 kt per well, mainly thanks to recompletions, commingling and recommissioning.

The average daily flow rate of existing wells increased by 3% vs 2019 to 79 t per well, as voidage replacement grew by 3–4% year-on-year.

**RN-Uvatneftegaz**

The bulk of proved reserves (over 90%) at RN-Uvatneftegaz are concentrated in the Tarasovskoye and Kosmoselskoye fields.

In 2020, RN-Uvatneftegaz produced over 6 mmt of hydrocarbons, including more than 3 mmt of liquid hydrocarbons.

In 2020, 2.6 times as many wells after sidetracking operations, with incremental production rising to 4,240 t per well, or 3.5x vs 2019.

The Company continues to expand its operations in Eastern Siberia and the Far East. In 2020, these regions produced 38 mmt of hydrocarbons, including 32 mmt of liquid hydrocarbons.

**EASTERN SIBERIA AND THE FAR EAST (ONSHORE)**

**NORTH EASTERN RUSSIA**

In 2020, RN-Vankor operates the development project for the Vankor cluster fields, including the Vankor (the largest discovery in the last 20 years), Suzunskoye, Tagulskoye and Lodochnoye fields located in the Krasnoyarsk Territory’s north.

In 2020, the Vankor cluster produced over 20 mmt of hydrocarbons, including more than 15 mmt of liquid hydrocarbons. Since the commencement of commercial production at the Vankor field in August 2009, cumulative oil and gas condensate production has exceeded 194 mmt on the back of a well intervention programme covering the existing wells and the commitment to drill new wells.

RN-Vankor leverages horizontal wells to develop the Vankor field. In 2020, it commissioned 54 new wells there (up 32% year-on-year) which produced 0.6 mmt of oil and gas condensate. At this field, RN-Vankor increasingly relies on sidetracking, having drilled a total of 61 sidetracks in 2020 (up 49% vs 2019). This resulted in 552 kt of incremental oil and gas condensate production (up 2.7x).

RN-Vankor continues to drill production wells and build top-priority facilities and infrastructure at new fields of the Vankor cluster.

**NORTH EASTERN RUSSIA (CONT.)**

**VANKOR CLUSTER**

RN-Vankor explores and develops the Vankor cluster fields (52% of total production in the region) and Verkhnechonskoye field (20%).

The Vankor field, the company has been working to improve the drilling of multilateral wells that help maintain the pressure drawdown at a minimal level to prevent gas blowouts. In 2020, Verkhnechonskneftegaz commissioned seven wells with an average initial flow rate of 76 t per day, a slight improvement vs the 72.6 t per day in the previous year. Thanks to this method of pay zone penetration and the accelerated commissioning of new wells, the incremental production target for new wells was exceeded by 19%.
VOLGA-URALS REGION

In 2020, this region produced around 41 mmt of hydrocarbons (including 39 mmt of liquid hydrocarbons), or 16% of Rosneft's total output. The Company’s key producing assets there include Bashneft-Dobycha, Orenburgneft, Samaraneftegaz and Udmurtneft.

BASHNEFT-DOBYCHA

Bashneft-Dobycha operates licence areas in the Republics of Bashkortostan and Tatarstan, the Orenburg Region, and the Khanty-Mansi Autonomous Area – Yugra. More than 50% of its proved reserves are concentrated in six major fields, including the Arlanskoye, Yugomashevskoye and Tuimazinskoye fields.

In 2020, Bashneft-Dobycha produced 11.5 mmt of hydrocarbons, including 11.2 mmt of liquid hydrocarbons.

The company performs high-impact well interventions and drills new wells to maintain robust oil production at its mature fields. In 2020, it performed 968 well interventions (in addition to drilling), with incremental production increasing by 4% vs 2019.

Bashneft-Dobycha stepped up production drilling, commissioning 153 new wells in 2020 (vs 114 a year before). The average flow rate of new wells increased by 7% year-on-year to 476 t per day as voidage replacement added 6 p.p.

The biggest drilling growth was seen at the Arlanskoye field, where 88 out of the region’s 148 new wells were built. Given its complex geology, horizontal drilling with multi-stage hydraulic fracturing techniques has been used widely. Over 180 horizontal wells were commissioned at the field between 2016 and 2020.

The average oil flow rate per new well rose by 7% vs 2019, resulting from 1.32 to 1.45 t.

ORENBURGNEFT

More than 50% of Orenburgneft’s proved reserves are concentrated in eight major fields, including the Barinovsko-Lebyazhinskoye, Kuleshovskoye, Mukhanovskoye and Mikhailovsko-Kokhansko fields.

In 2020, the company produced 14 mmt of hydrocarbons, including 12.4 mmt of liquid hydrocarbons.

The number of hydraulic fracturing works increased by 11% to 103, a record high since 2012, with incremental production at 173 kt. Besides drilling, 377 well interventions were performed, up 6% vs 2019, resulting in 690 kt of incremental hydrocarbon production.

Production recovery stood at 142 kt per well, a 5.3% increase vs a year before.

Taas-Yuryakh Neftegazodobycha

5 mmt of hydrocarbons produced in 2020

VOSTSBINEFTEGAZ

Vostsibneftegaz is running a project to develop an expanded high-priority area at the Yusubcheva-Tokhamskoye field, located in the Evenki District of the Krasnoyarsk Territory.

In 2020, Bashneft-Dobycha produced 3.3 mmt of hydrocarbons, including 3 mmt of liquid hydrocarbons.

It performed 46 well interventions, up 5% year-on-year, including new well drilling and sidetracking, which resulted in an incremental production of 535 kt.

Vostsibneftegaz

3.3 mmt of hydrocarbons produced in 2020

Samaraneftegaz

More than 50% of Samaraneftegaz’s proved reserves are concentrated in eight major fields, including the Barinovsko-Lebyazhinskoye, Kuleshovskoye, Mukhanovskoye and Mikhailovsko-Kokhansko fields.

In 2020, the company produced 12.8 mmt of hydrocarbons, including 12.4 mmt of liquid hydrocarbons.

The number of hydraulic fracturing works increased by 11% to 103, a record high since 2012, with incremental production at 173 kt. Besides drilling, 377 well interventions were performed, up 6% vs 2019, resulting in 690 kt of incremental hydrocarbon production.

Production recovery stood at 142 kt per well, a 5.3% increase vs a year before.

Orenburgneft

14 mmt of hydrocarbons produced in 2020

Samaraneftegaz

12.8 mmt of hydrocarbons produced in 2020

55 new wells were drilled, all horizontal. The average flow rate of new wells increased by 39% year-on-year to 105 t per day (from 76 t per day in 2019).
SOUTHERN RUSSIA

RN-KRASNODARNEFTEGAZ

The bulk of proved reserves (76%) at RN-Krasnodarneftegaz are concentrated in the Anastasievsko-Troitskoye and Mechetsko-Chernoyerkovskoye fields.

In 2020, RN-Krasnodarneftegaz produced 1.8 mmtoe of hydrocarbons, including 0.5 mmtoe of liquid hydrocarbons. To ensure stable production, the company drilled twice as many wells as in 2019, with incremental production from new wells more than quintupling. The average flow rate of new wells reached 8.4 t per day, up 12%.

RN-Krasnodarneftegaz has also been performing hydraulic fracturing, well recommissioning and production recovery. The latter’s effect increased by 26% year-on-year to 0.4 kt per well.

RN-STAVROPOLNEFTEGAZ

The bulk of proved reserves (70%) at RN-Stavropolneftegaz are concentrated in the Velichaevsko-Kolodeznye, Zimne-Stavkinsko-Pravoberezhnye, Achikulakskoye and Urozhayenskoye fields.

In 2020, the company produced 0.71 mmtoe of hydrocarbons, including 0.68 mmtoe of liquid hydrocarbons. Since 2012, RN-Stavropolneftegaz has been developing weakly drained reserves in the Jurassic formations by drilling new wells while also proceeding with its prospecting and appraisal efforts.

It commissioned 18 new wells vs nine in the previous year, resulting in 41 kt of incremental production, up 38 kt vs 2019.

Thanks to well interventions, the average flow rate of production wells grew by 7% to 6.6 t per day.

RN-Stavropolneftegaz

0.7 mmtoe of hydrocarbons produced in 2020

TIMAN-PECHORA PROVINCE

Bashneft-Polyus operates a development project covering the Trebs and Titov fields located in the Nenets Autonomous Area.

In 2020, it produced 1.1 mmtoe of hydrocarbons, including 1 mmtoe of liquid hydrocarbons. The 10-millionth tonne of oil was extracted at the Trebs and Titov fields.

Bashneft-Polyus brought on stream 24 new wells, up 9%, with the average flow rate rising by 15% from 147 to 170 t per day. The company drilled a horizontal well at the Trebs field. The well is a naturally flowing well delivering a record flow rate of 438 t per day.

The efficiency of well interventions to recover production grew by 150% to 5.4 kt per well (2.2 kt per well in 2019). The number of operations boosting production increased to 28 (up +6 % vs 2019).

Bashneft-Polyus

1.1 mmtoe of hydrocarbons produced in 2020

The Trebs and Titov fields:

10-millionth tonne of oil extracted

1.8 mmtoe of hydrocarbons produced in 2020

0.7 mmtoe of hydrocarbons produced in 2020

1.1 mmtoe of hydrocarbons produced in 2020

1.1 mmtoe of hydrocarbons produced in 2020
DEVELOPMENT OF HARD-TO-RECOVER RESERVES

The Company’s portfolio of assets with hard-to-recover reserves currently consists of more than 120 fields with over 4 bt of oil in recoverable reserves. Rosneft’s key assets of this type are RN-Yuganskneftegaz and Vostok Oil, with aggregate hard-to-recover reserves of over 2 bt of oil. They are followed by RN-Nyaganneftegaz, RN-Uvatneftegaz and Samaraneftegaz currently accounting for about 90% of the Company’s resource base in terms of hard-to-recover assets.

The Company consistently develops its hard-to-recover oil reserves. Oil production from deposits classified as hard-to-recover reserves under the applicable laws amounted to 19.7 mmt amid the restrictions under the new OPEC+ deal. The share of hard-to-recover reserves rose from 9.7% of the Company’s output in 2019 to 10.2% in 2020. In 2020, Rosneft increased the number of production wells at fields with hard-to-recover reserves by 20% year-on-year to over 48 thousand wells.

In improving its development technologies, the Company focuses on well stimulation at low-permeability formations, in particular using more sophisticated and longer horizontal wells with a higher number of hydraulic fracturing stages. In recent years, Rosneft has commissioned yearly an average of ~100 wells with horizontal sections of over 1 km, using multi-stage hydraulic fracturing, to tap into formations with hard-to-recover reserves. The use of longer horizontal wells and a higher number of hydraulic fracturing stages enables the Company to effectively develop previously unprofitable deposits. On top of that, in 2020, the following activities were carried out as part of projects to develop low-permeable reservoirs:

- more than 50 elements of development systems with horizontal injection wells were drilled;
- more than 100 wells were drilled using infill drilling under the standard development scheme;
- a development technique for low-permeability reservoirs was created with the use of horizontal wells drilled along the regional stress with cross fractures from hydraulic fracturing enabling to boost well productivity rate compared to the standard development scheme and mitigate risks of breaking water-flood-induced fractures;
- a technology of simultaneous isolated production and injection into horizontal wells drilled using multi-stage hydraulic fracturing techniques (MSHF HW) was developed.

In the coming years, the bulk of production from hard-to-recover reserves will be concentrated in the Western Siberian fields with low-permeability formations of the Tyumen suite and the Achimov deposits. Beyond 2020, though, oil production from hard-to-recover reserves will largely depend on elimination of geological and engineering uncertainties related to appraisal and the choice of best development solutions. To this end, the Company implements an exploration programme coupled with pilot projects set to develop low-permeability formations, the Bazhenov suite and high-viscosity oil deposits as part of the Target Innovative Projects. Target Innovative Projects seek to develop technologies to tackle silty sand deposits (structurally complicated undersaturated ultralow-permeability reservoirs), to bring Bazhenov and Domaric plays into production, to introduce thermal recovery methods fit for ultrahigh-viscosity oil fields in the Samara Region, and to develop high-viscosity oil reserves of the Pokurskaya suite formations in Western Siberia.

In 2020, the Company completed the following key initiatives as part of the Bazhen pilot development programme:

- drilled ten horizontal wells with ball-n-drop completion systems in the Salymsky and Priobsky licence areas;
- minimised problems in the process of drilling horizontal wells under abnormally high pressure and temperature conditions. All wells were drilled and completed without any problems;
- the horizontal sections of the drilled wells averaged 970 m long, with a horizontal section of about 1,400 m long drilled for the first time in the Bazhenov suite;
- carried out multi-stage hydraulic fracturing and launched eight wells. The proppant weight was on average 72 tonnes per stage;
- the average initial oil flow rate per stage for launched horizontal wells was 6.8 t per day against the planned rate of 6 t per day.

Multi-stage hydraulic fracturing and the exploration programme in the Bazhenov suite will continue in 2021.
PROGRESS ON THE PROGRAMME TO INCREASE APG UTILISATION RATES

In 2020, the APG utilisation rate for mature assets reached 94.3%, excluding greenfield projects and fields under development (Suzunskoye, Srednebotuobinskoye, Tagulskoye, Lodochnoye, Vostochno-Messoyakhskoye, Yurubcheno-Tokhomskoye, Kondinskoye, Russkoye, Kuyumbinskoye, Severo-Komsomol'skoye, Trebs and Titov fields) where gas infrastructure is yet to be created. If fields under development and greenfield projects at early stages of development are included, the APG utilisation rate amounts to 74.8%.

In 2020, the Company completed the construction of 21 APG utilisation facilities. Some of the most important ones include:
- A complex of facilities for injecting APG into the reservoir at Vostsibneftegaz’s Yurubcheno-Tokhomskoye field (four gas pumping units in phase I). The gradual injection of gas into the system of reservoir pressure maintenance started in August 2020, with a total of 190 mmcm of gas injected in 2020.
- The Troitskaya compressor station at RN-Krasnodarneftegaz with a capacity of 250 mmcm.
- A 50.5 MW gas turbine power plant at the Srednebotuobinskoye field of Taas-Yuryakh Neftegazodobycha.
- A compressor station with a gas treatment unit at Messoyakhaneftegaz’s Vostochno-Messoyakhskoye field8. The pumping of gas into underground storage facilities started in July 2020, with a total of 500 mmcm of gas pumped during the year.

Other facilities are part of the APG gathering, treatment, and transport systems.

GREENFIELD DEVELOPMENT PROJECTS

ERGISNY CLUSTER

The Company continues making progress on its strategic project in the Khanty-Mansi Autonomous Area — Yurga in a bid to develop the Erginsky cluster which consists of five licence areas: Kondinsky, Zapadno-Erginsky, Erginsky, Chaprovskoye and Novoyendyrskoye.

As part of the project to develop the Erginsky cluster, the Company embarked on the full-scale development of its key asset — the Erginsky licence area. A high-pressure pipeline was launched there to transport oil to the Priobskoye field, with marketable oil starting to flow into Transneft’s pipeline system. The area also saw continued production drilling at nine well pads along with the construction of infrastructure facilities, oilfield pipelines, and power transmission lines. Equipment for the first start-up complex of the oil treatment and transportation facility was delivered and is being installed, with the facility scheduled to go on stream in 2021. As part of its efforts to develop the cluster, earlier Rosneft had brought on stream the Kondinskoye and Zapadno-Erginsky fields.

Since the start of the project, the Kondinskoye field has seen 7.2 mmt of oil produced (including 2.6 mmt in 2020), 478 wells from across 23 well pads commissioned, and key infrastructure facilities launched. Drilling started at three new well pads in 2020 as part of the project’s third phase. Marketable oil is transported to trunk pipelines via a 68 km long feeder pipeline.

In 2020, the Company drilled 272 wells in the field and produced 3 mmt of liquid hydrocarbons (up 7% year-on-year).
VANKOR CLUSTER

The Company continues to establish the Vankor cluster (based on the Vankor field) where Suzunskoye and Tagulskoye fields have come on stream and are being actively developed. Rosneft is also getting ready to launch the Lodochnoye field, thus completing formation of the cluster.

Phase 2 of the Suzunskoye field development is underway envisaging the construction of gas facilities (gas treatment unit with a compressor station, the Suzun–Vankor interfield gas pipeline, gas well pads). The Company completed three underwater crossings (2,200 m long in total) by directional drilling and is building the Suzun–Vankor interfield gas pipeline. Follow-up exploration is ongoing on a new prospective target (Nkh-3 formation). Drilling continues in the field’s southern part.

In 2020, a total of 20 wells were drilled at the field, including seven multilateral ones. Production of liquid hydrocarbons totalled 2.1 mmt.

SUZUNSKOYE FIELD

In 2020, we drilled 61 wells, including 33 multilateral ones. Production of liquid hydrocarbons totalled 1.4 mmt.

TAGULSKOYE FIELD

Rosneft continues to build field facilities, well pads, and other infrastructure.

A drilling programme is underway aiming to bring additional reserves into production.

In 2020, the Company drilled 11 wells, including five multilateral ones. Production of liquid hydrocarbons totalled 0.8 mmt.

LODOCHNOYE FIELD

Pilot production continues at the field in the run-up to commercial development.

Production drilling is underway at the most prolific sections by reserves (reservoirs of the Yakovlev suite). Construction and installation work is ongoing at infrastructure and oil and gas treatment facilities to start up key field facilities.

In 2020, the Company drilled 11 wells, including five multilateral ones. Production of liquid hydrocarbons totalled 0.8 mmt.

The Company continues its project to develop the Severo-Danilovskoye field. The dense arrangement of the licence areas and the proximity of the Verkhnechonskoye field will bring meaningful synergies from shared use of the ground infrastructure.

The Severo-Danilovskoye field was launched in the fourth quarter of 2020. Upon completion of hydraulic testing, oil transportation from the field started via a 93 km-long pipeline to the Verkhnechonskoye field. A 4 MW mobile power unit was commissioned at the field to ensure efficient use of APG. It will serve as the main power source until a 31 MW gas turbine power plant is completed. The Company continues production drilling and construction of well pads, infrastructure facilities and roads. Construction and installation started at oil treatment and transportation facilities.

In 2020, we drilled 18 wells at the field, producing 0.3 mmt of liquid hydrocarbons.

The Company is actively building well pads, infield roads, and engineering facilities. The field construction includes drilling over 90 wells on well pads, a reservoir pressure maintenance system, and other top-priority infrastructure facilities.

In December 2020, Rosneft and Equinor closed the transaction whereby the Norwegian company acquired 49% of the Krasnoyarsk Geological Research and Analytical Centre (KrasGeoNats)* engaged in the development of the Danilovsky cluster.

1 Renamed to LLC Angaraneft in March 2021.

DANILOVSKY CLUSTER

1.4 mmt
of liquid hydrocarbons
produced in 2020

2.1 mmt
of liquid hydrocarbons
produced in 2020

0.8 mmt
of liquid hydrocarbons
produced in 2020

0.3 mmt
of hydrocarbon liquids
produced in 2020

* Renamed to LLC Angaraneft in March 2021.
The Company is currently developing the Central Block and the Kurungsky licence area of the Srednebotuobinskoye oil and gas condensate field, which is one of Rosneft’s top-3 assets in Eastern Siberia.

In 2020, production of hydrocarbon liquids totalled 4.8 mmt, up 21% year-on-year. Average daily production at the year end was 13.7 kt per day, which corresponds to the target level of 5 mmtpa.

SREDNEBOTUOBINSKOE FIELD

The Company continues to roll out its multilateral well solutions, including the fishbone design. The world’s first 15-splitter multilateral well was drilled with a total length of 12,792 m, including 10,310 m inside the reservoir. In 2020, a total of 56 wells have been drilled, including 38 multilateral ones.

Since the start of its commercial operation, the field has produced 15 mmt.

Construction of an in-house gas turbine power plant with a design capacity of 50 MW, and a 400-bed shift camp was completed at the field, while construction of a high-pressure gas compressor for maintaining reservoir pressure and increasing APG utilisation rate is continuing, well pads are being prepared for subsequent drilling.

In 2020, the field produced 3 mmt of hydrocarbon liquids.

VOSTOCHNO-MESSOYAKHSKOYE FIELD

In 2020, the asset produced 2.8 mmt of hydrocarbon liquids, up 2% year-on-year. The growth was driven by active drilling operations, new wells going on stream, well interventions on existing wells, and the reservoir pressure maintenance system being deployed.

Vostokneftegaz is running a project to develop an expanded high-priority area at the Yurubcheno-Tokhomskoye field, located in the Evenki District of the Krasnoyarsk Territory.

In 2020, the Company drilled 40 wells, including four multilateral ones. The “controlled pressure drilling” technology is successfully used to reach the design depth of horizontal production wells. The Company relies on horizontal drilling to effectively develop vuggy fractured reservoirs with highly heterogeneous porosity and permeability both along the vertical axis and across the floor area.

As part of the Yurubcheno-Tokhomskoye field development, the Company is developing Vendian and Riphean deposits, which have a complex geological structure. The Vendian deposits lie on top of the productive Riphean deposits, the oldest on the planet, which date back over 1 bln years. In August 2020, the Vendian deposits were penetrated by a production well with an initial flow rate of 149 t of oil per day. Subsequently, a multilateral well with four horizontal sidetracks was built, a record-breaking design for Riphean deposits. The total length of the well is 5,280 m, while its horizontal section is 2,220 m long. The initial oil flow rate was 281.5 t per day, which is several times higher than the average rate of new wells in Russia.

In August 2020, the first start-up complex of the gas compressor (590 mmcm per year) was launched. The gas compressor is the key facility of the gas investment program, designed for APG utilisation by injecting it into the formation to maintain reservoir pressure. The aggregate injection volume from the beginning of development totalled 198 mmcm.

The gas compressor station will reach its design capacity in 2021 upon completion of construction, installation and commissioning activities at the second and third start-up complexes.

In 2020, the field produced 3 mmt of hydrocarbon liquids.
The Severo-Komsomolskoye field proceeded with the pilot development programme for the PK1 formation (joint venture with Equinor). Development drilling is underway, including the construction of a fishbone multilateral well. The field successfully uses intelligent well completion systems with an autonomous oil flow monitoring device. This helps minimise potential geological risks. Advanced technologies also allow drilling wells with a horizontal displacement of up to 2 km. In 2020, a record length of the horizontal section (2,404 m) was achieved in onshore single-bore horizontal wells drilled by the Company.

As part of preparation for the launch of the first stage of full-scale field development, design and estimate documentation was developed and expert reviews were obtained for major construction facilities, extensive contractor selection and material and equipment procurement activities were fulfilled to start construction and installation, and site preparation was completed for nine major standalone infrastructure facilities. In 2020, 25 wells were drilled, including one multilateral well. The asset produced 0.5 mmt of hydrocarbon liquids in 2020, up 23% year-on-year.

The Severo-Komsomolskoye field is developed by Slavneft-Krasnoyarskneftegaz, a joint venture of Rosneft and Gazprom Neft. Production of liquid hydrocarbons at the field increased by 50% in 2020 and reached 0.7 mmt, with 42 production wells completed.

Rosneft continues to build field facilities and supporting infrastructure. As regards the gas programme implementation, areas for temporary underground gas storage were confirmed; the design phase was completed for the compressor station, the key facility of the gas programme, and procurement procedures for gas pumping units were initiated.

Together with the commissioning of the Severo-Komsomolskoye field CGF – Zapolyarnoye MS oil pipeline and the Rospan International oil and condensate pipeline, the second phase of the Zapolyarnoye CGF facility was put into operation and the design scheme of oil delivery to Transneft’s trunk pipeline system in the flow mode was implemented. Two mobile oil treatment units were put into operation, including the Company’s innovative project – the unit developed by Sapphire Applied Engineering and Training Centre.

Production drilling continues along with the construction of oil treatment facilities.

In 2020, the field produced 1.8 mmt of liquid hydrocarbons, more than twice the level of 2019.
VOSTOK OIL – A LARGE-SCALE WORLD-CLASS PROJECT

IN COMPLIANCE WITH THE RUSSIAN PRESIDENT’S INSTRUCTION TO INCREASE THE CARGO FLOW ALONG THE NORTHERN SEA ROUTE, THE COMPANY CONTINUES COMPREHENSIVE DEVELOPMENT OF THE NEW OIL AND GAS PROVINCE IN THE Krasnoyarsk Territory's North as part of the Vostok Oil Project.

The project is implemented at the existing fields of the Vankor cluster, the Payakhskoye field and the Company’s exploration licences on the Taimyr Peninsula. Investment incentives for infrastructure facilitated the economic model’s efficiency and allowed Rosneft to begin project implementation.

500+ mmt of oil and 138 bcm of C1 + C2 gas = recoverable reserves of the Zapadno-Irkinskoye field discovered in 2020

As a result of 2020 exploration activities, the Company discovered a large Zapadno-Irkinskoye field with recoverable C1 + C2 reserves comprising over 500 mmt of oil and 138 bcm of dissolved gas. The Zapadno-Irkinskoye field and the Payakhskoye field are similar in geological structure and form a single oil accumulation zone with unique reserves, which will be developed by implementing a unified approach to exploration planning and selection of development technologies. The project has entered an active phase of design, engineering and survey and land management works. Sites for priority well pads for production drilling, as well as areas for oil gathering, treatment and pumping facilities, for auxiliary infrastructure (facilities for unloading and material and equipment storage, shift camps, aviation infrastructure, etc.) were selected. The design of the first phase is nearing completion and the design of the second phase of the trunk oil pipeline from Payakhskaya MPS 1 to the Sever Bay MS, oil loading terminal and Sever Bay port, has started. Some projects have been submitted to state expert review, and land use documents are being prepared. The first phase facilities will allow transportation and transhipment of up to 50 mmt of oil per year from 2024. The second phase will expand capacity to 100 mmt of oil per year.

PROJECT
A LARGE-SCALE VOSTOK OIL – AS PART OF THE VOSTOK TERRITORY’S NORTH IN THE KRASNOYARSK OIL AND GAS PROVINCE DEVELOPMENT OF THE NEW COMPREHENSIVE STRATEGY

The proximity of extensive existing fields to the unique Northern Sea Route will help procure top-quality feedstock (light sweet crude) and a price with a premium to the Brent grade. The light (40°API) and low-sulphur oil has a better quality than Brent and ESPO crude grades.

Expected cargo traffic along the Northern Sea Route: up to 30 mmt in 2024, up to 50 mmt in 2027 and up to 100 mmt in 2030.

An international partner (Trafigura) joined the project.

Low carbon footprint (12 kg/boe) – 25% of large oil projects’ standard indicators.

The project’s competitive edge

• The synergy effect due to the proximity of extensive infrastructure and expertise gained during the development of the Vankor cluster fields will significantly reduce the time to complete and enhance efficiency of the project.
• The proximity of the project fields to the unique Northern Sea Route will help procure top-quality feedstock (light sweet crude) and a price with a premium to the Brent grade.
• Vostok Oil’s synergy with the Zvezda hi-tech shipyard project in the Far East where Rosneft is one of the shareholders and anchor customer (the project will require up to 50 Arc7 ice-class tankers), will also enhance the efficiency metrics.

Investment incentives

• Infrastructure financing through reduced MET rate imposed on the existing producing fields of the Vankor cluster included in Vostok Oil.
• Zero MET rate for oil until the expiration of 16 years from the year when 1% depletion is achieved for new fields of the project.
• Regional tax incentives: reduced income and property tax rates for existing and new project assets.
• Gradual increase in the tax burden after the return on investment is achieved.

Project highlights

• Proven world-class resource base of 6 blt of liquid hydrocarbons.
• 50 licence areas within the project perimeter.
• The light (40°API) and low-sulphur (<0.05%) oil has a better quality than Brent and ESPO crude grades.
• Expected cargo traffic along the Northern Sea Route: up to 30 mmt in 2024, up to 50 mmt in 2027, and up to 100 mmt in 2030.
• An international partner (Trafigura) joined the project.
• Low carbon footprint (12 kg/boe) – 25% of large oil projects’ standard indicators.

Infrastructure development

• 15 shift camps, several heliports and airfields, oil loading terminal with an annual capacity of 100 mmt.
• 770 km of trunk pipelines and 7000 km of infield pipelines.
• Power units with a total capacity of 2.5 GW, including wind power generation, more than 3.5 thousand km of power transmission lines.
• 50 vessels of various classes, including 10 advanced ice-class tankers with a deadweight of 120 kt.
TRANSPORTATION SERVICES

In 2020, RN-Transport maintained leadership in terms of the Company’s demand share among Group Subsidiaries in the Upstream segment. 550 inefficient or unused machines were withdrawn from operation.

IN-HOUSE OILFIELD SERVICES

The Company continues its drive for expansion and improvement of its oilfield services to deliver high quality and gain a competitive edge. Using the in-house services as the Company’s procurement pricing benchmark minimizes the risk of overpricing by third-party contractors.

DRILLING

In 2020, the Company’s drilling service completed 6,533 thousand m of drilling (1,767 wells, including 28 exploration wells). The share of horizontal drilling reached 71% (+19 p.p. year-on-year).

The operating fleet of the Company’s drilling service at the end of 2020 stood at 344 drilling rigs with an average age of 10 years. The Company has 296 drilling crews.

Key Achievements

- We expanded our mobile drilling business by acquiring 81 drilling rigs (new and used).
- Rosneft successfully progressed with its programme to scale up the technology for drilling two-string horizontal wells with oil-based mud.
- RN-Bureniye participated in drilling the world’s first horizontal well having 15 downhole splitters and a total length of 12,792 m at the Srednebotuobinskoye field of Taas-Yuryakh Neftegazodobycha using the fishbone technology.
- A drilling crew of the RN-Bureniye’s branch in Nefteyugansk broke the industry record for the commercial monthly rate of well construction – 15,360 m per rig.

WELL WORKOVER AND SERVICING

Today, RN-Service is the largest company for well workover and servicing, with branches in 13 Russian regions. In 2020, it provided well servicing to 21 Rosneft’s upstream companies, covering 48% of Rosneft’s needs for well workover and servicing.

Actual orders processed per workover and servicing crew amounted to 575 per year (up 47% against the business plan target). Average service time reduced by 6.4% against the target.

HYDRAULIC FRACTURING

In 2020, 21 of the Company’s hydraulic fracturing fleets were engaged in hydraulic fracturing operations at customer sites. All the contracted hydraulic fracturing fleets executed work at Rosneft’s fields in 2020.

In the reporting period, 6,323 hydraulic fracturing operations were performed at the customer sites, 6.7% higher than the business plan target, which was 5,922. In 2020, the average monthly number of operations per fleet was 33. The Nizhnevartovsk branch achieved an average output of 40.4 hydraulic fracturing operations per fleet, and in August 2020 a record for this region was set at 56.9 operations per fleet.

PROJECTS IMPLEMENTED IN 2020

Since May 2020, RN-Yuganskneftegaz rendered services for comprehensive well preparation for hydraulic fracturing at RN-Yuganskneftegaz fields: seven units for hydraulic fracturing preparation and one unit for coiled tubing preparation (141 pieces).

Construction and maintenance of winter roads for RN-Vankor (pilot area of the East-Tarkosalinskoye field in Purpe) in the season 2020/21 (21 pieces).

KEY ACHIEVEMENTS IN 2020:
- the average machine count – 7,835.3 vehicles;
- services provided – 21,377.7 thousand machine hours;
- technical availability of the rolling stock – 90%;
OFFSHORE PROJECTS

Development of hydrocarbon resources on the continental shelf is one of Russia’s economic priorities and a key strategic area for Rosneft. The largest holder of continental shelf licences, Rosneft carries out a full range of exploration operations in the Russian Arctic, Far East and southern seas in accordance with its commitments, while also developing offshore fields abroad as an operator or a member of consortia and participating in joint international projects as part of such consortia. In implementing continental shelf projects, we focus on environmental monitoring of the areas of operations, mitigating our impact and preserving biodiversity.

55 licence areas on the Russian continental shelf, with an aggregate resource potential of 41 btoe

19 licence areas are located in the Western Arctic (the Pechora, Barents and Kara seas)

7 licence areas in Russia’s southern seas (Black, Caspian and Azov)

9 licence areas in the Eastern Arctic (the Laptev, Chukchi and East Siberian seas)

20 licence areas off the Russian far eastern coast (the seas of Okhotsk and Japan)

OFFSHORE EXPLORATION IN RUSSIA

In 2020, in line with its licence commitments, Rosneft continued exploration and prospecting for oil and gas in offshore areas in the Russian Arctic, Far East, and in the seas of the south Russia.

SEISMIC SURVEYS

In the 2020 field season, Rosneft completed 3D seismic surveys on the shelf of the Pechora and Kara seas, covering 1,235 sq km at the Yuzhno-Russky licence area and a total of 1,562 sq km in Vostochno-Prinovozemelsky-1 and Severo-Karsky licence areas. The seismic data collected in 2020 are undergoing analysis (processing and interpretation), with optimal decisions on the future exploration strategy to be made upon completion.

EXPLORATION DRILLING

In 2020, the Company finished constructing three wells in offshore licence areas – Novaya-2 in the Azov Sea and Vikulovskaya-1 and Ragozinskaya-1 on the Kara Sea shelf.

Drilling of the Novaya-2 exploration well in the Azov Sea started on 21 October 2019. The drilling confirmed the oil and gas bearing potential of the Novoye field to the west. In August 2020, the well was classified as a production one.

The Company drilled Vikulovskaya-1 appraisal well in Vostochno-Prinovozemelsky-1 licence area on the Kara Sea shelf, with a commercial gas bearing potential identified following the interpretation of geographic information system (GIS) data and open-hole testing of prospective intervals. This was how we discovered the field named after Marshal Georgy Zhukov. The State Commission for Mineral Reserves approved the field’s recoverable gas reserves at 800 bcm.

Rosneft also drilled Ragozinskaya-1 appraisal well (Western Dome) in Vostochno-Prinovozemelsky-2 licence area in the Kara Sea, with a commercial gas bearing potential identified in the Upper and Lower Jurassic deposits following the interpretation of GIS data and open-hole testing of prospective intervals. The discovered gas condensate field was named after Marshal Konstantin Rokossovsky. The State Commission for Mineral Reserves approved the field’s recoverable reserves at 514 bcm of gas and 53 mmt of gas condensate.

Our comprehensive drilling programme in the Kara Sea helped us to create a new local oil and gas cluster with estimated reserves in excess of 1.7 tcm of gas and ca. 200 mmt of oil and...
In the fall of 2020, Rosneft, for the region and licence areas, updated the geological model of the Arctic. The results will serve to update the Company’s offshore licence areas, (source rocks for oil and gas, reservoir rocks, and cap rocks) within the region, underwent laboratory and analytical testing to mitigate the potential of the Kara Sea.

Going forward, Rosneft will continue to tap into the oil and gas potential of the Kara Sea.

In 2020, we started the onshore drilling of Madachagakaya No. 2PO appraisal well in the Medynsko–Varandeyksy licence area (Pechora Sea shelf). The drilling completion is expected in 2021.

**REGIONAL GEOLOGICAL SURVEY**

The Company continues to develop and update regional geological models of Russian and foreign offshore fields located in the areas of its presence and interest (Russian Arctic, Far East, southern seas and foreign waters). The rock material collected earlier during onshore field geology expeditions in Sakhalin, the Severnaya Zemlya Archipelago, New Siberian Islands, Black Sea and the Caucasus region, underwent laboratory and analytical testing to mitigate the sub-surface risks related to all elements of petroleum systems (source rocks for oil and gas, reservoir rocks, and cap rocks) within the Company’s offshore licence areas in the Far East and the Arctic. The results will serve to update the geological model of the region and license areas.

In the fall of 2020, Rosneft, for the first time in the history of the Arctic research, drilled ten shallow stratigraphic wells in the north of the Kara Sea during a large-scale expedition. The project’s key objective was to collect core, a valuable rock material used as a source of geological information to determine the age (stratification), composition, and formation conditions of the Arctic shelf rocks. In total, we sampled 300 m of core, which is essential for updating the geological structure and oil and gas potential of the North Kara basin.

**SOIL SURVEYS**

In 2020, soil surveys were performed for infrastructure facilities at the Kaigansko-Vasyukanskoye Sea field located offshore Sakhalin in the Sea of Okhotsk. The results of comprehensive offshore surveys provided full sets of data for well design and construction, subsea facility construction and transportation of produced hydrocarbons, including engineering and environmental protection. Detailed data on soil composition in the area will enable experts to predict geological and geological engineering processes and address risks that might arise during the drilling of production wells and field facility construction.

**ENVIRONMENTAL MONITORING**

The following environmental protection activities were carried out under licence obligations:

- The mouths of previously drilled wells were inspected in the Kara Sea, the Sea of Okhotsk, and the Black Sea. All work was carried out in line with the requirements of the Russian HSE laws. The technical condition of the inspected wellheads was satisfactory, with no hydrocarbon leakages detected.
- Artificial reproduction of aquatic biological resources was conducted to compensate for any potential damage to water life and its habitats.

While implementing the biodiversity preservation programme for the Company’s licence areas, we prepared a reasonable list of indicator species to assess the sustainability of Arctic ecosystems and analysed the occurrence rates for various species existing in these areas.

**OFFSHORE OIL AND GAS PRODUCTION IN RUSSIA**

**SAKHALIN-1 PROJECT**

In 2020, we continued to successfully implement Sakhalin-1.

Rosneft is a member of the project within the consortium that includes ExxonMobil (United States), SODECO (Japan), and ONGC Videsh Ltd (India). The Company’s share is 20%, and the project operator is Exxon Neftegas Limited.

The Sakhalin-1 project involves the development of four offshore fields: Chaivo, Odoptu-Sea, Lebedinskoye (within the Odoptu licence), and Arkutun-Dagi, located in the Sea of Okhotsk on Sakhalin Island’s north-eastern continental shelf.

State-of-the-art technologies and project management methods are used to develop the project fields. At the Odoptu-Sea field, oil is produced from an onshore site and the Orlan platform using wells with record-length boreholes, while Arkutun-Dagi is developed using Berkut, a fixed offshore drilling and production platform that features the world’s heaviest topside.

In 2020, the Sakhalin-1 project produced a total of 12.4 mmt of oil and gas condensate (Rosneft’s share was 2.5 mmt), with over 2.4 bcm of gas (0.5 bcm attributable to Rosneft) supplied to consumers.

Oil from the Sakhalin-1 fields is delivered to the Chaivo onshore oil treatment facility on Sakhalin Island and then transported by pipeline to the De-Kastri oil export terminal in the Khabarovsk Territory.

**NORTHERN TIP OF THE CHAIVO FIELD**

Oil production at the northern tip of the Chaivo field involves five wells drilled from the shore. The wells have a unique, complex design and extended horizontal displacement and leverage smart completion systems with flow control devices to limit gas breakthroughs and maximise production. The offshore project’s operator is RN-Shelf-Far East, the Company’s subsidiary.

The actual oil and condensate output in 2020 was 0.5 mmt, while the total amount of gas supplied to consumers was 0.05 bcm.
Rosneft’s strategic goal for gas business development is to consistently grow its shareholder value through increased gas output supported by a high-performance long-term sales portfolio.

The Company is developing vast gas reserves in Western and Eastern Siberia and holds a unique licence portfolio for hydrocarbon development on the Russian continental shelf. As at 1 January 2020, AB1C1+B2C2 recoverable gas reserves were estimated at 8.7 tcm.

Rosneft produces gas through more than 35 subsidiaries and joint ventures in Western and Eastern Siberia, Central Russia, the south of European Russia, the Russian Far East, as well as in Egypt, and Vietnam.

**Achievements in gas business development**

- Despite the overall decrease in gas production in Russia over the year, the Company managed to curb the decline pace.
- In 2020, we completed the construction of the first start-up complex for the full-scale Rospan development to ensure its launch in Q1 2021 (see more on pages 90–91).
- Construction of key facilities at Kharampurneftegaz is in the active phase. In 2020:
  - works associated with the development of the Cenomanian deposit and the pilot operation of the Turonian deposit at the Kharampurskoye field were on schedule;
  - the construction and installation at the gas treatment unit, which is key for the project, were more than 40% complete;
  - the construction and installation of the gas shipment pipeline were well on track, the pipeline crossing over the road and railway and the crossings over the Vasseyakha, Shonyauyakha and Ayvasedapur rivers were constructed, and the tie-in to Gazprom’s trunk gas pipeline network was built;
  - following the feasibility study, the company started design and survey activities to ensure the full-scale development of the Turonian deposit and the construction of associated field facilities.
- To expand gas production in the Yamal-Nenets Autonomous Area, we acquired the Zapadno-Minkhovsky subsurface site on the Gydan Peninsula (area of federal importance), including an area in the Taz Estuary of the Kara Sea, at an auction held in December 2020.
- In 2020, the Far Eastern LNG project saw a FEED contractor selected following the tender and the onshore facilities of the offshore loading system dismantled as part of site preparations.
- Sibneftegaz constructed the first multilateral horizontal gas well at the Beregovoye oil and gas condensate field, with two cased horizontal boreholes 11 km long in total. The use of multilateral wells in complex geological conditions will help us achieve much higher flow rates as compared with single-bore horizontal wells and reduce geological risks.
- Rospan International drilled a horizontal well and simultaneously penetrated two lower Achimov formations (total length is 5,800 m, with a horizontal section 1,241 m long). The company conducted six hydraulic fracturing stages and injected 1,200 tonnes of proppant, which allowed to more than double the well productivity.

**GAS BUSINESS**

ROSPAN AND KHARAMPUR ARE MAJOR GAS ASSETS VIEWED AS THE TOP DRIVERS OF THE COMPANY’S NEAR-TERM HYDROCARBON PRODUCTION GROWTH.

- Share of gas in the Company’s total hydrocarbon production in 2020:
  - 20%
- Total gas production in 2020:
  - 62.83 bcm
- Recoverable gas reserves:
  - 8.7 tcm

1 Recovered gas volume excluding flared gas and gas used in liquid hydrocarbon production.
Gas production in key regions of operation in Russia and abroad, bcm

**Western Siberia** 43.73
**Eastern Siberia** 7.29
**Foreign Projects** 4.50
**Far East** 2.22
**Volga-Urals** 2.06
**Southern Russia** 1.82
**Other, including Timan-Pechora** 0.21

**In Western Siberia**, which contributed 70%, or 43.73 bcm, of the total gas output in 2020, including 21.86 bcm of natural gas produced mainly by Sibneftegaz, Rospan International, RN-Purneftegaz and Purgaz and 21.87 bcm of APG produced mainly by Samotlorneftegaz, RN-Yuganskneftegaz and RN-Purneftegaz.

**In Eastern Siberia**, gas was produced at the Vankor group of fields, the region’s largest. In 2020, the output at these fields totalled 7.29 bcm, including 5.32 bcm of APG, and 1.97 bcm of natural gas.

**In the Russian Far East**, Rosneft mainly produced associated petroleum and natural gas from onshore fields and on the shelf off Sakhalin, with the bulk of the 3.22 bcm gas production in 2020 coming from the northern tip of the Chaivo field operated by RN-Shelf-Far East.

**In Southern Russia**, the Company’s key gas asset is RN-Krasnodarneftegaz, which produces both natural and associated petroleum gas. The region brought in 1.82 bcm in 2020.

**International projects**, mainly the Zohr offshore field in Egypt, produced 4.5 bcm. Our operations in Vietnam also contributed.

In 2020, Rosneft’s gas production both in Russia and abroad totalled 62.83 bcm, including 30.262 bcm of natural gas and 32.563 bcm of APG. The Company’s international projects, mostly in Egypt and Vietnam, accounted for 4.5 bcm of the total gas output, including 4.49 bcm of natural gas, while its domestic output stood at 58.32 bcm. Some of the Russian gas was processed into liquid hydrocarbons. In 2020, the Company’s gas output in Russia, including gas processed into liquid hydrocarbons, totalled 58.68 bcm.

Gas production decreased by 6.2%, or 4.13 bcm, vs 2019. The decrease is primarily due to APG production going down as a result of oil production cuts under the new OPEC+ deal, a drop in gas demand amid the COVID-19 pandemic, and warm weather.

8.4% Company’s share in Russia’s total gas production

In 2020, the Company’s largest gas-producing region is Western Siberia, which produced 43.73 bcm of the total 62.83 bcm gas production in Russia.

1. Rospan
2. Sibneftegaz
3. Kharampurneftegaz
4. Kynsko-Chaselskoye Neftegaz
5. Vankor group
6. RN-Purneftegaz
7. RN-Yuganskneftegaz
8. Samotlorneftegaz
9. Varzeganneftegaz
10. RN-Nyaganneftegaz
11. RN-Krasnodarneftegaz
12. Orenburgneft
13. Bashneft-Dobycha
14. Bashneft-Polyus
15. Mirkhovskiy cluster
16. Yunubchens-Tokhomskaya group
17. Agalevsky licence area
18. Verkhnechonskneftegaz
19. Taas-Yuryakh Neftegazodobycha
20. BN-Shelf-Far East, Sakhalin-1
21. Bratskekgaz
22. Otradensky and Neftegorsky GPPs in the Samara Region
23. Buzulukskoye GPP in the Orenburg Region
24. Shkavyshkoye and Tuimazinskoye GPPs
25. RN-Yugansk GPP Pererabotka

Company’s share in Russia’s total gas production.

Recovered gas volume excluding flared gas and gas used in liquid hydrocarbon production.
The Achimov production complex lies at the depth of four kilometres and is characterised by abnormally high reservoir pressure of 600 atm or more, which ensures high gas condensate content and contributes to successful commercial application of technologies for separating a propane/butane fraction. The abnormally high reservoir pressure helps extend the primary recovery stage and delay the use of booster compressor stations. The asset is being developed with a widespread utilisation of hydraulic fracturing and cutting-edge HIWAY technique, including multi-stage hydraulic fracturing at horizontal wells. These technologies provide for the most comprehensive development of the low-permeability and hydrodynamically isolated reservoir, while also increasing well productivity. In 2020, the resource base of the deposits under the PRMS standards grew significantly (by up to 30%), as verified by DeGolyer & MacNaughton auditors. The year also saw the first assessment of the Jurassic formations’ resource potential. It was conducted using multivariate analysis of uncertainties and risks using the probabilistic approach. According to the assessment, the Jurassic formations’ resource potential may reach up to 84 mmt, while also increasing well productivity.

2020 RESULTS AND PROGRESS
IN 2020:
- the main construction and installation activities were completed, individual and comprehensive testing of process equipment was started to ensure the launch of key facilities of the first start-up complex at the comprehensive gas treatment unit (CGTU) of the Vostochno-Urengoysky licence area, and the railway terminal for the transshipment of industrial propane/butane produced per year;
- all auxiliary infrastructure and linear facilities, including well pads necessary to ensure the utilisation of the CGTU first start-up complex facilities are ready to commence operation;
- all seven units of the gas turbine power plant at the Vostochno-Urengoysky licence area were launched, permanent power supply to the phase I facilities was set up.

IN FEBRUARY 2021:
- dry gas was transported from the Vostochno-Urengoysky CGTU to the gas shipment pipeline for further transportation through Gazprom’s gas transportation system;
- SGC transportation commenced from the Vostochno-Urengoysky CGTU to Vostochno-Urengoysky oil treatment unit for further shipment to Zapolyarnoye metering station.

PLANS
- gradual ramp-up to design capacity at key production facilities;
- continued construction of the second start-up complex facilities;
- commissioning the SGC loading site at the Vostochno-Urengoysky licence area’s CGTU.

The Achimov production complex lies at the depth of four kilometres and is characterised by abnormally high reservoir pressure of 600 atm or more, which ensures high gas condensate content and contributes to successful commercial application of technologies for separating a propane/butane fraction. The abnormally high reservoir pressure helps extend the primary recovery stage and delay the use of booster compressor stations. The asset is being developed with a widespread utilisation of hydraulic fracturing and cutting-edge HIWAY technique, including multi-stage hydraulic fracturing at horizontal wells. These technologies provide for the most comprehensive development of the low-permeability and hydrodynamically isolated reservoir, while also increasing well productivity.

HISTORICAL BACKGROUND
Rospan traces its history to 1994. In 2013 it joined Rosneft, which proved to be a major turning point thanks to the company’s management. Rospan’s major project is Achimov, the world’s leading gas project. This is the company’s largest gas asset and the top contributor to the company’s near-term production growth. Rospan owns exploration and development rights for the Urengoysky licence area and several other fields in the Vostochno-Urengoysky licence area. The company is developing the Achimov deposits in the Vostochno-Urengoysky licence area, and the project has a significant influence on the project’s success. The company’s asset has the potential to significantly increase the company’s production capacity. The company’s resources are based on the Jurassic formation, which is characterised by high productivity of the reservoir and a high initial pressure. This is the reason for the company’s focus on the Jurassic formation. The project is expected to yield high results within the next 10 years. The company has successfully developed the Achimov deposits and is now focusing on the Jurassic formation.

KEY FACILITIES
- A gas treatment unit at the Novo-Urengoysky licence area;
- a comprehensive gas and condensate treatment unit at the Vostochno-Urengoysky licence area consisting of four production lines;
- an oil treatment unit with a facility to store and transship gas condensate and oil;
- a railway terminal for loading industrial propane/butane mixture at the Korotchayevo station;
- trunk and oilfield pipelines;
- compressor stations and power supply facilities.
KHARAMPURNEFTEGAZ

Also vital to Rosneft's gas business is Kharampur Gas, a project we run together with BP to build field facilities and develop natural gas deposits at the Kharampurskoye field. Its objectives include conventional gas production from the Cenomanian deposit and the pilot and then full-scale development of the Turonian deposit. The Company has the expertise and experience to deliver such complex projects efficiently.

In 2020, construction of key gas-related facilities remained in an active phase:
• the work progressed as planned;
• the construction and installation at the gas treatment unit, which is key for the project, were over 40% complete: foundation concrete was cast, pile caps and metalwork of racks, buildings and structures were manufactured and installed, equipment, process pipelines, etc. were installed;
• the construction and installation of the gas shipment pipeline were well on track: the pipeline crossing over the road and railway was constructed by horizontal auger boring, crossings over the Vassayakha, Shonyauyakha and Ayvasedapur rivers were completed using directional drilling, and the tie-in to Gazprom's trunk gas pipeline network was built;
• the construction of gas gathering networks and fit-up of well pads and power facilities continued.

Also in 2020, as part of the project for the Turonian deposit full-scale development and field facilities construction:
• to enable pilot production in order to confirm reserves, study core samples, and update the geological model; the construction and installation were completed at two gas well clusters; downhole gauges were put into operation, and linear segments of gas gathering lines were tested;
• based on a 2019 feasibility study and the pilot production results, design and survey activities were initiated under the project.

Total recoverable AB1+C1+B2C2 reserves as at 1 January 2021, including the Turonian deposit were ca. 1 tcm of natural gas, 100 mmt of crude oil.

Research was also in progress at the Kharampurskoye field to study the geological structure and production potential of the Berezovskaya suite's low-permeability gas reservoirs. In 2020, we worked with other major subsoil users and the State Commission for Mineral Reserves to complete guidelines for studying and calculating free gas reserves in Coniacian–Campanian deposits (the Berezovskaya suite, etc.) pending approval at a 2021 meeting of the commission's Technology Expert Council.

Plans
To be completed in the near future:
• gas production infrastructure for the Cenomanian deposit;
• key facilities (the gas treatment unit, gas shipment pipeline, and field facilities);
• design and survey activities to enable the full-scale development of the Turonian deposit and field facilities construction, and expert reviews of the design documentation.

Gas production at the Cenomanian deposit is scheduled to start in 2022.
SIBNEfteGaz

This is our biggest gas-producing asset for the moment.

In 2020:
- production drilling continued;
- essential production facilities under construction included:
  - a gas and condensate treatment unit and related infrastructure for the development of the Beregovoye field’s lower horizons;
  - a booster compressor station at the Beregovoye field.

The first multilateral gas well was drilled at the Beregovoye oil and gas condensate field, with two cased horizontal boreholes 1.1 km long in total. The use of multilateral wells in complex geological conditions will help us achieve much higher flow rates compared with single-bore horizontal wells and reduce geological risks.

In 2021, we plan:
- to launch a gas and condensate treatment unit and related infrastructure;
- to launch a booster compressor station at the Beregovoye field;
- to continue building other gas and condensate treatment and transportation facilities.

In addition, we will continue to drill multilateral wells. Based on this experience, we will decide whether the practice should be adopted elsewhere.

Thanks to production maintenance projects at the existing fields and the non-capital-intensive development of the Beregovoye field’s lower horizons, annual gas output in the period until 2022 is expected to reach 13 bcm.

In 2020, we produced 9.8 bcm of natural gas with the cumulative gas output reaching 135 bcm.

As at 1 January 2021, total recoverable AB1+C1+B2C2 natural gas reserves totalled 522 bcm and oil and gas condensate reserves amounted to 31 mmt.

OTHER PROJECTS

In 2020, Rosneft continued to develop prospective gas production centres at its existing fields in Eastern Siberia and the Republic of Sakha (Yakutia).

Verkhnechonskneftegaz

Rosneft and Beijing Enterprises Group Company Limited were jointly exploring the Verkhnechonskoye oil and gas condensate field in the Irkutsk Region.

Our strategic partnership with Beijing Enterprises Group Company Limited is expected to open up new opportunities for monetising gas reserves in Eastern Russia.

Taas-Yuryakh Neftegazodobycha

In the Republic of Sakha, Rosneft, BP and an Indian consortium consisting of Oil India Limited, Indian Oil Corporation Limited and Bharat PetroResources Limited continued to develop the Srednebotuobinskoye oil and gas condensate field, which is set to become the place of a major gas production project.

Kynsko-Chaselskoye Neftegaz

In the long term, we plan to use the infrastructure of the Kynsko-Chaselsky licence area to create a new gas production centre in the south-east of the Yamal-Nenets Autonomous Area. We also expect to develop seven previously acquired licence areas and, in the longer run, the adjacent areas in the eastern part of what is open acreage today. The project’s expected annual output is 15.7 bcm, with a potential to grow to 19 bcm later.

In 2020, we completed the key field works related to engineering surveys, and started to develop design documentation for the project’s first phase, which targets an annual output of up to 8.7 bcm.

In 2021, Rosneft plans to receive survey reports and complete the design documentation.

To expand gas production in the Yamal-Nenets Autonomous Area, we also acquired the Zapadno-Mikhovsky subsurface site on the Gydan Peninsula (area of federal importance), including an area in the Taz Estuary of the Kara Sea, at an auction held in December 2020.

In 2020, we produced 9.8 bcm of natural gas with the cumulative gas output reaching 135 bcm.

As at 1 January 2021, total recoverable AB1+C1+B2C2 natural gas reserves totalled 522 bcm and oil and gas condensate reserves amounted to 31 mmt.
GAS PROCESSING AND BETTER APG UTILISATION

In 2020, the Company’s APG utilisation rate, including fields under development and greenfield projects at early stages of development, stood at 74.8% – or 3 p.p. lower than a year ago. If fields at early stages of development are excluded, the rate was 94.3%.

The Company continued its full-scale efforts to improve utilisation and completed 21 APG facilities in the reporting period.

To further develop our gas processing capabilities, we worked on a project to build the Maisky gas processing complex. The design documentation was developed, and state expert review conclusions were obtained. A decision was made to initiate a procurement procedure for the facility construction services.

LNG PROJECTS

To monetise gas reserves off the coast of Sakhalin as part of the Sakhalin-1 consortium, the Company participates in the Far Eastern LNG project set to build an LNG plant with a capacity of 6.2 mmta near the De-Kastri port in the Khabarovsk Territory. In 2020, the project saw a FEED contractor selected following the tender, the FEED contract signed, LNG marketing campaign developed, and the onshore facilities of the offshore loading system dismantled as part of site preparatons.

In 2021, we plan to complete FEED, start preparation of a tender to select an EPC contractor, and launch the LNG marketing campaign.

Our APG utilisation programme helps reduce the environmental footprint and address ecological issues in the producing regions by utilising associated petroleum gas. One of the Company’s key objectives is zero routine flaring of APG.

INTERNATIONAL GAS BUSINESS DEVELOPMENT

Tapping into gas markets abroad and becoming a global player in the world’s LNG market are among Rosneft’s priorities. The Company’s involvement in international gas projects will ensure a cost-effective increase in natural gas reserves and a balanced risk profile of its asset portfolio.

Egypt: a 30% stake in the unique project to develop the Zohr field together with Eni S.p.A., BP Plc, Mubadala, and EGAS, Egypt’s state oil and gas company.

Vietnam: a 35% stake in the gas and condensate production project at Block 06.1 (as the operator); a 100% ownership of Block 05.3/11 exploration project; and a 32.67% stake in the Nam Con Son gas pipeline.

Brazil: a 100% stake in Solimões Basin exploration project as the operator.

Mozambique: a 20% stake in three offshore exploration blocks (AS-B, ZS-C and ZS-D) with a potential for major gas discoveries.

Latvia: a 10.56% stake in AS Latvijas Gaze, a major natural gas supplier in the Baltic markets, and AS Gaso, the operator of Latvia’s gas distribution networks.
DEVELOPMENT OF INTERNATIONAL PROJECTS IN PROMISING OIL AND GAS REGIONS

Rosneft is a global energy company with a diversified portfolio of international assets. The Company’s mid-term strategic objectives in international expansion include managing its current asset portfolio effectively. Over the longer term, the Company seeks to expand its international presence in the world’s most promising oil and gas regions, grow its resource base, and improve overall performance.

Our main goal of building a sustainable and profitable international presence is the creation of additional value for our shareholders while acquiring new knowledge and expertise for more effective project development both in Russia and abroad. Operating in regions such as South America, North and East Africa, the Middle East, and the Asia-Pacific Region, the Company actively develops local partnerships that are aimed at mutually beneficial implementation of development projects.

In October 2017, Rosneft signed on as a full partner with a 30% stake in the project.

The Zohr field was discovered by Eni in 2015. It covers an area of 231 sq km, with sea depths ranging from 1.2 to 1.7 km and a gas deposit located at a depth of 3.4 to 4 km. Zohr is one of the biggest offshore fields in the Mediterranean Sea. Gas production at the field started in December 2017.

In 2020, two new production wells were commissioned, bringing the total number of wells to 15. The entire range of Zohr’s production wells, production capacities and infrastructure facilities allow it to produce, process and supply up to 90 mmcm of gas per day to the gas transportation system of Egypt.

Actual production in 2020 (100% of the project) totalled 21.7 bcm of gas and 0.2 mmt of gas condensate (Rosneft’s share: 3.89 bcm of gas and 0.04 mmt of gas condensate).

The entire volume of gas production goes to Egypt’s national gas system. The due amount of gas is monetised under a long-term state-guaranteed gas supply agreement with EGAS, an Egyptian state-owned company.

Exploration on the Shorouk Block (including the drilling of a prospecting well) are planned to go on until the end of July 2022.

THE ZOHР PROJECT IN EGYPT

In 2020, the project switched to a self-financing scheme.
Rosneft participates in exploration and a joint international gas and condensate production project at Block 06.1 in the Socialist Republic of Vietnam (Rosneft Vietnam B.V. as the project operator holds 35%, ONGC – 45%, PVN – 20%). The project is implemented in line with the Production Sharing Agreement (PSA). Block 06.1 contains three gas condensate fields, which are located 370 km offshore in the Nam Con Son Basin at a water depth of up to 190 m.

Actual production in 2020 (100% of the project) totalled 3.2 bcm of gas and 0.03 mmt of gas condensate (Rosneft’s share: 0.6 bcm of gas and 0.01 mmt of gas condensate).

On 22 June 2020, Rosneft Vietnam B.V. marked 18 years of safe offshore operations with no lost-time injuries, an important milestone in its activity at Block 06.1.

During the exploration at Block 06.1 in 2019, the Company drilled a prospecting well on PLD’s Clastic Centre area, which showed that it contains a profitable hydrocarbon deposit. Rosneft Vietnam B.V. is now negotiating the timeline for drilling an exploration well with Vietnamese regulators.

In 2013, the Company signed a production sharing agreement for the development of Block 05.3/11. The project is currently at the exploration stage. The licence area is located in the region with confirmed oil and gas bearing potential and extensive infrastructure, and borders on the currently developed fields of Block 06.1.

As part of the second exploration phase at Block 05.3/11 in 2020, the Company finished drilling three exploration wells.

Rosneft also participates in the offshore Nam Con Son pipeline project, which involves the transportation of gas and gas condensate produced at offshore blocks in the Nam Con Son Basin to the onshore processing facility and then to gas turbine power plants for electricity generation. Shares of the project participants: Rosneft Vietnam Pipelines B.V. – 32.7%, Perenco – 16.3%, PVN – 51%.

The pipeline has a capacity of 7.7 bcm per year, carrying ca. 5.6 bcm of gas in 2020, including the gas produced from Block 06.1 and other operators in the Nam Con Son Basin. Its operational efficiency is 100%.

Rosneft participates in a consortium implementing an exploration project at three offshore blocks (A5-B, Z5-C, Z5-D) in Mozambique which were obtained following the fifth licensing round. The consortium includes Rosneft – 20%, ExxonMobil (operator) – 40%, Mozambique’s state-owned ENH – 20%, Qatar Petroleum – 10%, Eni – 10%.

In 2020, the consortium finished processing and interpreting seismic data for the blocks.
The Company participates in a project at Block EP-4 in Central Myanmar through its subsidiary Bashneft. A respective PSA was signed in 2014 between Bashneft International B.V. (90%, operator), Sun Apex Holdings Limited (10%) and national regulator Myanmar Oil and Gas Enterprise.

In 2021, as part of the first phase, the Company plans to drill a prospecting well on one of the most promising areas of Block EP-4.

Bashneft International B.V. is the project operator and holds a 100% stake in the hydrocarbon exploration and production agreement for Block 12.

In December 2019, the second exploration well, Salman-2, was completed and tested by the Company at Block 12 in Iraq’s south. In late 2019, following the testing, the Company submitted to the Iraqi side an application for potential commercial discovery and a further exploration programme for the next two years. As part of the further exploration programme, the Company commenced 3D and 2D seismic surveys in 2020. It plans to continue exploration drilling in 2021.

Since 2017, Rosneft has been running a hydrocarbon exploration and production project in Iraqi Kurdistan. The Company is the project operator, holding an 80% stake in five PSAs.

In 2020, it successfully finished the production piloting and started drilling the first exploration well at the Bejil field.

Exploration in the past years led to a number of gas discoveries. In 2020, the Company continued studying the geological structure and the oil and gas bearing potential of the basin.

The Company also continued seismic surveying and preparing for exploration drilling as part of the first subphase under the PSA.

Through its subsidiary, Rosneft Brasil E&P Ltda, Rosneft engages in a prospecting and exploration project at licence areas in the Solimões River Basin (State of Amazonas), holding a 100% stake and operatorship in these licences.
DOWNSTREAM (REFINING AND MARKETING)

The Company ranks No. 1 in Russia in terms of refining capacity and throughput. It operates 13 large refineries, which processed 93 mmt of oil in 2020.

KEY RESULTS AND FOCUS AREAS IN 2020 (OIL REFINING)

In the reporting year, Rosneft’s Russian refineries processed 93.0 mmt of crude oil (104.0 mmt with foreign assets included). Trym refining depth and light product yield in 2020 were 74.5% and 57.1%, respectively.

Rosneft continues to implement existing facility maintenance initiatives and refinery upgrade programmes. The total spending on Oil Refining maintenance and upgrade projects under IFRS amounted to RUB 34.4 bn in the reporting year. The Company remains focused on highly efficient projects to debottleneck the refinery configuration by overcoming production and technical constraints, and developing bitumen production, as well as increasing operational efficiency and reducing operating costs.

REFINERY UPGRADE PROGRAMME IN RUSSIA

The Company continued to implement the refinery upgrade programme in the Russian Federation, which involves the construction and renovation of process units and facilities in order to increase the depth of processing, light product yield, and the output of high-quality motor fuels and provide the Company’s sales channels with petroleum products that meet the requirements of the Technical Regulations of the Customs Union.

Most upgrade projects are in the active stage of implementation, with the bulk of equipment purchased, engineering design finalised, construction and installation in progress. Top priorities are hydrocracking units at the Tuapse, Achinsk, Novokuibyshevsk and Komsomol’sk refineries.

When completed, the programme will improve the product portfolio and boost the competitiveness and profitability of the Russian refineries.

Achievements in 2020

• The Kuibyshev Refinery completed construction of a central laboratory for the MTBE unit and obtained a certificate confirming its compliance with the design documentation.
• The Yaroslavl Refinery developed a baseline design for the diesel fuel hydrotreating process as part of the deep conversion unit construction project.

REFINERY MAINTENANCE PROGRAMME IN RUSSIA

Rosneft continues to implement existing facility maintenance initiatives and refinery upgrade programmes. The total spending on Oil Refining maintenance and upgrade projects under IFRS amounted to RUB 34.4 bn in the reporting year. The Company continues to implement the refining configuration by overcoming production and technical constraints, and developing bitumen production, as well as increasing operational efficiency and reducing operating costs.

Rosneft continued working to ensure compliance with the instructions issued by regulatory authorities, minimise environmental risks, align rules and procedures with relevant requirements, replace worn-out equipment, and implement target programmes at the Company’s refineries in Russia.

In 2020, Rosneft continued to implement:
• a large-scale programme to comply with instructions issued by the Federal Service for Environmental, Technological and Nuclear Oversight (Rostechnadzor) following the inspections of production facilities;
• a programme for measuring in-house material flows;
• projects for emergency recovery of gas fractional section of the Achinsk Refinery’s LK-6Us unit and a hydrocracking unit at Bashneft-Ufaneftekhim;
• measures aimed at reducing unscheduled production stoppages: replacement of worn-out equipment, implementation of industrial and fire safety projects, as well as targeted pipeline replacement and reliability improvement programmes.

NEW PRODUCTS
In 2020, the product range of Russian refineries was expanded to meet market demand:
• The Syzran Refinery and Achinsk Refinery started producing RMLS, a low-sulphur marine fuel compliant with IMO requirements. The fuel contributes to minimising the bunker’s environmental footprint.

ENVIRONMENT
In 2020, the Company continued to implement a number of large-scale projects to minimise the environmental impact of Rosneft’s operations, including:
• renovation/upgrade of wastewater treatment facilities at the Ryazan, Kuibyshev and Novokuibyshevsk refineries, and an oil sludge disposal unit at Bashneft-Ufaneftekhim;
• construction of a new two-unit desulphurisation system and an elementary sulphur complex at the Ryazan Refinery;
• construction of two additional elemental sulphur production lines at Bashneft-UNPZ.

IMPORT SUBSTITUTION, DEVELOPMENT AND LAUNCH OF NEW PRODUCTS, AND PRODUCT APPROVAL PROCESSES
In 2020, the Ryazan Refinery switched another catalytic reforming unit over to a catalyst produced in house. It is the fourth out of five reforming units at the Ryazan Refinery to have successfully replaced costly foreign catalysts with Russian-made products. The catalyst produced by the Angarsk Plant of Catalysts and Organic Synthesis delivers outstanding performance in terms of its stability and product yield from hydrocarbon feedstock. In October 2020, the first commercial batch of the in-house produced hydrotreating catalyst was loaded into the diesel fuel hydrotreater 24/7-2bl at the Ryazan Refinery. Before that, the catalyst produced by RN-Kat, Rosneft’s specialist subsidiary, had successfully passed production tests at the Company’s Ufa Group of Refineries. This is the first diesel fraction hydrotreating catalyst for the Russian refining industry capable of fully replacing its foreign peers to produce the Euro-5 ultra-low-sulphur (below 10 ppm) diesel.

IDZ-028RN, an isodewaxing catalyst developed by RN-TsIR, successfully passed pilot tests at the Angarsk Plant of Catalysts and Organic Synthesis. The Novokuibyshevsk Catalysers Plant has produced a commercial batch of the catalyst for the Kuibyshev Refinery. Meanwhile, Bashneft-UNPZ has been using a diesel fraction hydrotreating catalyst developed by RN-TsIR and produced by the Angarsk Plant of Catalysts and Organic Synthesis. The catalyst, Ht-100RN, has so far proved more reliable than foreign-made alternatives. Another product, RN-Kat’s catalyst for hydrodesulphurisation of vacuum gasoil, is being production-tested at unit 24/8 of the Syzran Refinery. Preliminary results show it to be on par with the previously-used imported alternatives. Finally, the Ryazan and Strezhevskoy refineries are testing the guard beds of gasoline fraction hydrotreating catalysts developed by VNII NP.

The Saratov Refinery started producing diesel fuel with a new Russian-made additive RN-DDP-2401. The new additive demonstrates excellent performance, with some of its properties...
In 2020, the Oil Refining segment met the approved energy saving target. The actual savings amounted to over 200 ktoe against the plan of 120 ktoe. 

**COMPREHENSIVE ACCELERATED DIGITAL TRANSFORMATION PLAN**

In 2020, the Company continued working on initiatives under the consolidated strategy implementation plan in Oil Refining. They included:

- approving the funding to roll out a standardised solution for optimised blending of dark petroleum products at five refineries;
- signing contracts for the implementation of an optimised process control system at 47 units of the Ryazan and Saratov refineries, and Bashneft. The work to adopt the process control system started at six units as provided for in the roadmap;
- approving functional and engineering specifications for the development and deployment of the Digital Plant information system at Bashneft;
- developing and updating 24 process unit models;
- approving functional and engineering specifications to build a single information space at the production control centre of the Syzran Refinery;
- a project launched to develop and deploy a manufacturing execution system in Oil Refining.

Measures to cut energy consumption produced an economic effect of over RUB 22 bln (including quick diagnoses and additional measures with an EBITDA impact).

The actual economic effect of the Ryazan and Saratov refineries amounted to over RUB 1.4 bln, positively affecting the energy efficiency by 2.8 p.p.

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**OIL REFINING**

**RUSSIA**

Rosneft operates the largest oil refining capacities in Russia and controls refineries in the key regions of the country. In 2020, the Company’s domestic capacities processed 93.0 mmt of oil, while their average Nelson Index stood at around 8.1.

**FOREIGN ASSETS**

In Germany, the Company’s subsidiary Rosneft Deutschland GmbH holds interests (24% to 54%) in three refineries, controls more than 12% of the country’s oil refining capacities, and ranks third by capacity (12.8 mmta). Its facilities have an average Nelson Index of 9.0.

In Belarus, Rosneft indirectly holds a 21% stake in the Mozyr Refinery.

The Company also holds a 49% stake in India’s second-largest high-tech refinery in Vadinar with a total throughput capacity of 20 mmta and a Nelson Index of 11.8.

The Company joined efforts with its partners in Asia Pacific to design a refinery and a petrochemical complex in Indonesia and finalise a refinery project in China.

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**OIL REFINING Capacities**

**Average Nelson Index of Rosneft’s Russian refineries**

**Rosneft’s refining capacities**

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Crude input in 2020</th>
<th>Planned capacity for 01.01.2021, mmt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuapse Refinery</td>
<td>12.0</td>
<td>13.1</td>
</tr>
<tr>
<td>Achinsk Refinery</td>
<td>9.0</td>
<td>10.2</td>
</tr>
<tr>
<td>Angarsk Petrochemical Company</td>
<td>7.5</td>
<td>7.3</td>
</tr>
<tr>
<td>Korsakovsk Refinery</td>
<td>10.2</td>
<td>9.3</td>
</tr>
<tr>
<td>Buzuluk Refinery</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Ryazan Refinery</td>
<td>13.1</td>
<td>13.1</td>
</tr>
<tr>
<td>Saratov Refinery</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Slavneft- VANDOS (52%)</td>
<td>6.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Novokuibyshev Refinery</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Kuzbass Refinery</td>
<td>8.3</td>
<td>10.0</td>
</tr>
<tr>
<td>Sibur Refinery</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Ufa Group of Refineries</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Small refining facilities</td>
<td>1.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>

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**Light products in %**

<table>
<thead>
<tr>
<th></th>
<th>50.0</th>
<th>64.1</th>
<th>50.7</th>
<th>58.0</th>
<th>50.5</th>
<th>55.6</th>
<th>58.6</th>
<th>53.7</th>
<th>63.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuapse Refinery</td>
<td>Not calculated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1 Small refining facilities include Nakhimovsk Refinery, Krasnoyarsk Refinery, Purneftepererabotka and Strakhovsky Refinery (50%), excluding processable waste.
REFINING CAPACITIES IN RUSSIA

NOVOKUIBYSHEVSK REFINERY

Oil refining product mix, mmt

Processed in 2020: 6.7 mmt
The refining depth was 74.1%

- Naphtha: 6.1
- Motor gasoline: 12
- Kerosene: 2.2
- Diesel fuel: 2.2
- Fuel oil: 1.6
- Other: 0.8

In 2020, investments were aimed at maintaining the existing facilities, building a hydrotreating complex with off-site facilities, implementing operational efficiency projects, and developing designs for other facility upgrade projects.

In 2020, the Novokuibyshevsk Refinery carried out comprehensive repairs of 18 units; a new explosion-proof control room was installed at AVT-11 distillation unit.

SYZRAN REFINERY

Oil refining product mix, mmt

Throughput in 2020: 6.5 mmt
The refining depth was 79.0%

- Naphtha: 0.2
- Motor gasoline: 11
- Kerosene: —
- Diesel fuel: 2.2
- Fuel oil: 1.3
- Other: 14

In 2020, investments were focused on further construction of a vacuum gasoil hydrotreating unit, hydrogen and sulphur production units, off-site facilities, an FCC unit, a diesel fuel hydrotreatment unit, as well as maintenance and operational efficiency initiatives.

Debottlenecking projects in 2020 included a contract to purchase a vacuuming system for the ELOU-AVT-6 unit with a supporting fluid discharge system to reduce corrosiveness, sulphide content and water as part of the project to increase the vacuum gasoil extraction at the ELOU-AVT-6 unit.

The Company launched production of RMLS 40, a low-sulphur residual marine fuel compliant with the IMO requirements introduced early in 2020.

KUIBYSHEV REFINERY

Oil refining product mix, mmt

Throughput in 2020: 4.5 mmt
The refining depth was 66.2%

- Naphtha: 0.5
- Motor gasoline: 0.6
- Kerosene: —
- Diesel fuel: 1.4
- Fuel oil: 1.4
- Other: 0.1

In 2020, investments were focused on further construction of a vacuum gasoil hydrotreating unit, hydrogen and sulphur production units, and off-site facilities, as well as maintenance and operational efficiency initiatives.

The Company launched production of RMLS 40 (type EII), a low-sulphur marine fuel with sulphur content below 0.5%, which makes it fully compliant with the International Convention for the Prevention of Pollution from Ships (MARPOL). Process pipelines in workshop No. 1 were upgraded, with the tar and oil fuel block of the AT-6 unit connected.

RYAZAN REFINERY

Oil refining product mix, mmt

Processed in 2020: 13.1 mmt
The refining depth was 74.3%

- Naphtha: 0.3
- Motor gasoline: 2.7
- Kerosene: 0.8
- Diesel fuel: 3.7
- Fuel oil: 3.3
- Other: 1.8

In 2020, investments were aimed at maintaining the existing facilities, implementing operational efficiency projects, and developing designs for other facility upgrade projects.

The Company launched production of RMLS 40 (type EII), a low-sulphur marine fuel with sulphur content below 0.5%, which makes it fully compliant with the International Convention for the Prevention of Pollution from Ships (MARPOL). Process pipelines in workshop No. 1 were upgraded, with the tar and oil fuel block of the AT-6 unit connected.

* Including marine fuel.
SARATOV REFINERY

In 2020, the refinery focused on the maintenance of existing facilities, improving operational efficiency, and highly efficient debottlenecking projects related to facility configuration.

Turnkey upgrade of the process furnaces P-1 and P-2 was completed at the diesel fuel hydro-treater L-24-6, facility No. 2. A compressor with regulated air supply was installed at the bitumen production unit.

Processed in 2020:

- 6.3 mmt

The refining depth was 80.1%

Oil refining product mix, mmt

Processed in 2020:

- 9.0 mmt

The refining depth was 65.4%

Oil refining product mix, mmt

TUAPSE REFINERY

In 2020, investments were focused on large-scale renovation projects, including the construction of a hydrocracking and hydrotreating complex with off-site facilities. Other projects were related to maintenance of the existing facilities.

The Company completed the construction to launch fuel oil quality control procedures using an inline viscosity meter at the ELOU-AVT-12 unit.

Processed in 2020:

- 9.0 mmt

The refining depth was 65.4%

Oil refining product mix, mmt

ACHINSK REFINERY

In the reporting year, investments were focused on the comprehensive upgrade programme, including the construction of a hydrocracking complex with off-site facilities and a petroleum coke production unit, as well as on operational efficiency improvement and maintenance of the existing facilities, including the restoration of a gas fractionation section of LK-6Us unit.

Work started to assess the feasibility of gasification of the Achinsk Refinery.

The refinery started producing RMLS, a low-sulphur marine fuel compliant with IMO 2020 requirements.

Processed in 2020:

- 7.1 mmt

Throughput in 2020: 7.1 mmt

The refining depth was 65.6%

Oil refining product mix, mmt

Processed in 2020:

- 9.3 mmt

The refining depth was 82.2%

Oil refining product mix, mmt

ANGARSK PETROCHEMICAL COMPANY

In 2020, investments were focused on the comprehensive upgrade programme, including the construction of sulphuric acid alkylation units and a diesel fuel hydrotreater with off-site facilities, as well as on operational efficiency improvement and maintenance of the existing facilities.

Processed in 2020:

- 8.2 mmt

The refining depth was 82.2%

Oil refining product mix, mmt

* Including marine fuel.
The Company holds interests in several small refining facilities in Russia, including the Nizhnevartovsk Refinery, Krasnoleninsky Refinery, Purneftepererabotka and Strezhevskoy Refinery (50%). In 2020, these facilities processed a total of 1.9 mmt of crude oil, including 1.5 mmt processed by the Nizhnevartovsk Refinery, the largest of them.

In 2020, investments were focused on the comprehensive upgrade programme, including the construction of a hydrocracking and hydrotreating complex with off-site facilities, as well as on operational efficiency improvement and maintenance of the existing facilities.

Throughput in 2020: 5.9 mmt
The refining depth was 63.1%

A boiler house was upgraded.

The ELOU AVT-2 crude oil distillation unit was upgraded, with internals replaced in two of its columns. Repairs and recovery activities were completed at the delayed coking unit.

A strategy for the comprehensive upgrade programme was implemented, which included the construction of a hydrocracking and hydrotreating complex with off-site facilities.

Bashneft-Novoil, Bashneft-Ufaneftekhim, and Bashneft-UNPZ

In 2020, investments were largely focused on maintenance of the existing facilities, aligning rules and procedures with relevant requirements, implementation of a comprehensive upgrade programme and operational efficiency improvements.

Throughput in 2020: 15.5 mmt
The refining depth was 86.0%

The refining product mix, mmt

Naphtha 0.4
Motor gasoline 2.9
Kerosene 0.1
Diesel fuel 6.1
Fuel oil 1.9
Other 2.2

NOVOKUIBYSHEVSK OILS AND ADDITIVES PLANT

In 2020, the plant continued to implement its oil quality improvement programme as part of the hydrogenation facility construction projects (Phase 1 and 2) and proceeded with operational efficiency, environmental, infrastructural and capacity maintenance initiatives.

Processed in 2020: 936 kt of feedstock and made 390 kt of marketable products
PETROLEUM PRODUCT QUALITY CONTROL

The motor fuels produced by Rosneft’s refineries have high performance and environmental characteristics and meet the K5 fuel class requirements outlined in the Technical Regulations of the Customs Union CU TR 013/2011 On Requirements for Motor and Aviation Gasoline, Diesel and Marine Fuels, Fuels for Jet Engines, and Fuel Oil. The quality of Rosneft’s motor fuels has been confirmed by qualification and bench tests run by specialised R&D centres, and various awards and accolades.

Quality management systems at the Company’s refineries comply with the ISO 9000 international standards and ensure high-quality production and a minimum number of customer claims.

The Company’s refineries have a multi-stage Quality Control system for feedstock and marketable products, including incoming control of feedstock, chemicals, and additives supplied to the plants, as well as multi-stage monitoring and quality control of components and marketable products throughout the entire production cycle, i.e., from feedstock delivery to a facility to product sales.

Since 2019, the Company has been conducting enhanced quality monitoring of oil delivered for refining.

The testing laboratories at the refineries are equipped with state-of-the-art equipment and analytical instruments to ensure highly accurate and reliable test results.

Product compliance is confirmed through certification performed with the assistance of accredited testing laboratories and leading research institutes.

The Company’s refineries regularly hold Quality Days attended by the employees of relevant units to study the best practices for improving production efficiency and quality control, and share experience in ensuring quality and safety of petroleum products.

In 2020, the Company continued expanding the range of additives that improve performance characteristics of motor fuel. These activities helped reduce additives purchase costs by considerably increasing the number of available alternatives. As part of the import substitution programme, the Company’s refineries use only anti-wear additives produced by the Group Subsidiaries in Russia. In addition, Rosneft – MP Nefteprodukt launched the production of dispersant and depressor additives for diesel fuels in 2020.

Consistent measures to improve and control the quality of petroleum products resulted in more stringent requirements for AI-95-K5 Euro-6 motor gasoline with improved environmental and performance properties. This gasoline contains less sulphur, benzene, aromatic and olefinic hydrocarbons and resins, and has a longer shelf life. Its production was launched at Bashneft (Bashneft-Novobil), Saratov Refinery, Ryazan Refinery and Syzran Refinery. The product will be marketed in the Republic of Bashkortostan, Krasnodar Territory, Ryazan, Kaluga, Tula and Moscow Regions, and the city of Moscow.

OVERVIEW OF INTERNATIONAL OIL REFINING ASSETS AND PROJECTS

ROSNEFT DEUTSCHLAND GMBH (RDG)

The Company entered the German petroleum product market in 2011 when it acquired a 50% stake in Ruhr Oel GmbH (ROG). Following ROG reorganisation in 2016, Rosneft gained direct control over more than 12% of Germany’s oil refining capacities; with a total throughput capacity of about 12.5 mtpa. The Company became a shareholder in three major refineries: Bayernoil (12.5%), MHP (12%), and PCK Schwedt (35.42%). It then doubled its shares in the refineries to 25%, 24% and 54.17%, respectively. At the same time, BP accumulated a 100% share in the Gelsenkirchen Refinery.

In December 2019, Rosneft Deutschland GmbH closed the deal to acquire 3.57% of shares in Bayernoil Raffineriegelsenchaft mbH from BP Europa SE, increasing its stake to 28.57%. As a result, the Company saw its share in the refining capacities of Bayernoil grow to almost 3 mtpa, with its total throughput capacity at German refineries reaching 12.8 mtpa, which strengthened its positions both in Bavaria, one of the largest industrial regions of Germany, and in Austria.

Rosneft is the third largest player in the German oil refining market. Operating activities are carried out by its subsidiary, Rosneft Deutschland GmbH, established in 2017. Rosneft supplies almost a quarter (about 23 mtpa) of crude oil imports to Germany.

Following the joint venture restructuring agreement, Rosneft and BP decided on the gradual adaptation of the petroleum product sales chain to ensure full...
and timely performance under the contracts with refinery customers during the transition phase, which was completed as scheduled. On 1 January 2019, Rosneft Deutschland GmbH initiated direct sales of petroleum products manufactured at the three German refineries partially owned by Rosneft. The product mix includes gasoline, diesel, heating oil, jet fuel, LPG, bitumen, fuel oil, and petrochemical products. The Company is a leader in the German petroleum wholesale market.

Apart from direct supplies from its refineries, the Company uses over 30 export terminals in Germany to deliver petroleum products by road, rail, and river. The company’s customer base includes more than 600 enterprises in Germany, Poland, the Czech Republic, Switzerland, Austria, and France, as well as Turkey, Singapore and Thailand.

The company owes the success of its large-scale sales to the similar experience it had with bitumen supplies in 2018. That year, Rosneft Deutschland GmbH was supplying its products to over 130 customers across Germany.

Apart from that, Rosneft Deutschland GmbH signed contracts on in-plant fuelling with airports in Munich, Berlin and Stuttgart to expand its jet fuel market presence in Germany. In the reporting year, customers of Rosneft Deutschland GmbH were successfully transferred to the new Berlin Brandenburg Airport.

As a shareholder of PCK Refinery in Brandenburg, Rosneft Deutschland GmbH supplies about a half of the total kerosene consumed at Berlin airports. Due to COVID-19 restrictions, jet fuel output decreased in 2020.

As part of the initiative to create a marketing function, Rosneft Deutschland GmbH deployed an advanced enterprise resource planning system SAP S/4HANA. The deployment project turned to be the largest in the European oil and gas industry and one of the biggest worldwide in terms of data volume transferred. S/4HANA is a top-notch resource planning solution.

MOZYR REFINERY

The Company indirectly holds a 21% stake in the Mozyr Refinery (Belarus) through Savneft. In 2020, Rosneft’s share in the throughput of the Mozyr Refinery amounted to 1.9 mmt. The Company is completing its investment project to construct a heavy residue hydrocracking unit scheduled to be launched in 2021.

NAYARA ENERGY LIMITED

In August 2017, Rosneft closed the deal to acquire 49.13% of shares in Essar Oil Limited (renamed Nayara Energy Limited in May 2018), an Indian company that owns a major refinery in Vadinar and a retail chain of filling stations across India.

The Vadinar refinery has a capacity of 20 mmtpa and ranks second in the Indian market by throughput. It is among the world’s Top 10 most complex refineries, with a Nelson Index of 11.8. It is highly flexible as it can process heavy and extra-heavy crude, which accounts for over 90% of its annual throughput, and has achieved high operational efficiency for its assets.

The refinery owns a deep-water port that can accommodate VLCC supertankers, while its power station independently provides ample power supply.

Nayara Energy Limited runs a large network of filling stations under the Essar and Nayara brands in India. As at the end of December 2020, the network included 5,975 in-house and 13 rented oil depots.

Nayara Energy Limited operates in 30 out of 36 regions of India and accounts for around 5.8% of the Indian market in terms of sales. The company is planning to increase the number of filling stations to 76 thousand by 2024, selecting the most promising territories for development.

Nayara Energy Limited is implementing a phased development programme for its Vadinar refinery. In October 2020, the Board of Directors of Neyara Energy Limited made a final investment decision to green-light the first phase of this programme.

During this phase, the company will reconstruct the catalytic cracking facility and build new polypropylene production units with an annual capacity of up to 450 kt.
PROMISING FOREIGN PROJECTS

In order to expand its presence in the growing high-margin markets, Rosneft is carrying out a number of promising oil refining and petrochemicals projects in Indonesia and China.

REFINERY AND PETROCHEMICAL COMPLEX CONSTRUCTION IN TUBAN

The project is implemented in cooperation with Pertamina, an Indonesian oil and gas company, through the establishment of a joint venture named PT Pertamina Rosneft Pengolahan dan Petrokimia (45% owned by Rosneft and 55% by Pertamina) on 28 November 2017.

Its design capacity will be up to 16 mmtpa for primary oil refining, over 1 mmtpa for ethylene production and 1.3 mmtpa for aromatic hydrocarbons production.

In October 2019, PT Pertamina Rosneft Pengolahan dan Petrokimia signed a contract with Spanish Tecnicas Reunidas SA on the basic (BEO) and front-end engineering design (FEED) for an oil refining and petrochemical complex in Tuban (Java, Indonesia). The complex is scheduled to be commissioned in 2026.

PETROCHINA-ROSNEFT ORIENT PETROCHEMICAL COMPANY, TIANJIN (JOINT VENTURE)

The Board of Directors of PetroChina-Rosneft Orient Petrochemical has approved process configurations of the refinery and the aromatic hydrocarbons complex. Following a change in the Chinese petroleum product market, the parties agreed to update the project’s feasibility study.

PETROCHEMICALS

Petrochemical assets form a crucial part of Rosneft’s production complex. High product quality and continuous improvement of production processes provide the Company with a competitive edge over other Russian and foreign players in the domestic market.

Rosneft’s petrochemical complex comprises:

- Angarsk Polymer Plant;
- Novokuibyshevsk Petrochemical Company;
- Ufaorgсинтез.

Rosneft also has petrochemical production lines at Bashneft-Ufaorgсинтез (an aromatic hydrocarbon production complex) and the Angarsk Petrochemical Company (methanol, butyl alcohol, and amine production units).

ANGARSK POLYMER PLANT

The plant’s main products include ethylene, high-density polyethylene, propylene, benzene, butylene-divinyl fraction, ethylbenzene, styrene, polyisoprene, etc.

As of now, the Angarsk Polymer Plant is the only polystyrene and high-density polyethylene manufacturer in Eastern Siberia. The plant’s annual output includes over 200 kt of ethylene, over 100 kt of propylene, and 60 kt of benzene. Ethylene is partially supplied to Sayanskikhimplast as feedstock, while the remainder is used to produce high-density polyethylene and other petrochemicals. The plant uses straight-run gasoline and hydrocarbon gases mainly produced by the Angarsk Petrochemical Company as feedstock.

In 2020, the Angarsk Polymer Plant processed 735.3 kt of hydrocarbon feedstock, while its output of high-value-added marketable products amounted to 576.8 kt.

NOVOKUIBYSHEVSK PETROCHEMICAL COMPANY

The Novokuibyshevsk Petrochemical Company is one of the largest gas processing, petrochemical, and organic synthesis companies in Russia and Eastern Europe.

Its product mix comprises over 30 articles, including tert-amyl methyl ether (TAME), synthetic phenol, synthetic ethanol and acetone for industrial application, LPG, and para-tertiary butylphenol (PTBP).

The company produces 300 kt of TAME, a high-octane additive for motor fuels, and has PTBP production facilities unavailable in Russia and the CIS. It is also the only synthetic ethanok manufacturer in the country.

In 2020, the company processed 877.4 kt of feedstock and manufactured 839.9 kt of marketable products.

The company is carrying out a project to build a pilot plant for the production of synthetic polyalkylene base oils (PAO) characterised by high viscosity and a low freezing point. At present, polyalkylene base oils are not produced in Russia.

In 2020, the company processed 643.9 kt of hydrocarbon feedstock and manufactured 576.2 kt of marketable products.

UFAORGSINTEZ

Ufaorgсинтез is one of the largest petrochemical enterprises in Russia. It focuses on the production of phenol, acetone, high-density polyethylene, polypropylene and its copolymers, synthetic rubber, and other organic synthesis products. The plant accounts for over 30% of phenol produced in Russia and is a leading producer of acetone. Ufaorgсинтез has a capacity of more than 850 ktpa.

The company’s products are widely used to manufacture plexiglass, phenol formaldehyde resins, alkylphenols, plastic films, industrial rubber, and other products for industrial, agricultural, mechanical engineering, consumer goods, healthcare, electronics and electrical engineering applications.

Some of its organic synthesis products are unrivalled in Russia. The company’s ethylene propylene diene monomer (EPDM) rubber is a component of various industrial rubber products, including those used in the defence industry and cable insulation in electrical appliances.

In 2020, the company processed 643.9 kt of hydrocarbon feedstock and manufactured 576.2 kt of marketable products.
GAS PROCESSING
The Company’s gas processing assets process associated petroleum gas from Rosneft’s oil and gas production facilities, and their output is mainly utilised as feedstock for Rosneft’s petrochemical subsidiaries.
Rosneft’s gas processing assets include:
- Otradnensky Gas Processing Plant (OGPP);
- Neftegorsky Gas Processing Plant (NGPP);
- Tuymazinsky Gas Processing Plant (TGP);
- Shkapovsky Gas Processing Plant (ShGPP);
- RN-Buzuluksky Gas Processing Plant (BGPP).

OTRADNENSKY GAS PROCESSING PLANT
In 2020, OGPP processed 224.5 mmcm of associated petroleum gas derived from the oil and gas fields of Samaraneftegaz and Orenburgneft. Its main products are dry stripped gas, natural gas liquids, ethane fraction, and industrial sulphur.
The plant continues a comprehensive programme involving the upgrade and replacement of worn-out and obsolete equipment with advanced modular units poised to improve operational efficiency and increase automation.

TUYMAZINSKOEY Gas Processing Plant
In 2020, TGP, part of Bashneft, processed 22.7 mmcm of associated petroleum gas derived from the oil and gas fields of Bashneft-Dobycha (Oil and Gas Production Board (OGPB) Tuymazaneft) and 96.4 kt of NGLs using its own or third-party feedstock. Its main products are liquefied gases such as industrial propane/butane, autogas, industrial propane, motor propane and industrial butane, as well as stable natural gasoline and industrial sulphur.
Currently, an investment project is under way to build a 12 mmcm gas desulphurisation unit at the Zaykinskoye GPP, which will enable BGPP to process additional volumes of sulfur-associated petroleum gas from the prospective license areas of Orenburgneft, allowing for the production of higher-quality refined products.

SHKPAPSKOEY Gas Processing PLANT
In 2020, ShGPP, part of Bashneft, processed 31.5 mmcm of associated petroleum gas derived from the oil and gas fields of Bashneft-Dobycha (OGPBS Ishimbayneft and OGPB Ufanefet) and 124.5 kt of NGL using its own or third-party feedstock. Its main products are liquefied gases such as industrial propane/butane mixture, autogas, industrial butane, isobutane fraction, and normal butane fraction, as well as stable natural gasoline and industrial sulphur.

NEFTEGORSKY Gas Processing PLANT
In 2020, NGPP processed 491.3 mmcm of associated petroleum gas derived from the oil and gas fields of Samaraneftegaz and Orenburgneft. Its main products are dry stripped gas, natural gas liquids, ethane fraction, and industrial sulphur.
The plant continues a comprehensive programme involving the upgrade and replacement of worn-out and obsolete equipment with advanced modular units poised to improve operational efficiency and increase automation.

PRODUCTION OF CATALYSTS

NOVOKUIBISHEVSK CATALYSERS PLANT
In 2019, the Novokuibyshevsk Catalysers Plant launched Russia’s first-ever advanced pilot testing facility for hydrotreating catalysts. The new facility is aimed at testing technologies to manufactures new catalysts designed by Rosneft and Russian R&D providers with a view to ramping up large-scale production. Using the pilot facility’s equipment, the plant can test both specific production stages and the complete production cycle of alumina-based catalysts. In 2020, the facility produced its first commercial batch of diesel fuel isodewaxing catalysts developed by RN-TsIR. The catalysts are designed to manufacture winter and Arctic diesel fuels at the Kuibyshev Refinery without using depressor additives. If industrial tests of these catalysts at the Kuibyshev Refinery (scheduled for 2021) are successful, the production of isodewaxing catalysts will be expanded, generating additional profit both for Rosneft’s refineries and the catalyst manufacturer.
In 2020, the catalytic regeneration unit of the Novokuibyshevsk Catalysers Plant recovered 319 tonnes of hydrotreating catalysts to be reused at the Company’s refineries and 256 tonnes of catalysts to be used at other Russian refineries.

ANGARSK PLANT OF CATALYSTS AND ORGANIC SYNTHESIS
The Angarsk Plant of Catalysts and Organic Synthesis continues building a production unit for platinum-containing reforming catalysts and gasoline isomerisation catalysts. The unit with a capacity of 600 tpa is to be launched in 2021. It is designed to improve the quality of reforming and gasoline isomerisation catalysts, as well as reduce platinum losses, increase production reliability and safety, and ultimately meet the needs of all Russian refineries for this type of advanced catalysts.
In 2020, the plant produced and sold 416 tonnes of catalysts, up by 103 tonnes year-on-year.

IDZ-028RN, an isodewaxing catalyst developed by RN-TsIR, successfully passed pilot tests at the Angarsk Plant of Catalysts and Organic Synthesis.
Meanwhile, Bashneft-UNPZ has been using a diesel fraction hydrotreating catalyst developed by RN-TsIR and produced by the Angarsk Plant of Catalysts and Organic Synthesis. The catalyst, HT-100RN, has so far proved more reliable than foreign-made alternatives.
On 13 November 2009, the Russian Government issued Resolution No. 1715-r On Russia’s Energy Strategy, which seeks to bring about a transition to domestically-made catalysts. In 2019, Rosneft contributed to this effort by establishing RN-Kat, a specialist subsidiary able to make 4 ktpa of hydrotreating catalysts as a replacement for imported alternatives. This addition is expected to strengthen the technological self-sufficiency, independence and economic performance of our refineries. In 2020, the plant produced 685 t of hydrotreating catalysts, with 201 t loaded into the Company’s hydrotreaters.
The total sales to third parties in 2020 amounted to 120.6 mmt, including 5.2 mmt of oil sold domestically.

**OIL EXPORTS TO FSU AND NON-FSU COUNTRIES**

In the reporting year, Rosneft’s FSU and non-FSU oil exports totalled 115.4 mmt. Eastbound exports, particularly pipeline supplies to China and sales via the Kozmino and De-Kastri ports, are the most profitable for the Company.

In 2020, eastbound supplies, including international trading, amounted to 61.9 mmt, their share in the total external sales reaching 54%. Out of this amount, Rosneft supplied 54.8 mmt, while international traders shipped 7.1 mmt.

In addition, the Company exported 47.2 mmt of oil to Northwestern, Central, and Eastern Europe, Mediterranean and other non-FSU countries, while also shipping 6.3 mmt to the CIS.

The bulk of crude oil is exported via Transneft’s system, including its trunk pipeline network and ports. In the reporting year, we primarily exported crude oil via the following channels:
- Pipeline: approximately 96 mmt (83.2% of total FSU and non-FSU exports), including 32.7 mmt shipped via ports and around 63.2 mmt transported by pipelines to China, Belarus, Kazakhstan, and Eastern Europe;
- Rail and mixed transport: 19 mmt, or 16% of total exports;
- Other channels, including shipments through the De-Kastri export terminal: 3.6 mmt.

**OIL SUPPLIES UNDER LONG-TERM CONTRACTS**

The Company continued supplying oil to China National Petroleum Corporation (CNPC) under the China–Russia government agreement. The supplies, which total 40.0 mmtpa, including 10.0 mmtpa transported via Kazakhstan, enable Rosneft to retain its presence in this strategic export market.

**EXPANDING COOPERATION WITH OIL AND PETROLEUM PRODUCT CONSUMERS**

In 2020, the Company continued to focus on end consumers. Total oil exports to them were around 67 mmt.

To maintain and expand relationships with end consumers, Rosneft signed a long-term contract with Total Oil Trading in 2020 to supply oil to Leuna Refinery (Total Group) in Germany via the Druzhba pipeline for the period from April 2020 to March 2022. Also in 2020, the Company began oil supplies to Germany under the previously signed annual contracts with Shell and Eni. Additionally, Rosneft and Indian Oil Corporation Limited signed a contract to supply oil to India via the part of Novorossiyk to the end of 2020. In 2020, Rosneft continued working with SOCAR Trading S.A. to supply oil to its STAR Refinery (Turkey) from the port of Novorossiyk, and with ENEOS (JXTG Nippon) to supply ESPO and Sokol crudes to Asia Pacific.

We continue to foster collaboration with end consumers of petroleum products. In 2020, we shipped approximately 0.7 mmt of stable natural gasoline to ENEOS (JXTG Nippon).

The share of oil and petroleum products supplied under long-term contracts (+1 year) exceeded 90% of total exports from Russia to non-FSU countries in 2020.

**Key achievements**

In 2020, eastbound oil supplies, including international trading, accounted for 54% of total FSU and non-FSU oil exports.

Supplies to China under long-term contracts remained robust at 40.0 mmtpa.

The share of oil and petroleum products supplied under long-term contracts (+1 year) exceeded 90% of exports from Russia to non-FSU countries.
The share of Rosneft traded extensively in petroleum fuel exchange trader. In 2020, we ROSNEFT / ANNUAL REPORT 2020

PETROLEUM PRODUCTS SALES

EXPORT SALES OF PETROLEUM PRODUCTS

In 2020, petroleum product exports amounted to 63.4 mmt. Rosneft supplies bulk quantities of oil products to Mongolia on a regular basis. In 2020, exports of light and dark petroleum products to this country reached 1.2 mmt. The Company continues to focus on expanding its international footprint and diversifying its supply routes. During the 2020 summer shipping season, the Company exported diesel fuel using its fleet directly from the Syzran Refinery and the Saratov Refinery to a foreign port on CFR terms. This logistic option enabled Rosneft to maximise the use of its tanker fleet and avoid the cost of additional transshipment at sea ports.

DOMESTIC SALES OF PETROLEUM PRODUCTS

In 2020, domestic sales of petroleum products totalled 37.9 mmt, down 10% year-on-year. Rosneft is Russia’s largest motor fuel exchange trader. In 2020, we traded extensively in petroleum products. The share of Rosneft (including the Ufa group of refineries) in total sales during the main trading session stood at: • 44% for motor gasoline, • 40% for diesel fuel, • 42% for fuel oil.

The Company exceeded ex-change sales targets set by the joint order of the Russian Federal Antimonopoly Service and the Russian Ministry of Energy dated 12 January 2015. The reporting year saw 27.3% of total motor gasoline, 17% of diesel fuel, 25.2% of kerosene, and 2.8% of fuel oil from Rosneft refineries (including the Ufa group) sold on the exchange vs the required 10%, 6%, 10%, and 2%, respectively.

As requested by our counterparties, we supplied motor fuel in full and on time under the Northern Supply Haul programme. Some of the shipments were made via the port of Arkhangelsk – this helped us launch a new supply route and increase sales as part of the Northern Supply Haul programme development.

SALES OF PETROLEUM PRODUCTS TO FSU COUNTRIES

In 2020, Rosneft maintained stable and uninterrupted tanker supplies of petroleum products to Armenia, having shipped 194.0 kt of high-quality gasoline and diesel fuel to the country from its Russian refineries.

We also maintained supplies of gasoline and diesel fuel to Russia via its own retail chain and wholesale channels. In 2020, petroleum product shipments totalled 53.7 kt.

We continued to supply petroleum products to the retail chain in Georgia, with volumes reaching 191.0 kt, up by 10.5 kt year-on-year.

MEETING FEDERAL CUSTOMERS’ DEMAND

Meeting federal customers’ demand for petroleum products is our key priority under the corporate policy. In 2020, Rosneft and its subsidiaries fully delivered on their obligations to supply petroleum products to federal customers. Next year, we will continue working in this area.

Rosneft supplies natural gas, dry stripped gas, and associated petroleum gas produced at the Company’s assets in Russia to consumers in Russia and abroad (via its international assets). Associated petroleum gas is processed both at the Company’s own gas treatment facilities and by external parties, such as Sibur Holding and Surgutneftegas. The bulk of natural and dry stripped gas is transported to Russian consumers via Gazprom’s gas transportation system under a gas transportation contract. The products are supplied both to Russian end consumers and regional sales companies in over 40 regions. The bulk of gas sold abroad is supplied by production facilities in Egypt and Vietnam.

In 2020, gas consumption was affected by warm weather early in the year and a reduction in gas demand brought about by COVID-19 restrictions. Consequently, Rosneft’s natural gas sales in the domestic market decreased to 51.98 bcm, or RUB 184.5 bln.

Our supplies cover approximately 80% of local gas demand from both industrial facilities and households. To maximise gas monetisation, Rosneft has developed a commodity transport flow optimisation system used for calculating the operational gas balance.

We continued trading in natural gas at the St Petersburg International Mercantile Exchange (the exchange launched gas trading in 2014). In 2020, we sold 1.4 bcm, which represents 9% of the total trading volume.

Under our Long-term Development Strategy we aim to become a leading independent gas supplier on the domestic market.

GAS SALES

Gas sales, bcm

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<th></th>
<th>In Russia</th>
<th>Abroad</th>
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<tr>
<td>Total</td>
<td>56.43</td>
<td>4.45</td>
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Gas revenue, RUB bin

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<tr>
<th></th>
<th>In Russia</th>
<th>Abroad</th>
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<tbody>
<tr>
<td>Total</td>
<td>239.80</td>
<td>55.30</td>
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</table>
RETAIL BUSINESS

Rosneft's retail chain ensures uninterrupted supply of high-quality motor fuels to customers in 66 Russian regions, Abkhazia, the Republic of Belarus, and Kyrgyzstan. Rosneft is a leading Russian fuel brand in terms of recognition and quality perception.

As at 31 December 2020, the Company's retail network comprised 3,057 filling stations, including 61 in Belarus, Abkhazia, and Kyrgyzstan. Our own and leased filling stations operated 2,092 shops. As at 31 December 2020, the Company had 129 oil depots (including two NGV filling stations) with a combined capacity of 2.3 mmcm and approximately a thousand gasoline tanker trucks in operation.

Amid the COVID-19 pandemic, the Company maintained a leading position in the Russian retail market for petroleum products. In 2020, Rosneft’s petroleum product retail sales amounted to 13.3 mm, while average daily sales per filling station came in at 11.7 t.

In accordance with its retail business strategy, the Company took the following steps in 2020:
• ensured uninterrupted operation of its filling stations during the COVID-19 pandemic, while also maintaining high customer service standards. Rosneft took all the necessary measures to protect the health of its staff and customers at the filling stations. The shops were systematically inspected to ensure there were enough sanitisers and health products to supply the increased demand. All shops and cafés at Rosneft filling stations operated in strict compliance with the guidance on preventive and protective measures issued by the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rosпотребнадзор);
• constantly worked on solutions for minimising contact and maintaining social distance to support and improve sales. In particular, Rosneft kept developing services allowing customers to pay for fuel and complementary goods from inside the car via mobile apps (Yandex.Fuel, Yandex.Navigator, Yandex.Maps). By the end of 2020, about 1,500 filling stations had been connected to the fuel payment service in Moscow, St Petersburg, Ufa and Novosibirsk, as well as in Krasnoyarsk, Samara, Voronezh, Rostov, Krasnodar and Volgograd together with their respective regions and territories, with 50 multi-purpose filling stations offering contactless payment solutions for food;
• started selling the Pulsar 95 gasoline in the Khabarovsk Territory and the Bryansk Region as part of a project to expand retail sales of its own fuels. As at the end of 2020, the Pulsar 92, Pulsar 95, and Pulsar 100 gasoline lines were available at over 1,100 filling stations in 33 Russian regions, Euro-6 at over 750 filling stations in eleven regions, and Active at over 130 stations in eight regions;
• assured high quality at all stages of the product journey from refinery to vehicle. The fuel quality was assessed at oil depots and filling stations in all regions where Rosneft operated its retail network, with over 5,000 tests carried out daily in 74 fixed and 17 mobile laboratories;
• in 2020, the Federal Agency for Technical Regulation and Metrology (Rosstandart) conducted 24 independent inspections at eight oil depots and 85 filling stations across Russia. The inspections confirmed the high quality of our motor fuel;
• refurbished 41 filling stations in St Petersburg and the Leningrad, Kursk and Belgorod regions as part of the project to rebrand TNK and PTK stations as Rosneft and BP;
• continued to expand the food offering at filling stations by installing equipment for making hot dogs, sandwiches, and hot beverages at 602 locations;
• promoted healthy eating by running a Breakfasts and Lunches project at Rosneft filling stations and launching a pilot project to offer made-to-order sandwiches;
• continued to develop the kiosk cafe formats for filling stations and complexes, respectively, opening 22 kiosk-branded kiosks / shops with cafes as part of a new pilot project in Moscow and the Moscow Region;
• to expand the range of services, piloted parcel lockers together with a leading e-commerce company and, at a number of BP multi-purpose filling stations, touchless (automated) car washing;
• tested demand for bundled insurance and service products in categories like cars, health-care, legal, and advisory services; and travel and property insurance;
• operated a network of 15 CNG units at existing filling stations and a separate NGV station in Stavropol, servicing up to 3,600 vehicles daily. In 2020, the network sold 22 mmcm of natural gas as motor fuel, up 19 % year-on-year. The Company will continue this project. Developing an NGV filling station network in Russia is one of Rosneft’s priorities in the retail business and one of the most important focus areas, since it enables the Company to expand its competitive advantages in the domestic market;
• developed EV charging infrastructure at its filling stations based on demand forecasts and EV market trends to expand its innovative and environmentally-oriented services. We have installed and now operate 14 charging points for electric vehicles at our filling stations, including five fast-charging (50 kW) points in the Moscow and Leningrad regions, Vladivostok and Khabarovsk, and nine slow-charging (22 kW) ones in the Tver Region and the Krasnodar Territory. Rosneft has joined forces with some of Russia’s largest electric power companies to continue expanding its EV charging infrastructure;
• since 2017, all Marketing and Distribution Group Subsidiaries have been implementing plans to reduce internal fuel consumption, resulting in both savings and lower greenhouse gas emissions.
DIGITAL TRANSFORMATION IN RETAIL

The Company continues to develop digital communication channels for customers and suppliers.

As at 31 December 2020, we automated measurements at 119 oil depots and more than 2,900 filling stations and provided measuring instruments for nearly 100% of material flows at filling stations and 90% at oil depots.

In 2020, the Company developed a prototype of a monitoring system to enhance end-to-end supply chain control from oil depot to fuel nozzle.

Rosneft also piloted a three-tier ERP system to manage retail sales of petroleum products and complementary goods and services at filling stations by scanning QR codes via mobile apps of partner banks.

The Company took the following steps to improve digital corporate training resources for filling station personnel:

- developed and introduced at Marketing and Distribution Group Subsidiaries a distance learning course in standards and rules for filling station personnel;
- developed a VR-based simulator to practice unloading tank trucks and piloted training sessions at RN-Moscow’s training centre.

AIRCRAFT REFUELLING BUSINESS

In 2020, sales of jet fuel from Rosneft refineries reached 2.7 mmt, including 2.6 mmt sold domestically and 0.1 mmt abroad.

The sales structure in 2020 was as follows:

- 1.4 mmt sold to airlines and joint ventures;
- 1.3 mmt sold in bulk, including commodity exchange sales.

In Russia, jet fuel is sold through a chain of Rosneft’s own and partner refuelling facilities at 44 airports. The Company also sells jet fuel at ten airports in Spain, Germany, Georgia, the United Arab Emirates, Mongolia, and China.

In 2020, Rosneft expanded its refuelling network both in Russia and abroad by launching:

- operations at the Ulan-Ude airport;
- refuelling services at airports of Barcelona, Stuttgart, Dubai and Beijing.

BUNKERING BUSINESS

Rosneft’s bunkering business extends to five Russian sea basins and 20 ports, with trading subsidiaries in London and Beijing in addition to ten regional representative offices.

Bunker fuel sales in 2020 amounted to 1.9 mmt, including 34% sold in the domestic market and 66% to non-resident shipping companies.

In 2020, the Company took action to increase the output of marine fuels compliant with the IMO sulphur content requirements (max. 0.5%):

- the Achinsk and Syzran refineries started producing RMLS 40, a low-sulphur marine fuel targeting the Far Eastern market and those in the Black Sea and Northwestern regions, respectively;
- the Nizhnevartovsk Refinery began manufacturing DMP-III, a marine fuel to be sold at river ports in the Volga and Don basins and in Western Siberia.

SALES OF BITUMEN PRODUCTS

Sales of bitumen materials in 2020 reached 2.9 mmt. Sales of road bitumen compliant with the new GOST 33133-2014 standard amounted to 1.1 mmt, up 10% year-on-year.

The bulk of bitumen products (96%) were sold domestically.

Rosneft continues to expand production of an innovative polymer-modified bitumen (PMB) which substantially improves the road surface quality. Sales of PMB in 2020 grew by 110% to 0.22 mmt.

SALES OF LUBRICANTS

In 2020, sales of the Company’s lubricants and related products totalled 1.05 mmt, with 67% sold domestically and 33% exported.

Sales of premium lubricants grew by 23% to 0.1 mmt.

Angarsk Petrochemical Company launched production of Rosneft Drilltec B2, a state-of-the-art mineral oil base for drilling fluids.

Rosneft supplied premium motor, transmission, and hydraulic oils to BELAZ and to Belshina Automobile Plant (MAZ) for the first filling of mining trucks and special purpose vehicles.
2020 PERFORMANCE HIGHLIGHTS

• The Company’s needs for hydrocarbons and petroleum products transportation are 100% covered.
• Refineries’ production programmes and petroleum product sales destinations were developed to maximise consolidated netback while factoring in rapid changes in production and sales volumes amid a slump in demand due to the Covid-19 pandemic.
• Average petroleum product stocks at refineries were reduced from 589 to 474 kt.

PERFORMANCE PRIORITIES FOR 2021

• The improvement of production programmes at refineries as part of monthly production planning is an absolute priority for the Company. In 2021, the Company will continue working to achieve the above goals through:
  • optimisation of production programmes for the refineries and distribution of hydrocarbons,
  • carrying on to reduce surplus stock of petroleum products at the refineries by improving coordination of production and shipments cycles,
  • delivering IT solutions to better synchronise production, distribution, and shipment processes. The Company is developing the Digital Core for Commerce and Logistics initiative, which is expected to reduce the residual 5.5% of the technological limits in 2021 and 8.3% of the technological limits in 2022 and onwards.

MARINE AND RIVER TRANSPORTATION BY ROSNEFTEFLOT

2020 PERFORMANCE HIGHLIGHTS

• Rosneftefot received and launched the first new-generation Aframax tanker, Vladimir Monomakh.
• Rosneftefot started operating a new tanker, RN Primorye, to deliver light petroleum products in the Far East.
• Construction of a shuttle tanker with a deadweight of 69 kt, commissioned by Rosneftefot, was commenced.

PLANS FOR 2021

• Completion and launch of the second Aframax tanker
• Implementation of the Company’s river navigation programme
• Concept development for vessels to cover the Company’s ongoing and future projects (tankers and support fleet for the Vostok Oil project, LNG bunker tanks, offshore transshipment, port infrastructure)
The terminal transships mostly export petroleum products from the Komsomolsk Refinery, Angarsk Petrochemical Company, and Achinsk Refinery. It is also used to ship petroleum products to the domestic market (Magadan, Chukotka, Kamchatka regions and Sakhalin Island). In 2020, the total transshipment volume (including bunkering) at the terminal in Nakhodka amounted to 5.2 mmt, including 0.07 mmt of third-party products.

The terminal is upgrading its production assets to make them compliant with the latest industrial, environmental and fire safety requirements. In 2020, the work continued to upgrade the water treatment facilities to meet the requirements of applicable regulations. The terminal completed the renovation of start-up complex No. 3 of the facility to treat industrial and storm water discharged into the Navitsky Bay.

The terminal also implemented the Company’s target programmes, such as:

- the target programme on metrology, measurement automation, and quality control at RN-Morskoii Terminal Nakhodka.
- In the fourth quarter of 2020, the terminal completed construction and installation for the second phase (petroleum products at the oil tanker pier) of the petroleum products accounting system (installation of the petroleum product measurement system at the loading pipelines to measure the weight of petroleum products loaded onto the tanker). On 30 December 2020, the petroleum product measurement system was piloted.
- The rail weighing scales were commissioned as the main measurement system for petroleum products in tank cars.

**RN-MORSKOI TERMINAL TUAPSE PETROLEUM TRANSSHIPMENT TERMINAL**

The terminal transships mostly export petroleum products from the Tuapse Refinery, Saratov Refinery, Samara group of refineries, and Bashneft refineries, as well as third-party products. The terminal is also used to transship petroleum products for the domestic market (filling stations of Rosneft-Kubaneteprodukt) and provides bunker fuel transshipment services. In 2020, the total transshipment volume (including export and domestic bunkering services) at the terminal in Tuapse amounted to 161 mmt (against 152 mmt in 2019). The Company’s deep-water berth accounted for 101 mmt of the total transshipment volume (against 93 mmt in 2019). RN-Morskoi Terminal Tuapse also transshipped 0.14 mmt of crude oil for the Tuapse Refinery (0.95 mmt in 2019). The volume of petroleum products received from sea-going ships increased to 644 kt (against 90 kt in 2019). The terminal is upgrading its production assets to make them compliant with the latest industrial, environmental and fire safety requirements and carrying out a production expansion programme to increase freight turnover at the Tuapse Refinery. In 2020, the terminal completed several components of the target programme for measurement automation and quality control, installing scales on tracks 1, 2, 3 (first phase) and introducing a monitoring system for material flows in tanks and pipelines. The terminal also continued designing the left bank water treatment plants.

Rosneft’s subsidiary was recognised as the best socially responsible company in the Russian oil and gas industry: in 2020, RN-Morskoi Terminal Tuapse won the Best Socially Responsible Oil and Gas Company award in the category “Promoting healthy living in a company with up to 4,000 employees”.
MARKET OVERVIEW
MACROECONOMIC ENVIRONMENT IN 2020

GDP

In 2020, the COVID-19 pandemic swept the world, causing a global slump in economic activity, border closures, lockdowns, business shutdowns, market disruptions, falling stock prices and bond yields, lower incomes and demand, and rising unemployment.

According to January 2021 estimates from the International Monetary Fund (IMF), global economy in 2020 (PPP GDP in constant 2011 prices) declined by 3.5% year-on-year. Developed economies shrank by 4.9% year-on-year, while emerging markets lost 2.4% of their GDP year-on-year.

The service sector was hit the hardest by the pandemic-related lockdowns, which explains the deeper contraction of developed economies compared to developing countries.

According to the IMF, the US GDP decreased by 3.4% year-on-year in 2020 prompting the US Federal Reserve to resort to exceptional fiscal stimulus measures. The Fed cut its interest rate three times during the year down to 0–0.25%, respectively. The regulator also launched the Pandemic Emergency Purchase Programme (PEPP) of private and public sector securities worth up to EUR 1.85 trln. Under the programme, the European Central Bank is able to buy, in particular, Greek debt obligations, which were left out of the previous asset purchase programme. The programme is expected to last until the end of March 2022. Provided the pandemic is successfully controlled, the Eurozone is projected to grow by 4.2% year-on-year in 2021.

UK registered the most significant GDP decline among developed nations – 10.0% year-on-year, according to the IMF. Investment fell by 11.3% year-on-year, while household expenditures dropped by 12.1% year-on-year on the back of the global pandemic and Brexit.

In some emerging economies, the COVID-19 impact was exacerbated by a slump in commodity prices and geopolitical tensions.

China was the only major economy to avoid an absolute decline in GDP caused by COVID-19. Contracting by 6.8% in the first quarter of 2020 during the pandemic’s first wave, China’s economy subsequently gained traction recording a 2.3% year-on-year growth at year’s end – the lowest rate since 1976. China’s growth recovery in 2020 was mostly driven by investments. Chinese exports grew at the year’s end, as pandemic-related disruptions around the world fueled demand for Chinese goods. If this trend continues, the IMF projects China’s economy to grow at 8.1% year-on-year in 2021.

COVID-19 drove India’s GDP down by 8.0% year-on-year in 2020. However, the lifting of the coronavirus restrictions following widespread vaccination in 2021 coupled with an increase in business activity could help the country’s economy rebound by 11.5% year-on-year.

Countries across Latin America also suffered from economic downturn of various intensity, with Brazil’s GDP falling by 4.5% year-on-year in 2020. The Middle East and Central Asia recorded a significant contraction of their economies in 2020: Saudi Arabia’s year-on-year GDP dropped by 3.9% year-on-year.

* Purchasing power parity.
Under the IMF’s upside scenario, global economy is projected to grow by 5.5% year-on-year in 2021, moderating to 4.2% in 2022. In 2021, GDP growth rates in advanced economies will rise to 4.3% year-on-year while emerging markets will enjoy growth of up to 6.3%.

GLOBAL TRADE

In 2020, widespread restrictions and business closures resulted in global trade contracting by 9.6% year-on-year, according to the IMF. This decline followed a sluggish 1.0% year-on-year growth in 2019 caused by global trade tensions.

Trade in goods and services in developed economies dropped by 10.1% year-on-year in 2020, while also sinking by 8.9% year-on-year in emerging markets.

RUSSIAN ECONOMY

As estimated by the IMF, the Russian economy shrank by 3.6% year-on-year in 2020, while according to the Russian Ministry of Economic Development it declined by 3.8% year-on-year. According to an initial assessment from the Federal State Statistics Service (Rosstat), Russia’s GDP in 2020 dropped by 3.1% year-on-year, less than the agency’s original forecast. In 2019, the country’s economy grew by 2.0% year-on-year.

The downturn was mainly caused by widespread COVID-19 restriction measures in Russia and across the world and their negative impact on foreign trade, including decline in global demand and lower prices for Russian exports.

According to the Federal Customs Service of Russia, during the global recession, Russian exports dropped in value terms by 21.3% year-on-year in 2020 (a decrease of USD 899.9 bln) to USD 332.87 bln vs USD 422.8 bln in 2019.

In 2020, exports contracted almost across the board, with crude oil, petroleum products, and gas (including liquefied natural gas – LNG) hit the hardest. The reduction in oil exports was largely due to the OPEC+ agreement to cut production.

In value terms, crude oil exports shrank by 40.4% year-on-year in 2020 to USD 470.1 bln, down by USD 213.6 bln compared with the beginning of the year. Debt obligations to non-residents decreased in all sectors of the economy, with the greatest decline in other sector foreign loans.

As at 1 January 2021, Russia’s foreign reserves were up by USD 41.4 bln to USD 595.77 bln, mainly due the increased share of monetary gold (69% contribution). Therefore, Russia’s net debt is negative.

Russian Exports, USD bln

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude oil</th>
<th>Petroleum products</th>
<th>Gas (including LNG)</th>
<th>Other fuel and energy resources</th>
<th>Others</th>
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<td>35.3</td>
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<td>141.3</td>
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<td>285.8</td>
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<tr>
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<td>35.3</td>
<td>141.3</td>
<td>-274.7</td>
<td>285.8</td>
</tr>
<tr>
<td>2018</td>
<td>285.8</td>
<td>35.3</td>
<td>141.3</td>
<td>-274.7</td>
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<tr>
<td>2019</td>
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<td>35.3</td>
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<td>35.3</td>
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<td>285.8</td>
</tr>
</tbody>
</table>

According to the Bank of Russia, the country’s foreign debt as at 1 January 2021 stood at USD 470.1 bln, down by USD 213.6 bln compared with the beginning of the year. Debt obligations to non-residents decreased in all sectors of the economy, with the greatest decline in other sector foreign loans.

Taking into account these factors, the Ministry of Economic Development projects a 3.3% year-on-year GDP growth in 2021 and at least 3.0% year-on-year in 2022–2023 driven mainly by expanding domestic demand, both consumer and investment.

According to the January 2021 forecast from the IMF, the Russian economy will grow by 3.0% year-on-year in 2021, accelerating up to 3.9% year-on-year in 2022.
In 2020, oil prices plummeted reflecting a crisis in the global oil market caused by an unprecedented decline in demand as a result of COVID-19 related restrictions. The annual average Brent price fell by 35.2% year-on-year to USD 41.67 per barrel. The annual average Urals price dropped to USD 41.74 per barrel, down by 34.2% year-on-year and was slightly higher than the price of Brent crude oil.

Throughout 2020, global oil prices were driven by mixed trends. In January–April 2020, Brent crude went down from USD 63.5 per barrel in January to USD 18.6 per barrel in April, while Urals crude dropped from USD 61.3 per barrel to USD 20.2 per barrel, respectively. The tumbling of oil prices in March–April 2020 was caused by the collapse of the OPEC+ deal due to the failure of the countries involved to reach agreement on limiting production amid falling demand for oil and high crude oil inventories. From May 2020 to the year’s end, there was an upward trend in oil prices supported by a new OPEC+ deal to cut production and gradual lifting of lockdown restrictions, with the monthly average Brent price reaching USD 49.9 per barrel in December. Some decline of prices in autumn was due to the second wave of COVID-19 and political tensions in the US related to the presidential election campaign.

Amid continued geopolitical tensions, lower oil prices, broader sanctions and the risk of new sanctions against Russia, the country’s national currency was weakening in 2020. According to the Bank of Russia, the annual average nominal USD/RUB exchange rate went up by 10.0% year-on-year in 2020 to RUB 71.94 per USD.

As at 31 December 2019, the nominal USD/RUB exchange rate was RUB 73.88 per USD, having grown by 17.4% over the year. However, compared with the currencies of other developing and oil-producing countries, RUB’s depreciation in 2020 was not the most significant.

Unlike in the previous years, the Bank of Russia pursued a rather soft monetary policy, acting resolutely to cut the interest rate. Between 7 February and 24 July 2020, the Bank of Russia reduced its interest rate four times from 6.25% per annum at the beginning of the year to 4.25% per annum, which remained unchanged through the year’s end.

According to Rosstat, inflation accelerated in 2020 reaching 4.9% in December (vs 3.0% in December 2019), not significantly deviating from the 2019 target of around 4.0% set in the Monetary Policy.
As at 1 January 2020, Transneft’s rates for oil transportation via trunk pipelines increased by 3.42%.

From 1 February 2020, the oil transit rates through the Republic of Belarus for OJSC Gomeltransneft Druzhba were increased by 6.6% (the forecast average annual inflation rate in Russia plus 3 p.p.).

As at 1 January 2020, railway transportation tariffs increased by 3.5%.

Guidelines for 2021–2022 published by the Bank of Russia. The rising inflation was primarily driven by the weakening of rouble’s nominal exchange rate against major currencies, with increased prices of imported goods causing prices of domestic products to grow. The higher inflation was also a result of monetary easing to help tackle the fallout of COVID-19 and, finally, it reflected changes in the international environment and poor yields of certain agricultural products.

By contrast, the annual average consumer price index fell to 3.4% in 2020 (vs 4.5% in 2019).

As at December 2020, the annual average producer price index was 103.6% (vs 95.7% in December 2019). In 2020, the annual average industrial producer price index in Russia was 97.1% (vs 102.9% in 2019).

The Bank of Russia expects measures to curb inflation in 2021 to bring it back to the Bank’s target of no more than 4.0%. The Ministry of Economic Development expects a 3.7% year-on-year increase in prices as at December 2021 with an annual average rise of 3.6% year-on-year.

The Ministry forecasts that annual average industrial producer prices in Russia will go up by 5.0% year-on-year in 2021.

The Russian oil companies’ operating costs are very sensitive to changes in natural monopolies’ transportation tariffs.

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The Russian oil companies’ operating costs are very sensitive to changes in natural monopolies’ transportation tariffs.
GLOBAL OIL MARKET

2020 saw the greatest drop in oil demand in modern history brought about by the pandemic-related restrictions across the world. In April 2020, global consumption of liquid hydrocarbons fell by 23.9% year-on-year to 76.3 mmb per day prompting the OPEC+ countries to cut oil production by a record 9.7 mmb per day from an agreed baseline level. The agreement was signed on 12 April 2020 for the period between 1 May and 30 June and was later extended until 31 July 2020. Between 1 August and 31 December 2020, OPEC+ countries reduced production by 7.7 mmb per day per day from an agreed baseline level set at 11 mmb per day.

The deficit increased to 2.2 mmb per day on 12 April 2020 for the period extending until 31 July 2020. Between 1 August and 31 December 2020, OPEC+ countries reduced production by 7.7 mmb per day from an agreed baseline level set at 11 mmb per day as at 31 December 2020.

Demand for liquid hydrocarbons hereinafter refers to consumption of petroleum products from oil and gas condensate; consumption of oil and gas condensate production; consumption of liquid hydrocarbon components from unconventional sources (biofuel, GTL, CTL, etc.). Global production of liquid hydrocarbons includes volumes rising to 11.1 mmb per day in December 2020.

The greatest reduction was in OPEC countries where liquid hydrocarbon production dropped by 11.5% year-on-year to 30.9 mmb per day, and FSU countries, where production was down by 78% year-on-year to 13.5 mmb per day. Crude oil production in OPEC countries decreased by 12.9% year-on-year to 25.7 mmb per day, with the largest decline recorded in Libya (by 0.7 mmb per day to 0.4 mmb per day), Iraq (by 0.7 mmb per day to 4.0 mmb per day), and Saudi Arabia (by 0.6 mmb per day to 9.2 mmb per day).

In the USA, production of liquid hydrocarbons went down by 3.4% year-on-year to 16.6 mmb per day, with crude oil and gas condensate production falling by 7.7% year-on-year to 11.3 mmb per day. Since April 2020, production stopped at some of US wells, including in the shale regions, due to a significant oversupply in the domestic market. Crude oil and gas condensate production in the US fell from 12.7 mmb per day in March to 10 mmb per day in May.

Some of the suspended wells were gradually put back into production, with output volumes rising to 111 mmb per day in December 2020.

In Canada, production of liquid hydrocarbons in 2020 went down by 4.3% year-on-year to 5.3 mmb per day, with crude oil and gas condensate production falling by 71% year-on-year to 31 mmb per day.

In 2020, production of liquid hydrocarbons increased in Norway (by 15.2% to 2.0 mmb per day with the Johan Sverdrup field brought on stream in October 2019) and Brazil (by 5.2% to 3.0 mmb per day on the back of the rise in output from offshore pre-salt deposits). Commercial crude inventories in OECD countries reached approximately 118 bb in 2020, up 8.5% from December 2019.

The IEA estimates from February 2021 show that global demand for liquid hydrocarbons in 2021 is set to grow by 6.0% to 96.4 mmb per day. According to the forecast by the U.S. Energy Information Administration (EIA), global demand for liquid hydrocarbons in 2021 will rise by 5.8% year-on-year to 97.7 mmb per day, while global production will increase by 3.3% year-on-year to 97.3 mmb per day, with global supply shortages continuing in 2021–2022.
GLOBAL GAS MARKET

The global demand for gas in 2020 dropped by 4.6% year-on-year to 3.73 tcm, driven by reduced business activity due to the pandemic-related restrictions. Another factor contributing to decreased gas consumption was the growing role of renewables in the electric power industry. The demand, however, was supported by lower gas prices in regional markets, transition from coal to gas in power generation, and the development of gas infrastructure in Asia.

In 2020, gas consumption was down across the world with the exception of the Asia-Pacific region, where demand for gas rose by 1.8% year-on-year (an increase of 1.2 bcm) to 868 bcm, mainly driven by China.

In Europe, gas consumption fell by 6.3% year-on-year (a decrease of 49.1 bcm, or 15.2% of global gas consumption) as a result of lengthy lockdowns and strong competition with renewable energy sources in the power industry. Demand for gas in North America, the world’s largest gas consumer (26% of global gas consumption), went down by 2.2% year-on-year (a decrease of 22.2 bcm) to 967.8 bcm, which is equal to the 2018 consumption level. The greatest reduction was in the Middle East, where gas consumption dropped by 14.6% year-on-year (a decrease of 79.2 bcm) to 462.3 bcm (12.4% of global gas consumption). In Latin America, demand for gas fell by 8.4% year-on-year (a decrease of 18.5 bcm) to 200 bcm (5.4% of global gas consumption). Africa saw a reduction in consumption by 8.7% year-on-year (a decrease of 13.7 bcm) to 144 bcm (3.9% of global gas consumption).

The decline in demand led to a considerable reduction in global gas production, which fell by 5.5% year-on-year to 3.78 tcm. Production dropped in all regions, most significantly in the Middle East (by 8.2 bcm or 12.4% year-on-year to 587.2 bcm), accounting for 15.5% of global gas production, and Africa (by 40.8 bcm or 15.2% year-on-year to 227.3 bcm), accounting for 6.0% of global gas production. In North America (the world’s largest gas producer – 28.8% of global production), gas production in 2020 went down by 19.4 bcm (a decrease of 1.7% year-on-year to 109.0 bcm). In the CIS, gas production fell by 35.4 bcm (a decrease of 4% year-on-year) to 844.4 bcm and in Europe, it was down by 14.3 bcm (a decrease of 6.5% year-on-year) to 106.2 bcm. The Asia-Pacific region recorded the smallest reduction in gas production (by 79 bcm or 11% year-on-year to 676.1 bcm). The region’s share in global gas production increased from 17.1% in 2019 to 17.9% in 2020.

Every year approximately one third of natural gas produced globally is exported. An estimated 0.97 bcm of gas were exported in 2020, of which about 50% was supplied through gas pipelines and 50% as LNG. Russia, the world’s largest gas exporter, accounted for approximately 25% of gas exports globally in 2020 – 240.9 bcm according to the Federal Customs Service of Russia and CDU TEK, a decrease of 7.5% year-on-year.

LNG MARKET

Despite the COVID-19 pandemic and decline in the world demand for gas, global LNG exports increased by 1.5% year-on-year in 2020 (the lowest growth rate since 2015), reaching 362.1 mmt or 499.5 bcm. The growth in LNG trade was driven by lower prices compared to pipeline gas in the period between the first and third quarters of 2020. LNG accounted for 15.4% of global gas consumption in 2020 (vs 12.6% in 2019).

Asia contributed the most to the growing LNG trade in 2020, with supplies to the region rising by 4.5% year-on-year to reach 256.7 mmt. LNG exports to China increased by 12.2% year-on-year to 96.2 mmt, and supplies to India were up by 14.6% year-on-year to 26.4 mmt. Japan, the largest LNG consumer, once again reduced its imports by 2.6% year-on-year to 75.2 mmt.

In 2020, LNG imports to Europe went down by 3.2% year-on-year to 84.6 mmt, including to France – by 14.9% year-on-year to 15.8 mmt, Italy – by 9.2% year-on-year to 91.2 mmt, Spain – by 4.9% year-on-year to 15.4 mmt, and the Netherlands – by 7.0% year-on-year to 5.6 mmt. At the same time, LNG imports have significantly increased in Turkey (by 17.9% year-on-year to 11.2 mmt) and the UK (by 51.9% year-on-year to 14.0 mmt).

Following the 2019 reduction, the Middle East and North Africa reported a slight rise in their LNG imports – by 0.6% year-on-year to 71.1 mmt. Egypt, on the other hand, stopped importing LNG and resumed gas exports after putting the Zohr field on stream. The field is being developed by an international consortium, where Rosneft has a share of 30%.

A major component of the export growth in 2020 comes from the US LNG trains coming on stream in the US:

- second and third trains of the Cameron LNG project (Cameron Parish, Louisiana) with a capacity of 4.5 mmtpea each;
- second and third trains of the Freeport LNG facility (Gulf Coast, Texas) with a capacity of 5.1 mmtpea each;
- second and fifth to tenth trains of the Elba Island LNG plant (Chatham County, Georgia) with a total capacity of 1.75 mmtpea.

In addition, the capacity of the first and second trains at the Corpus Christi LNG plant (Gulf Coast, Texas) and first to fifth trains at the Sabine Pass LNG plant (Sabine Pass, Cameron Parish, Louisiana) was expanded by 1.2 mmtpea and 3 mmtpea, respectively.

In total, 20.95 mmtpea of new LNG facilities came on stream in the US, while the capacity of existing trains was expanded by 4.2 mmtpea in 2020.

In 2020, the largest decline in LNG exports was recorded in Trinidad and Tobago (a decrease of 2.3 mmt to 10.7 mmt) and Malaysia (down by 2.2 mmt to 24.0 mmt), and Egypt (down by 2.1 mmt to 13 mmt).

The reporting year saw only one final investment decision (the fewest in 23 years) on LNG plant projects: the 3 mmtpea Energia Costa Azul LNG facility in Mexico is expected to come on stream in late 2024–early 2025 with shareholders including Total (16.6%) and Sempra (83.4%).

The capacity of regasification terminals grew in 2020 by 15.7 mmtpea, with new facilities commissioned in India (the 5 mmtpea Mundra regasification terminal) and Brazil (the Port of Sergipe 6 mmtpea floating regasification unit) and two new importers – Myanmar (a 1.1 mmtpea terminal) and Croatia (a 1.9 mmtpea terminal).

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* IHS Markit conversion rate – 1,379
* Egypt, Israel, Jordan, Kuwait, United Arab Emirates
* Final investment decision (FID) is the decision to proceed with a project. As a rule, FID is taken after the design stage is completed, necessary permits obtained; an EPC (Engineering, Procurement, and Construction) contract signed, and financing sources and target markets for the project products identified
* Including the floating storage regasification unit in Croatia, which arrived at the operation site on 1 December 2020, but the first fuel was shipped on 1 January 2021

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1. IHS Markit preliminary estimates
2. IHS Markit preliminary estimates
3. Based on data by IHS Markit and BP
4. Excluding Estonia, Latvia and Lithuania
The demand for hydrocarbons is set to rebound as global economy recovers. At the same time, the current low prices for traditional energy resources discourage energy saving, while also making hydrocarbons more price competitive against the renewable energy sources.

According to top global energy agencies, oil and gas producers, consulting companies, and forecasts by Rosneft, until 2040, hydrocarbons will remain the pillar of the global energy industry, with their share in the world’s energy mix staying largely unchanged.

While oil will continue dominating other resources in the energy mix worldwide, its share, along with that of coal, will be declining in favour of natural gas, nuclear energy, and renewable energy sources.

By 2040, global oil demand will increase by 420 mmt compared to 2019, amounting to more than 4.9 bt. This growth in demand will be mostly driven by the Asia-Pacific Region, which will account for 39.4% of global oil demand in 2040 or over 1.9 bt. In North America and Europe, oil demand will decline in 2040 to 856 mmt (17.3% of global oil demand) and 469 mmt (9.5% of global oil demand), respectively.

Until 2030, natural gas will be outperforming all other energy sources in terms of increase in global demand in absolute terms.

Global demand for gas will be adding an average of 1.4% a year, reaching almost 5.2 tcm by 2040 and accounting for more than a quarter of the global energy mix.

Strong growth in demand for gas will be supported by its superior environmental performance as compared to other fossil fuels.

Gas consumption is expected to increase in all regions except Europe. In the forecast period, the Asia-Pacific Region will be the largest region by gas consumption, with its demand going up by 616 bcm vs 2019 to almost 1.5 tcm, exceeding the level of consumption in North America (1.3 tcm in 2040, an increase of 276 bcm against 2019).

North America will remain the leader in natural gas production (1.4 tcm of gas in 2040, 28% of global production).

The most considerable rise in gas output (around 29% of the global increase) in the forecast period will be seen in the Middle East, reaching over 970 bcm in 2040.

LONG-TERM FORECAST FOR HYDROCARBON DEMAND

Technological progress has been opening up new opportunities for the energy sector and energy needs of humankind at large. Energy transition and climate change are reshaping the way we think about the global energy sector going forward. All sources of energy, including renewable energy, have inherent limitations. The potential to replace fossil fuels with renewable energy sources is limited by considerable technological weaknesses of the latter, i.e. low energy flux density and intermittency.

The significant reduction in global oil and gas consumption in 2020 is due to the temporary restrictions on business activity related to the COVID-19 pandemic.
RUSSIAN OIL INDUSTRY

Russia is a top three oil producer globally (alongside the USA and Saudi Arabia). In 2020, oil and gas condensate production in Russia stood at 522.8 mmt, down by 8.5% year-on-year. The reduction in oil production in Russia was in compliance with the OPEC+ decision in April 2020 to significantly decrease production against the baseline level to balance global demand. Russia’s baseline level for oil production (excluding gas condensate) was set at 11 mmtpd per day, with the target output level for the period between 1 May and 31 July 2020 set at 8,492 kbpd and between 1 August and 31 December 2020 – at 8,993 kbpd.

Oil and gas condensate production was cut in all of Russia’s oil-producing federal districts with the exception of the Far Eastern Federal District, where oil production increased by 5.8% year-on-year in 2020, to 34.5 mmt (6.7% of Russia’s total production) owing to the output ramp-up in the Republic of Sakha (a rise of 19.9% year-on-year to 16.2 mmt, 3.2% of Russia’s production), which compensated for the production decline in the Sakhalin Region (a decrease of 7.2% year-on-year to 18.3 mmt, 3.6% of Russia’s production).

The greatest reduction in oil and gas condensate production was recorded in the Ural Federal District (down by 10.7% year-on-year to 210.8 mmt, 41.1% of Russia’s total production) and the Tyumen Region (down by 10.3% year-on-year to 11.2 mmt, 2.2% of Russia’s total production). Crude oil production increased in the Yamal-Nenets Autonomous Area (up by 2.9% year-on-year to 63.3 mmt, 12.3% of Russia’s total production).

In the Volga Federal District, oil and gas condensate production declined the greatest in the Republic of Bashkortostan (down by 31.2% year-on-year to 11.1 mmt, 2.2% of Russia’s total production) and the Republic of Tatarstan (down by 10.8% year-on-year to 32.7 mmt, 6.4% of Russia’s total production).

In 2020, oil and gas condensate production also decreased in the Orenburg Region (down by 4.7% year-on-year to 20.7 mmt, 4.0% of Russia’s total production), Samara Region (down by 3.6% year-on-year to 15.5 mmt, 3.0% of Russia’s total production), the Perm Territory (down by 6.0% year-on-year to 15.1 mmt, 2.9% of Russia’s total production) and Udmurtia (down by 9.7% year-on-year to 9.5 mmt, 1.8% of Russia’s total production).

The reduction in oil production continued decreasing in the Siberian, Northwestern and North Caucasian Federal Districts. In the Siberian Federal District production dropped by 12.9% year-on-year to 44.6 mmt (8.7% of Russia’s total production) mostly due to lower output in the Krasnoyarsk Territory (down by 15.4% year-on-year to 20.2 mmt, 3.9% of Russia’s total production), Tomsk Region (down by 24.5% year-on-year to 6.9 mmt, 1.3% of Russia’s total production), and Irkutsk Region (down by 3.5% year-on-year to 17.3 mmt, 3.4% of Russia’s total production).

In the Southern Federal District, oil and gas condensate production declined more significantly in the Volgograd Region (down by 23.0% year-on-year to 1.8 mmt, 0.2% of Russia’s total production), Astrakhan Region (down by 2.5% year-on-year to 11.0 mmt, 0.4% of Russia’s total production), and the Krasnodar Territory (down by 16.2% year-on-year to 0.6 mmt, 0.1% of Russia’s total production).

In 2020, oil and gas condensate production continued decreasing in the Siberian, Northwestern and North Caucasian Federal Districts. In the Siberian Federal District production continued decreasing in the Siberian, Northwestern and North Caucasian Federal Districts. In the Siberian Federal District production declined by 19.6% year-on-year to 27.6 mmt (5.4% of Russia’s total production), including in the Nenets Autonomous Area by 12.0% year-on-year to 14.1 mmt (2.8% of Russia’s total production) and in the Republic of Komi by 15.1% via Primorsk and 15.0% via the Kazmino oil port.

In the Northwestern Federal District production declined by 11.6% year-on-year to 27.6 mmt (5.4% of Russia’s total production), including in the Nenets Autonomous Area by 12.0% year-on-year to 14.1 mmt (2.8% of Russia’s total production) and in the Republic of Ingushetia – to 0.05 mmt (down 25.1% year-on-year, 0.01% of Russia’s total production).

In 2020, Russian oil and gas condensate refining volumes decreased by 5.4% year-on-year to 270.0 mmt, while oil exports declined by 12.6% year-on-year to 32.5 mmt. The export share in total oil and gas condensate production totalled 45.3% in 2020 (down by 2.2 p.p. year-on-year).

Oil and gas condensate exports to countries outside the CIS went down by 11.6% year-on-year to 219.1 mmt. Almost 58% of export volumes to countries outside the CIS were transported by sea (around 126.5 mmt), including 15.1% via Primorsk and 15.0% via the Kazmino oil port.

Oil and gas condensate exports to CIS countries declined in 2020 by 24.1% year-on-year to 13.3 mmt, all of which was transported via Belarus.

In the Southern Federal District, oil and gas condensate production went down by 6.8% year-on-year to 15.6 mmt, 2.7% of Russia’s total production. In the Volgograd Region (down by 23.0% year-on-year to 1.8 mmt, 0.4% of Russia’s total production), Astrakhan Region (down by 2.5% year-on-year to 11.0 mmt, 0.4% of Russia’s total production), and the Krasnodar Territory (down by 16.2% year-on-year to 0.6 mmt, 0.1% of Russia’s total production).
RUSSIAN GAS INDUSTRY

In 2020, Russia was the world’s No. 2 gas producer (surpassed only by the USA) and the world’s largest gas exporter.

Natural and associated gas production in Russia in 2020 decreased by 6.1% year-on-year to 692.2 bcm. Rosneft accounted for around 8.4% of the nation’s total production, or 58.3 bcm.

Gas produced in Russia is sold domestically and exported.

According to the Federal Customs Service of Russia and CDU TEK, Russia’s natural gas exports totalled 240.9 bcm in 2020, going down by 7.5% year-on-year. Export volumes via Gazprom’s pipelines stood at 199.2 bcm (down by 9.4% year-on-year), including 164.0 bcm exported to countries outside the CIS (down by 9.8% year-on-year), while supplies to CIS countries totalled 35.2 bcm (down by 7.9% year-on-year).

Exports of LNG* grew by 12 bcm in 2020 (up by 3.0% year-on-year) and reached 41.7 bcm.

Major gas consumers in Russia include power generation companies, households, utilities, and companies in the oil, metal, and agrochemical industries, which taken together account for around 80% of Russia’s total gas consumption.

Rosneft supplies gas to industrial consumers, households, and municipal utilities.

Rosneft’s selling prices for end consumers are not regulated by the Government and are based on agreements with customers.

Wholesale prices of gas produced by Gazprom and its affiliates and sold to domestic consumers are used as a benchmark. The prices are determined by orders of the Federal Antimonopoly Service of the Russian Federation (regulated gas price).

Current wholesale prices of gas for all categories of Russian consumers were set by Order of the Federal Antimonopoly Service No. 638/20 dated 10 July 2020 (for consumers other than households) and No. 636/20 dated 10 July 2020 (for households). In accordance with the Orders, gas prices for all categories of consumers were subject to indexation of 3.0%.

Regulated gas prices in Russia differ by region, generally depending on the distance from the gas production hub in the Yamal-Nenets Autonomous Area.


As the owner of the Unified Gas Supply System, Gazprom provides independent companies with services of gas transportation via trunk gas pipelines. The transportation charges are set by the FAS (previously by the FTS)*. Gas transportation service prices are based on a tariff consisting of two fees, one for the use of gas pipelines and the other for gas pumping. The pipeline usage fee is set for the distance between the pipe inlet and outlet points, while the pumping fee depends on Gazprom’s handling and transportation costs.

Current tariffs were approved by Order of the FTS No. 216-e/1 dated 8 June 2015 and were not indexed in 2016–2020.

Natural Gas Exports from Russia, bcm

<table>
<thead>
<tr>
<th>Year</th>
<th>CIS</th>
<th>LNG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>200.3</td>
<td>164.7</td>
</tr>
<tr>
<td>2016</td>
<td>219.5</td>
<td>164.7</td>
</tr>
<tr>
<td>2017</td>
<td>228.5</td>
<td>184.0</td>
</tr>
<tr>
<td>2018</td>
<td>247.5</td>
<td>184.0</td>
</tr>
<tr>
<td>2019</td>
<td>260.4</td>
<td>181.6</td>
</tr>
<tr>
<td>2020</td>
<td>240.9</td>
<td>164.0</td>
</tr>
</tbody>
</table>

Countries outside the CIS


* Excluding gas used in hydrocarbon liquids production.

* Pursuant to Federal Law of the Russian Federation No. 117-FZ on Gas Export dated 18 July 2006, the exclusive right to gas export shall be granted to the owner of the Unified Gas Supply System or to its wholly-owned subsidiary.

* Large-scale production of LNG in Russia concentrates at the Sakhalin-based LNG plant built as part of Sakhalin-2, a project operated by Sakhalin Energy Investment Company Ltd., and the Yamal LNG plant (Yamal-Nenets Autonomous Area) controlled by Novatek.

* The Federal Tariff Service was abolished by Presidential Executive Order No. 373 dated 21 July 2015, and was succeeded by the Federal Antimonopoly Service (FAS).
Gazprom also provides independent gas producers with underground gas storage services. The main gas consumption regions currently have 23 underground gas storage facilities. Their usage fees are non-regulated and are set by Gazprom on a case-by-case basis for each facility for the duration of the storage season (from 1 April to 31 March of the next year). Rosneft relies on underground gas storage facilities to offset fluctuations in gas consumption by end consumers.

In recent years, the domestic gas market has seen increased competition for consumers and a gradually expanding share of independent gas producers in the total volume of domestic gas sales.

The St Petersburg International Mercantile Exchange (SPIMEX) was launched on 24 October 2014 pursuant to an instruction of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Safety. In 2020, the Exchange continued to develop organised trade in natural gas. Trading is based on three balancing points (Nadym, 622.5 Km (Lokosovo), and Parabel) with next month deliveries of natural gas.

In 1H 2020, natural gas sales under exchange-traded contracts stood at 16.05 bcm, with total sales since the launch of SPIMEX now exceeding 89 bcm.

<table>
<thead>
<tr>
<th>Actual Growth in Regulated Gas Prices in Russia</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price increase for consumers other than households, %</td>
<td>60</td>
<td>35</td>
<td>35</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Price increase for households, %</td>
<td>20</td>
<td>30</td>
<td>34</td>
<td>34</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indexation of Regulated Prices (Tariffs) for Infrastructure Sector Products (Services) for 2021–2023, forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metric</td>
</tr>
<tr>
<td>Wholesale price indexation for all categories of consumers other than households</td>
</tr>
<tr>
<td>Wholesale price indexation for households</td>
</tr>
</tbody>
</table>

COMPETITIVE ANALYSIS

HYDROCARBON EXPLORATION AND PRODUCTION

Rosneft is the largest oil and gas company in Russia and a leader in terms of reserves and hydrocarbon liquid production among global peers whose shares or depositary receipts trade on international stock exchanges. Efficient reserves management and resource sustainability, including the reserves-to-production ratio, organic reserves growth, and cost of organic reserves growth are among the key investment highlights of an oil and gas company.

Under the SEC (U.S. Securities and Exchange Commission) classification, Rosneft’s proved hydrocarbon reserves totaled 38,644 mmboe (5,221 mmtoe) as at 31 December 2020, while its proved reserve life amounted to more than 20 years and proved organic reserve replacement ratio (RRR) to more than 150%. The life-of-field audit of the reserves was performed by DeGolyer & MacNaughton.

Reserves-to-production ratio (SEC) in 2020, years

<table>
<thead>
<tr>
<th>Year</th>
<th>71</th>
<th>74</th>
<th>96</th>
<th>99</th>
<th>107</th>
<th>110</th>
<th>13.9</th>
<th>19.9</th>
<th>21.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>71</td>
<td>74</td>
<td>96</td>
<td>99</td>
<td>107</td>
<td>110</td>
<td>13.9</td>
<td>19.9</td>
<td>21.0</td>
</tr>
<tr>
<td>2019</td>
<td>71</td>
<td>74</td>
<td>96</td>
<td>99</td>
<td>107</td>
<td>110</td>
<td>13.9</td>
<td>19.9</td>
<td>21.0</td>
</tr>
<tr>
<td>2020</td>
<td>71</td>
<td>74</td>
<td>96</td>
<td>99</td>
<td>107</td>
<td>110</td>
<td>13.9</td>
<td>19.9</td>
<td>21.0</td>
</tr>
</tbody>
</table>

Source: company reports.

Organic reserves growth (SEC), bboe

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3.3</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>2019</td>
<td>19.8</td>
<td>16.0</td>
<td>14.4</td>
</tr>
<tr>
<td>2020</td>
<td>-1.4</td>
<td>-1.4</td>
<td>-1.4</td>
</tr>
</tbody>
</table>

Source: company reports.

Reserves-to-production ratio (SEC) in 2020, years

As at 31 December 2020, the Company’s reserves under the PRMS (Petroleum Resources Management System) standards, according to DeGolyer & MacNaughton, totaled 43,484 mmboe (5,884 mmtoe) in the 1P category, 83,761 mmboe (11,308 mmtoe) in the 2P category, and 126,216 mmboe (17,028 mmtoe) in the 3P category. In 2020, Rosneft’s PRMS 3P reserves at existing assets (before acquisitions/divestments) increased by over 700 mmtoe as a result of successful exploration and production drilling and the use of advanced recovery enhancement techniques to extract hard-to-recover reserves, among others. The key contributors to the reserves base were the fields of RN-Yuganskneftegaz, RN-Nyaganneftegaz, Rospan International, Verkhnechonskneftegaz, and RN-Purneftegaz. The reserves at Vostok Oil assets also grew significantly.

Rosneft is the largest oil and gas company in Russia and a leader in terms of reserves and hydrocarbon liquid production among global peers whose shares or depositary receipts trade on international stock exchanges.

Efficient reserves management and resource sustainability, including the reserves-to-production ratio, organic reserves growth, and cost of organic reserves growth are among the key investment highlights of an oil and gas company.

Under the SEC (U.S. Securities and Exchange Commission) classification, Rosneft’s proved hydrocarbon reserves totaled 38,644 mmboe (5,221 mmtoe) as at 31 December 2020, while its proved reserve life amounted to more than 20 years and proved organic reserve replacement ratio (RRR) to more than 150%. The life-of-field audit of the reserves was performed by DeGolyer & MacNaughton.
Exploration activities in 2020 helped discover 208 deposits and 19 fields with a total of over 2 btoe in AB1C1+B2C2 reserves. Appraisal drilling in the Kara Sea resulted in the discovery of two unique Arctic fields – the Zhukov gas field and the Rokossovsky gas condensate field, with reserves of 1.3 tcm and 55 mmt, respectively. As part of the Vostok Oil project, a unique Zapadno-Irkinskoye field was discovered on the Taimyr Peninsula, with more than 600 mmtoe in C1+C2 hydrocarbon reserves.

Rosneft is Russia's leading petroleum company in terms of launching new projects. In recent years, we have put on stream a number of large fields, including Suzunskoye, Yurubcheno-Tokhomskoye, Kondinskoye, Tagulskoye, Russkoye, Srednebotuobinskoye (Phase 2), Zapadno-Erginskoye, Vostochno-Messoyakhskoye and Kuyumbinskoye. The third quarter of 2020 saw the launch of a high-pressure oil pipeline to the Priobskoye field, marking the start of the Erginsky license area's full-scale development (a key asset of the Erginsky cluster). In the fourth quarter of 2020, a pipeline to the Verkhnechonskoye field was put on stream to transport oil from the Severo-Danilovskoye field. In the medium term, we plan to enhance the productivity of mature fields and develop new high-potential oil and gas projects, including the Vankor, Erginsky and Danilovsky clusters, Rospan, Kharampurskoye and Severo-Komsomolskoye fields, to increase the output through organic growth. In compliance with the Russian President’s instruction to increase the cargo flow along the Northern Sea Route, we have embarked on a large-scale hydrocarbon production project, which will set the stage for a comprehensive development of the new oil and gas province in the Krasnoyarsk Territory’s north (Vostok Oil project). Together with our partners, we will build a unique world-class oil and gas cluster in this location.

In line with its plans, the Company continues to run production projects outside Russia.

For years, Rosneft has invariably maintained a high reserve replacement ratio (reserve replacement cost in 2018–2020 was USD 0.3 per boe). In 2021–2022, we intend to replace no less than 100% of our hydrocarbon production. The Company also plans to fast-track the development of new reserves by reducing preparation timelines, accelerate viability-based resources to reserves conversion, and make exploration drilling in Russia more successful.

The Company accounts for around 40% of the total oil production of Russia and approximately 6% of the global oil output. On top of that, we boast the highest 10-year average production growth among peers.

To ensure production growth in the long run, we create an optimal portfolio of major greenfield projects, while also using advanced production technologies at our existing fields. Technology advance is a key focus area of the Rosneft–2022 Strategy and a powerful driving force behind our competitiveness.

Average hydrocarbon production growth over 10 years, %

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Gazprom Neft</td>
<td>4.1</td>
<td>4.4</td>
<td>3.8</td>
<td>3.5</td>
<td>3.4</td>
<td>3.0</td>
<td>2.8</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rosneft</td>
<td>7.5</td>
<td>7.1</td>
<td>6.8</td>
<td>6.6</td>
<td>6.3</td>
<td>5.9</td>
<td>5.3</td>
<td>4.7</td>
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</tr>
<tr>
<td>Lukoil</td>
<td>1.4</td>
<td>1.3</td>
<td>1.2</td>
<td>1.1</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
<td>0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LUKOIL</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
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</tr>
</tbody>
</table>

Sources: company reports; Wood Mackenzie (Gazprom, PetroChina).
Refining and Marketing

Rosneft is the largest refiner in Russia. Its refining business includes 13 large refineries, as well as petrochemical and gas processing plants in five federal districts – Central, Volga, Southern, Siberian, and Far Eastern. The Company’s oil refining operations are focused on the strategic task of supplying high-quality petroleum products to the Russian domestic market, including remote regions. The Achinsk, domestic market, including...

Rosneft’s Innovation Development Programme is aimed at substituting imported technologies for the production of high-quality petroleum products. One of its key objectives is for the Company’s refineries to start using catalysts produced in-house in order to mitigate the exposure to foreign-made products, cut refining costs and boost the competitiveness of Rosneft’s refining segment.

Under the Rosneft-2022 Strategy, the Company’s refineries continue rolling out the Digital Plant system to streamline production management.

As an environmentally responsible company, Rosneft is consistent in improving and expanding the development and output of high-tech petroleum products with an enhanced environmental performance. The Company is also expanding the sales geography of Euro-6 and AI-100 gasoline and boosting production of RLMS, a low-sulphur marine fuel.

Rosneft is an active player in the domestic and foreign oil and petroleum product markets and Russia’s largest oil exporter. Its crude oil is exported to European, Asia-Pacific, and CIS countries, sold on international markets, and supplied to refineries in Russia and abroad. In general, the Company continues successfully diversifying its oil supply channels. Amid growing competition in the oil market, the Company is focused on boosting export volumes under long-term contracts, including oil supplies to China National Petroleum Corporation (CNPC) and supplies to Europe under direct contracts. Rosneft also captures opportunities of expanding partnerships through short-term contracts. The Company is consolidating its competitive position in the European market through the operation of its German refineries, whose total throughput in 2020 stood at 10.97 mmt. Rosneft is currently the third-largest player in the Russian refining market. Its capabilities provide an advantage over other refineries of 9.0% according to the Nelson Index. The local operator is Rosneft Deutschland GmbH. This subsidiary manages the supply of crude to Rosneft-owned refineries (PCK Raffinerie GmbH, MRC, Bayernoil) and the sales of petroleum products.

Rosneft is consistent in its expansion efforts in the Asia-Pacific Region. Rosneft associate Nayara Energy owns and operates the Vadinar refinery, which accounts for approximately 8% of Indian refining. With a Nelson Index of 11.8, it is one of the country’s most advanced facilities of its kind. In 2020, Nayara Energy had a rapidly growing retail network in India, with more than 5,975 operating filling stations (over 8% of all filling stations in India) and 2,200 filling stations in various stages of commissioning.

Rosneft’s main competitors in Russian oil exports are vertically integrated companies such as Lukoil, Surgutneftegaz, and Gazprom Neft. All Russian oil producers have their own export schedule for oil transportation outside the Russian customs zone based on equal access to the oil trunk pipeline system and sea-port terminals. Key competitors supplying other crude oil grades to export markets are international and national oil companies such as Shell, BP, ExxonMobil, Chevron, Total, Equinor, Saudi Aramco, NIOC, etc.

The Company consistently supplies petroleum products to the domestic market in required quantities. Rosneft is a major player in the Russian wholesale motor gasoline and diesel fuel market. We operate the largest retail network in Russia, offering petroleum products in all federal districts. The Company relies on extensive infrastructure, both owned and leased, to market and distribute petroleum products (oil depots, filling stations), which takes into account the capacity of regional markets and consumer demand. The Rosneft trademark is one of the most recognisable for petroleum products across the regions where the Company operates and is associated with quality fuel on sale at filling stations.

The Company exports its petroleum products, just like crude oil, to European, Asia-Pacific, and CIS countries. Its competitive advantage lies in its ability to maintain stable relations with foreign partners, and, specifically, expand and renew petroleum product supply contracts.

As a result of successful efforts made in 2018 to create its own marketing function, Rosneft Deutschland began marketing and selling petroleum products in Germany in January 2019 and now acts both as a major refiner and a leading wholesale supplier of petroleum products to the market. It supplies petroleum products directly from three German refineries primarily owned by Rosneft, as well as from over 30 German terminals by road, rail, and river. The Company’s customer base includes more than 500 enterprises in Germany, Poland, the Czech Republic, Switzerland, Austria, and France.

Alongside Rosneft, Russian oil majors Lukoil, Surgutneftegaz, Gazprom Neft, Tatneft and other oil companies offer petroleum products on the domestic market. Key competitors in export markets include transnational oil companies (Shell, BP, Total, ExxonMobil, Chevron, etc.) and local refiners.

Russia’s oil refining dynamics, mmt

![Diagram showing Russia’s oil refining dynamics for 2018, 2019, and 2020.](https://example.com/roseft_data.png)
As the oil and gas industry’s environmental performance comes under closer scrutiny, the Company is developing its gas business with a focus on production technologies and efficient gas monetisation. The latter enables the Company to expand important focus areas, since business and one of the most significant for access to infrastructure and the work to create equal conditions for access to infrastructure facilities and consumers. Developing an NGV filling station network in Russia is one of Rosneft’s priorities in the retail stations and consumers. 

In an effort to expand its innovative and environmentally-oriented services, Rosneft is developing EV charging infrastructure at its filling stations based on demand forecasts and EV market trends. We have installed and now operate 14 charging points for electric vehicles at our filling stations, including five fast-charging (50 kW) points in the Moscow and Leningrad regions, Vladivostok and Khabarovsk, and nine slow-charging (22 kW) ones in the Tver Region and the Krasnoyarsk Territory. Rosneft has joined forces with some of Russia’s largest electric power companies, to continue expanding its EV charging infrastructure. To meet the tougher CO2 regulations in the EU, at Bayernoil and MERO refineries in Germany, we have successfully implemented projects to import and blend petrol and diesel fuel a new bio-composite – hydrotreated vegetable oil (HVO). Rosneft seeks to further improve emissions management by working in a number of directions, in particular focusing on “green” hydrogen production.

### Operation and Financial Efficiency

The reporting year was marked by a number of developments that had a material impact on the whole oil and gas industry. The most significant change that negatively affected the balance of hydrocarbon supply and demand was a decrease in consumption caused by the COVID-19-related restrictions. The OPEC+ cut accord resulted in supply constraints, which together with partially improving demand brought about a recovery in prices by late 2020. However, plummeting oil prices in 2020 led to a significant fall in oil and gas operating profits, prompting companies to review their mid- and long-term price forecasts, increasing write-offs, and pushing net income into a negative territory. Amid the uncertainty and volatility in the global oil market, Rosneft demonstrated high exploration and production efficiency, while maintaining traditionally low finding and development costs and staying committed to the long-term organic growth of its hydrocarbon production. Our F&D costs over the last five years averaged USD 4.75 per barrel, with the RRR of IP reserves (under SEC classification) in 2016–2020 rising from 151% to 156%.

Low unit production costs are yet another indicator of Rosneft’s operational efficiency. In the reporting period, we retained an undisputed leadership in production costs in Russia thanks to optimal technologies and stringent cost control. Rosneft’s current operating costs per barrel are significantly lower than those of international majors, and 15–30% lower than the lifting costs of Russian peers.

#### Unit capex in exploration and production², USD/boe

<table>
<thead>
<tr>
<th>Company</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rosneft</td>
<td>6.8</td>
<td>6.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Surgutneftegaz</td>
<td>8.4</td>
<td>6.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Gazprom Neft</td>
<td>7.3</td>
<td>6.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Gazprom</td>
<td>8.9</td>
<td>8.5</td>
<td>9.3</td>
</tr>
<tr>
<td>LUKOIL</td>
<td>13.5</td>
<td>12.6</td>
<td>13.5</td>
</tr>
<tr>
<td>NNK</td>
<td>13.3</td>
<td>12.6</td>
<td>13.3</td>
</tr>
<tr>
<td>Independent refineries</td>
<td>14.1</td>
<td>14.2</td>
<td>13.5</td>
</tr>
</tbody>
</table>

¹ Petrobras unit capex in exploration and capex in Brasil.
During the turbulent 2020, the Company delivered positive net income and the lowest net debt / EBITDA growth compared to the largest international peers, thanks to its financial resilience and quality asset portfolio.

Source: BP, Shell, Equinor, Total, ENI, Chevron, and ExxonMobil reports

With climate change climbing higher on the global agenda, environmental, social and governance (ESG) criteria are becoming a key factor in determining the Company’s investment appeal. Investors have come to rely on ESG ratings from international agencies when making allocation decisions, and companies’ climate change initiatives are starting to represent a major competitive advantage.

Rosneft fully recognises the importance of the climate agenda and makes sure to assess the systemic, environmental, infrastructural and economic risks associated with climate change. We keep working to reduce our GHG emissions. In 2006, we launched and have since been expanding our Gas Investment Programme aimed at increasing the level of APG utilisation. During 2006–2012, Rosneft combined forces with the World Bank and a number of European state funds to carry out three joint projects under the Kyoto Protocol. Aimed to reduce APG flaring, the projects resulted in a 2 mmt decrease in annual CO2 emissions. Rosneft’s Energy Efficiency Programme was approved in 2009 and is regularly updated with direct input from the Board of Directors. In 2013, Rosneft started a systemic assessment and monitoring of its GHG emissions. In 2017, we launched a programme to regularly monitor and optimise production losses, and to ensure sustainable use of energy by our facilities. This ongoing initiative will enable us to achieve lower GHG intensity compared to peers. Following the comparison of CO2 equivalent intensity in 2019, Rosneft ranked in the first quartile of international oil and gas majors in terms of direct emission intensity in upstream (alongside CNOOC and Equinor) and downstream.

We are introducing and expanding the principles of low-carbon development as part of our corporate governance framework. In 2019, Rosneft set up the Carbon

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Climate Agenda and Carbon Management

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The committee assists the Board Development Committee.

Planning Committee, renaming In April 2020, the Board work in 2021.

Officer. The Committee started its to the Rosneft’s Chief Executive Committee that directly reports to the Rosneft’s Chief Executive Officer. The Committee started its work in 2021.

In April 2020, the Board of Directors voted to assign more responsibilities to the Strategic Planning Committee, renaming it the Strategy and Sustainable Development Committee. The committee assists the Board of Directors in defining strategic goals and growth targets, including ESG goals and Rosneft’s contribution towards the UN Sustainable Development Goals.

In June 2019, we joined the Methane Guiding Principles initiative.

On 20 December 2018, the Board of Directors approved the Company’s ESG initiatives and announced Rosneft’s commitment to the 17 UN Sustainable Development Goals. In June 2020, we released an updated public statement regarding the Company’s contribution towards the UN Sustainable Development Goals. The statement confirms our commitment to becoming the leader in minimising the environmental footprint and promoting eco-friendly production. In July 2020, we released a public statement regarding the Company’s stance on human rights and the Declaration on Respecting Human Rights to be used when interacting with suppliers of goods, works and services.

In December 2020, the Board of Directors discussed the long-term Carbon Management Plan for the period until 2035, which takes into account the views of the Company’s key shareholders and lays the foundation for Rosneft’s environmental agenda on developing a low-carbon economy, including climate risk management and defining opportunities and competitive advantages associated with future demand for clean energy.

On 1 April 2020, the government introduced tax benefits for projects to develop hydrocarbon resources in the North of Russia: • there is now a new fifth group of subsurface sites transferable to AIT, comprising areas located north of 70 degrees of northern latitude within the borders of the Krasnoyarsk Territory, the Republic of Sakha (Yakutia) or the Chukotka Autonomous Area, with oil reserve depletion less than 0.1% as at 1 January 2019; • until the expiration of 12 years after the start of the commercial production, Group 5 subsurface sites are subject to a zero MET rate and reduction coefficient (C_red) in the subsequent four years (0.2, 0.4, 0.6, and 0.8). On 1 January 2021, the period of the zero MET rate was extended from 12 to 16 years;

• a MET deduction was granted until 31 March 2030 for projects located north of 67 degrees of northern latitude and south of 69 degrees of northern latitude within the borders of the Krasnoyarsk Territory, which provide for the construction of road, transport, engineering and energy infrastructure necessary for the development of AIT Group 5 sites (deduction on infrastructure). The deduction cap is set based on the positive difference between the actual Urals price and the baseline price (Pbas) equal to USD 42.45 per barrel for 2020, subject to further indexation. On 1 January 2021, the baseline price for calculating the MET deduction on infrastructure was reduced to USD 25 per barrel; • a zero MET rate is introduced for the production of natural gas and gas condensate together with natural gas at subsurface sites located in certain regions of the Russian Arctic and used exclusively for the manufacture of liquefied natural gas (LNG) and/or petrochemicals at new facilities, until the accumulated extraction volume (250 bcm) of gas or 20 mmt of gas condensate at the subsurface site is reached or until the expiration of 12 years from the first day of the month in which the sale of the first LNG or petrochemical batch took place;
OTHER TAXATION CHANGES IN THE OIL INDUSTRY

To compensate for additional budget expenses arising out of changes in the damper mechanism (part of the reverse excise tax on petroleum feedstock), from 1 January 2020 the CMGDF coefficient used to increase the MET rate for oil was supplemented with a new increment (Ncm) in the amount commensurate with the damper (the changes were introduced in 2019 to allow for increased excise deductions as compared to the previous formula).

From 1 April 2020, new offshore hydrocarbon deposits located in White, Pechora and Okhotsk seas and the southern part of the Barents Sea, for which the date of the start of commercial hydrocarbon production falls after 1 January 2020, are reclassified to Group 4 in terms of oil extraction complexity (the most attractive tax benefits) for the purposes of MET.

EXCISE TAX ON PETROLEUM FEEDSTOCK AND PETROLEUM PRODUCTS

In 2020, the Company continued to apply the so-called reverse excise tax introduced from 1 January 2019 as part of completing the tax manoeuvre. The scheme envisages levying excise tax on petroleum feedstock supplied for refining in Russia and granting the relevant tax deduction.

The petroleum feedstock excise rate is calculated based on current global oil prices, USD/RUB exchange rate, the quantity and types of refining products. Certain constituent entities of Russia (including the Krasnoyarsk Territory and Ilmitsk Region) apply higher regional coefficients.

The deduction also includes a damping component calculated as the difference between global and notional domestic prices for gasoline and diesel fuel and can be both positive (reimbursable from the budget) and negative (payable to the budget) depending on the said price difference. Given the macroeconomic conditions, starting from February 2020 the damper was negative.

From 1 January 2020 the government increased the excise tax for petroleum products, with certain exceptions listed in Article 181 of the Russian Tax Code and heavy marine fuel excluded from the list of excisable goods as a standalone item.

Other changes include a tax deduction for middle distillates used as fuel for electricity and/or heat generation, and an increased tax deduction for the sale of middle distillates as bunker fuel exported from Russia as supplies.

Excise rates for petroleum products in 2019–2020, RUB per tonne

<table>
<thead>
<tr>
<th>Excisable goods</th>
<th>from 1 January to 31 December 2019</th>
<th>from 1 January to 31 March 2020</th>
<th>from 1 January to 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor gasoline</td>
<td></td>
<td>13,100</td>
<td>13,100</td>
</tr>
<tr>
<td>• Non-compliant with EURO-5</td>
<td>12,314</td>
<td>12,752</td>
<td>12,752</td>
</tr>
<tr>
<td>• Non-compliant with EURO-5</td>
<td>12,752</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Straight-run gasoline</td>
<td>13,912</td>
<td>14,720</td>
<td>14,720</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>8,541</td>
<td>8,835</td>
<td>8,835</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>2,800</td>
<td>2,800</td>
<td>2,800</td>
</tr>
<tr>
<td>Motor oils</td>
<td>5,400</td>
<td>5,616</td>
<td>5,616</td>
</tr>
<tr>
<td>Benzene, paraxylene, orthoxylene</td>
<td>2,022</td>
<td>3,058</td>
<td>3,058</td>
</tr>
<tr>
<td>Middle distillates</td>
<td>9,241</td>
<td>9,535</td>
<td>16,191**</td>
</tr>
<tr>
<td>Heavy marine fuel a</td>
<td>2,100</td>
<td>2,100</td>
<td></td>
</tr>
</tbody>
</table>

1 An average rate for the period. The monthly rate is calculated using the following formula: 9,585 – (PDSexp – 48,300) x 0.65 if PDSexp is ≤ RUB 48,300 per tonne and 9,585 if PDSexp is > RUB 48,300 RUB per tonne (PDSexp is the average price of the export alternative for class 5 diesel fuel for the tax period).

2 For fuel produced at refining facilities located in the Khabarovsk Territory; in other cases the excise is equal to zero.

3 For fuel produced at refining facilities located in the Khabarovsk Territory; in other cases the excise is equal to zero.
FURTHER CHANGES IN TAX LEGISLATION

The reporting period saw the adoption of several federal laws significantly changing the fiscal regime for the oil industry starting from 2021. Some of the new tax measures with the greatest impact on the Company include:

TAX DEDUCTION FOR THE PRIOBSKY SUBSURFACE SITE

A monthly tax deduction of RUB 3,830 mln is applied to oil production at subsurface sites meeting the statutory criteria (including the Priobsky site) until the accrued deduction reaches RUB 460 bln.

The tax deduction is applicable to a certain month provided an oil production agreement has been signed with the Russian Ministry of Finance and the Ministry of Natural Resources and Environment (Rosneft signed the agreement with the said federal executive bodies in January 2021) and the Ural price has exceeded the baseline set out by Article 96.6 of the Russian Budget Code.

On top of that, the deduction cannot exceed the federal budget's additional notional revenue from the applied deduction determined as a sum of MET and export duties on incremental production resulting from such deduction (the difference between the actual and baseline production (without the deduction) set out by the oil production agreement).

ADJUSTMENT TO FISCAL BENEFITS FOR PROJECTS IN NORTHERN RUSSIA

As mentioned above, from 1 January 2021 the period of the zero MET rate for AIT Group 5 subsurface sites was extended until the expiration of 16 years from the start of commercial production. Moreover, the government increased the cap for MET deduction on infrastructure on the back of a lower baseline price (Pbars) of USD 25 per barrel for the whole period, and granted a statutory exemption from oil export duties for the period of the MET relief.

CHANGES IN FISCAL TERMS FOR DEPLETED SITES AND SITES CONTAINING HIGH-VISCOSITY OIL

Starting 1 January 2021, reductions in the MET rate for high-viscosity oil and oil extracted on depleted sites (the Cd coefficient) are cancelled, while the Cdp reduction coefficient for the MET rate for depleted deposits of hard-to-recover oil remains in effect.

In addition, depleted sites may now be transferred to AIT (Group 3 for the purposes of AIT). Starting 1 January 2024, these sites are eligible for tax deductions of 20% from the MET amount, which become applicable once the depletion level reaches 80% (for the purposes of deduction, depletion calculations account for increments and write-offs in the oil reserves after 2006, unlike the similar calculation used to determine the Cd coefficient).

For the depleted sites in the Sea of Okhotsk, the specified deduction comes into force starting 1 January 2021. The Russkoye field, which is being developed by the Company and has high-viscosity oil reserves, is also eligible to the AIT regime.

CHANGES IN FISCAL TERMS FOR FIELDS THAT APPLIED REDUCED EXPORT DUTIES ON OIL

Starting 1 January 2021, no longer effective are special formulas for calculating export duty rates for certain subsurface sites specified by the Federal Law of the Russian Federation on the Customs Tariff, as well as reduced MET on oil produced in such areas. Until the end of 2021, these sites may be transferred to the AIT regime.

CHANGES IN AIT TERMS

In addition to the subsurface site categories above, starting 1 January 2021 the right to switch to AIT has been granted for the sites that are:

- located entirely or partially within the North Caucasian Federal District or the Sakhalin Region (except for offshore fields);
- located north of 65 degrees of northern latitude and entirely within the Komi Republic (and meeting the criteria set by the Russian Tax Code for AIT Group 4), as well as six subsurface sites in the Orenburg and Samara regions (the geographical coordinates can be found in the Russian Tax Code).

Starting 1 January 2021, there have also been certain changes in calculating AIT and MET on oil for subsurface sites transferred to AIT.

There is now a temporary limitation on the carry-forwards of historical losses: they may not reduce the tax base for 2021–2023 by more than 50% (this limitation does not apply to subsurface sites falling under AIT Group 5).

Also, there have been changes in the loss indexation coefficient: instead of a universal carry-forward loss indexation coefficient (1.163), there are now different coefficients depending on the tax period and subsurface site group. The old 1.163 coefficient remains in effect for Group 5.

There are new details on defining the unit cost value for calculating the minimum AIT tax base: the unit cost value is taken to be RUB 7,140 per tonne until 31 December 2023 and RUB 8,600 per tonne starting 1 January 2024, multiplied by the deflator.

The MET rates for subsurface sites transferred to AIT increased for certain Group 2 sites due to the cancellation of lower rates for sites that at 1 January 2021 had no grounds for applying the MET tax holidays under the general tax regime and due to higher rates for individual sites for 2021–2023.

The resolutions on revised fiscal terms passed in 2020 are comprehensive and balanced in nature. Overall, the new taxation parameters bear no adverse impact on the Company’s plans as regards its oil production projects.

EXCISE TAX ADJUSTMENTS

There have been adjustments to certain aspects of the reverse excise tax on petroleum feedstock effective from 1 January 2021. In particular, an investment mark-up (СИ) has been introduced, which increases excise deductions for owners of the petroleum feedstock supplied for processing. Eligible for the mark-up are the companies that before 1 October 2021 sign investment agreements with the Russian Ministry of Energy.

The definition of middle distillates has been updated as follows:

- the density threshold for a mixture of hydrocarbons to be recognised as a middle distillate has been lowered, meaning a number of heavy petroleum products (e.g. tar and fuel oil) are now excluded from the category;
- the criteria for defining high-viscosity products not belonging to middle distillates have been refined, which also means that a number of products are no longer subject to excise tax.

In addition, starting 1 January 2022 the reverse excise tax will be introduced for ethane and liquefied petroleum gas (LPG) if such ethane and/or LPG are supplied for processing into goods that constitute petrochemical products.
SUSTAINABLE DEVELOPMENT

4
HEALTH, SAFETY, ENVIRONMENT. CLIMATE CHANGE.

STRATEGIC GUIDELINES

Rosneft understands its responsibility for the health, safety and well-being of its employees, contractors and local communities from its operating activities, as well as for the protection of the environment in the regions of its operations.

The global economy faced huge challenges in 2020 with the coronavirus pandemic causing many disruptive changes across all industries. In these current challenging conditions the Company has continued to focus on maintaining high occupational safety standards; together with enhanced controls and efficient risk management processes to ensure accident-free operations, ensuring safe labor conditions for employees and implementing programs to minimize environmental impacts. The Company has also continued to strengthen its carbon management agenda to manage physical risks associated with the impacts of climate change and the energy transition.

HSE MANAGEMENT PRINCIPLES

In December 2018, the Rosneft Board of Directors approved the Company’s strategic development guidelines related to the implementation of the United Nations (UN) Sustainable Development Goals. Thus, the mission, values, goals and strategic guidelines of the Company are consistent with the 17 United Nations Sustainable Development Goals.

The company also focused on five priority SDGs to help guide the work of its operations: “Good Health and Well-being”, “Clean and Affordable Energy”, “Decent Work and Economic Growth”, “Climate Action” and “Partnerships for the Goals”. In support of these priority goals, Rosneft strengthened its HSE risk management system, improved the HSE governance processes and procedures, strengthened its carbon management governance processes and increased its focus on competency development planning. The company also improved its monitoring of HSE programs to improve implementation and embedding across all operations.

In 2020, Rosneft adopted the international standard for occupational health and safety management systems - ISO 45001:2018 while maintaining its conformance with the requirements of the Environmental management system - ISO 14001:2015.

HSE GOALS OF THE COMPANY

Rosneft strives to continuously conduct accident-free operations, maintain safe working conditions for employees and contractors, support the health of communities in the areas of the Company’s operations and minimize environmental impacts from its operations. HSE performance is benchmarked against international peers.

The Company has also invested in a number of environmental improvement projects and environmental programs to achieve its strategic environmental goals defined in the Rosneft-2022 Strategy.

Rosneft’s ‘2030 Environmental Vision’ was reviewed by the Committee for Strategy and Sustainable Development of the Board of Directors in 2020. This vision outlines Rosneft’s 2030 environmental operating principles, the technical environmental programs and goals to 2030 and the areas for alignment with the UN Sustainable Development Goals and 2030 national environmental goals of the Russian Federation.

FROM COMMITMENTS TO ACTIONS

Five meetings of the company’s HSE Committee were held in 2020 to review HSE performance, review progress of key HSE programs and agree the HSE priorities of the Company. Progress against the Company’s HSE targets is reviewed on a quarterly basis, first by the HSE Committee, which includes representatives of the Company’s management, and then by Rosneft’s Board of Directors.

Meetings of the Carbon Management Sub-committee were held on a quarterly basis to review progress against actions in Rosneft’s 2020 Carbon Management Plan. In August 2020, a team was established by the Carbon Management Sub-Committee to develop a long term Carbon Management Plan to 2035. This plan was reviewed and approved by the CEO and the Board of Directors in December 2020 and then communicated externally. At the end of 2020, the status of the Carbon Management Sub-committee was upgraded to the Carbon Management Committee reporting directly to the Chief Executive Officer.
ENSURING THE SAFETY AND HEALTH OF OUR PEOPLE IS THE HIGHEST AND UNCONDITIONAL VALUE OF ROSNEFT

The highest priority of the company is the safety of all employees, contractors, operations and the communities in which the Company operates. Rosneft strongly believes that ‘all accidents are preventable’. The HSE priorities for 2020 included the development, introduction and implementation of key industrial safety and occupational safety programs that focused on leadership and safety culture, compliance with the Golden Rules of Safety, contractor safety management and road safety. In 2020, the Company delivered all necessary health and safety activities, with the overall spending of ca. RUB 48 bn due to employee remote working and additional epidemic-related measures helping to protect employee health.

LEADERSHIP AND SAFETY CULTURE

HSE Leadership commitments are in place for top managers of the Company, as well as both General Directors and other top managers in Group Subsidiaries Leadership on this commitment by personal example as they discuss health, safety and environmental risks with employees and contractors while they are planning or conducting operational activities, and also work with them to identify opportunities for improved HSE performance. In addition, managers at all levels define clear HSE guidelines in accordance with the unified “Leadership Principles” of the Company which ensure safe working conditions for all employees and contractor organizations.

Employees and contractors, wherever they work, must adhere to the “Golden Rules of Safety” and take measures to stop work if the safety or health of any person is at risk. There are also trade union representatives across who have the authority to provide additional support to ensure compliance with occupational safety procedures. The Company is committed to continuously developing the capability and competence of employees especially in areas of the highest occupational safety risks. This contributes to strengthening the processes to preserve worker health; reduces the exposure to personal or process safety risks and increases the focus on environmental protection from operational activities. These capability development programs include specific internal corporate HSE training, external safety training, direct coaching and through information shared in HSE interventions and Corporate and Subsidiary HSE campaigns based on specific identified risks. In 2020, over 25,000 subsidiary employees were trained internally on the following HSE courses: “Procedure for the Internal Investigation of Incidents”, “HSE Risk Management” and “HSE Leadership”.

As part of cooperative arrangement with the National University of Oil and Gas “Gubkin University”, the Company’s internal trainers together with staff of the Gubkin University prepared a number of distance training courses for Group Subsidiaries’ managers and their deputies, with 355 Group Subsidiary managers successfully trained in 2020.

In November and December 2020, a number of employees from both the Corporate Offices and Group Subsidiaries were trained on Requirements of international standards ISO 45001:2018 and ISO 14001:2015. Internal audit of HSE IMS for ISO 45001:2018 and ISO 14001:2015, to be able to build the capability and understanding of the requirements of these HSE management systems.

In the fourth quarter of 2020, the HSE Department organized a survey of Group Subsidiary employees on the topic of occupational safety culture, including questions on motivation, HSE risk assessment, Golden Safety Rules, personal protective equipment, attitudes towards occupational safety, incident reporting. HSE communications and compliance with Covid-19 Company protocols and hygiene practices. The results from the survey provided many important HSE insights and also demonstrated an improving safety culture among our employees.

In 2020, the Company commenced its carbon management training for Executives and senior representatives of Central corporate functions with over 15 sessions delivered. Training will continue across all the Company Group Subsidiaries in 2021. Company specialists were also trained on the ISO 14064 standard related to the system of accounting, monitoring and reporting of greenhouse gas emissions, which was conducted by external certified trainers. Information sessions were also held for managers and employees of various departments of the Company’s central office and the Group Subsidiaries, including those involved in development of the methane leak detection pilot projects. In 2021, a corporate training programme on carbon management will be delivered across all Company Subsidiaries.

One of the most important priorities of the Company is the preservation of the environment for the benefit of present and future generations. The Company’s expectation is that each employee incorporates individual actions to protect the environment in work planning and execution while complying with all environmental requirements, thereby contributing to Rosneft’s growing environmental culture. Last year, at all levels of the Company, meetings were held dedicated to the topic “Environmental Culture and Environmental Protection Leadership”. Managers at all levels, from top managers to line managers of operational units of the Group Subsidiaries, held videos and audio conference meetings (due to Covid 19 restrictions) to clarify environmental issues, increase employee involvement and awareness of environmental compliance and encourage employees to take actions to protect the environment, both at work or at home.

The 7th Rosneft General Corporate Congress of Ecologists was attended by top managers of the Company, heads and specialists of the Company’s structural units and more than 200 Group Subsidiaries as well as representatives of Rosneft’s international partners – Equinor and BP. One of the focus areas of the Congress was the discussion of the progress towards Strategy-2022 goals and the Company’s long-term environmental management and carbon management goals. In addition, measures were also discussed to align these Company goals with the UN Sustainable Development Goals, Russian Federation’s National Goals and 2035 Energy Strategy. Also included in the Congress agenda were specific topics on industrial ecology, conservation of biological diversity and the use of new environmental technologies for environmental monitoring and improving operational performance. A separate item on the agenda of the Congress was the topic of socially responsible investing (ESG) and the importance of environmental indicators to the Company’s investment case.

GOLDEN RULES OF SAFETY

Despite the limitations caused by the coronavirus infection, additional measures were implemented in 2020 to embed the Golden Rules of Safety in all Rosneft Group Subsidiaries with access to the Training and Development Portal and Distance Learning corporate training systems. A distance learning “Golden Rules of Safety” interactive training program was launched.
in 2020 and this program will be widely shared with the Group Subsidiaries to maximize availability to Company employees. In 2020, 130 thousand employees completed the “Golden Rules of Safety” training conducted by internal trainers.

SAFETY OF EMPLOYEES OF THE COMPANY AND CONTRACTORS

In 2020, in addition to the management of HSE risks from operational activities, the Company also managed the significant risk of the spread of the coronavirus infection across the operations. In response, Rosneft took responsible steps to prevent the spread of the virus, protect the Company’s employees and contractors and ensure the continuous operation of production facilities. This was achieved through the planning and organization work, including shift rotations, maintaining strict sanitizing precautions, introducing tight control and quarantine measures, work zoning and work monitoring. Employees were required to undergo compulsory medical examinations and were provided with personal protective equipment at the required level. All controls were carried out in compliance with legal and corporate standards and requirements.

New regulations and procurement procedures for the qualification and admission of contractors to the Company’s facilities were also implemented in 2020. A new risk assessment procedure to rank contractors of potential HSE risk from the nature of their operational activities was also introduced. HSE expectations and requirements for contractors are included within their contractual obligations. These improvements in the contractor management procedures allowed the Company to effectively manage risks and minimize injuries and accidents during operational activities.

ROAD-TRAFFIC SAFETY

The Company’s “Vehicle Safety Management System” sets requirements for Company, contractor and sub-contractor drivers, vehicles and equipment.

In 2020, the Company approved the Rosneft Concept for Road Safety 2020–2022 as part of the transport safety management system to prevent road traffic accidents. This concept takes into account the main goals and objectives of the Decree of the President of the Russian Federation dated May 07, 2018 No. 204 and the Road Safety Strategy of the Russian Federation for 2018–2024, including:

- Eliminating accidents due to vehicle malfunctioning or due to health risks of drivers;
- The use of a risk-oriented ‘barrier’ approach in the road traffic safety management process.

In addition, the following priority activities were implemented as part of this Road Safety plan to reduce driving safety risks:

- Defensive driving training programs for drivers;
- Installation of in-vehicle monitoring systems (IVMS – GLONASS), video recorders, the use of portable vehicle speed measurement devices;
- Creation of the unified corporate telematics platform for GLONASS satellite monitoring of the Company’s vehicles;
- Publication of articles on road safety in regional/corporate media; and
- Implementation of a Communication support plan.

During the year, Group Group Subsidiaries and contractors also organized accident prevention campaigns “We are for road safety – 2020,” “Safe road – 2020” and “Beware, Children!” to contribute further to the reduction in road traffic accidents.

PROCESS SAFETY

The Company uses a risk assessment approach using prevention safety barrier approach. These changes were introduced across 135 Oil and Gas subsidiaries from 2019–2020 where subsidiaries carrying higher risk activities were prioritized, in addition to those which were certified against the ISO 45001 and ISO 14001 management system standards.

An important result of the implementation of the HSE risk management process in all Group Subsidiaries is the identification of weaknesses in existing safety barriers. These findings will help to prioritize strengthening of the most critical safety barriers linked to the highest risk activities and operations. This will contribute significantly to reducing serious accidents and operational safety risks for employees and contractors in the operations, as well as reduce incidents that can negatively impact the environment.

In 2020, to support the implementation of the risk barrier approach, guidelines were developed to assess and analyze the risks associated with fires and well control safety. In addition, several typical risk bow-tie diagrams were developed to create a standardized approach to conducting these risk assessments and to improve the level of understanding of the overall strength of operational safety barriers across various activities.
GREEN INVESTMENTS

In 2020, the Company implemented a number of activities and investment projects to minimize its environmental footprint. During the period 2018–2020 “Green investments” for reduction of flaring of associated petroleum gas (APG), investment in pipeline reliability, improvement in wastewater treatment, improvement in waste management practices and remediation of contaminated land, was around 120 bln RUB.

CARBON MANAGEMENT - RISK AND OPPORTUNITY MANAGEMENT

In December 2020, the Company’s Board of Directors reviewed and approved the Rosneft 2035 Carbon Management Plan. This plan was approved by the CEO and outlines a long-term approach to reducing the Company’s carbon footprint in alignment with the global energy transition to a low-carbon economy. The main goals of the Plan are:

- the prevention of 20 million tons of CO₂-equivalent (Scope 1 and 2) absolute greenhouse gas emissions from forecasted growth;
- the reduction of Upstream GHG intensity (Scope 1 and 2) by 30% against a 2019 baseline;
- the reduction of methane intensity to below 0.25%.

Implementation of the plan will help to strengthen Rosneft’s position as one of the leaders in the global energy market in the context of the energy transition process and to allow maximum monetization of the Company’s proven reserves.

NON-GREENHOUSE GAS EMISSIONS

In 2020, the Company reduced the volume of non-GHG air pollutants by 14%, with some of this reduction resulting from the implementation of the APG utilization program. One of the key measures for the implementation of this program in 2020 was the commissioning of priority APG utilization facilities at Yurubcheno-Tokhomskoye field of the East Siberian Oil and Gas Company.

WATER PROTECTION

One of the Company’s strategic priorities is to minimize the demand for fresh water in alignment with the United Nations Sustainable Development Goals. This is achieved through the implementation of infrastructure modernization projects and the use of the best available technologies. In 2020, the company continued to reduce the volume of contaminated wastewater disposal by the construction and upgrade of water treatment facilities as part of the refinery modernization program. The upgraded waste-water treatment facilities of Bashneft-Ufaneftekhim also reached its operating design capacity, while efficiency of other water treatment facilities were improved. Local treatment facilities and a recycling water supply unit were commissioned at NZMP LLC in February 2020 while facilities for the treatment and disposal of wastewater were commissioned at Rospan International JSC in October 2020.

DRILLING WASTE AND OILY WASTE HANDLING

In 2020, the Company reduced the previously accumulated volume of drilling waste by around 1.3 mln tons and processed around 850,000 tons of oily waste. Rosneft is working continuously to improve the contracting processes for waste management and the execution of modern waste management practices to maintain the improved rates of waste management.

LAND REMEDIATION

The Company continued to implement measures for land protection and rehabilitation with more than 500 hectares of contaminated land reclaimed in 2020.
IMPROVEMENT OF THE EFFICIENCY OF OIL SPILL MANAGEMENT

Rosneft is continuing to improve its spill prevention, management planning and response preparedness for emergency response teams building on the improvements that have already been made by the Company. The Company has now centralized the spill prevention and response organizational function to drive the implementation of measures to prevent environmental damage from both on-shore pipeline ruptures and from environmental accidents in the shelf area of the Russian Federation.

Given the importance of the Arctic natural ecosystems, Rosneft has also developed a wildlife response action plan as part of its offshore project work. This plan focuses on the rescue and rehabilitation of wildlife in the event of oil and chemical spills. This action plan is a part of each Oil Spill Response (OSR) plan and it provides guidance to the RN Group Subsidiaries and project teams for the planning and management of response efforts for vulnerable species in their areas.

Biodiversity Conservation

The Company pays special attention to activities aimed at biodiversity conservation. In December 2019 Rosneft and the Ministry of Natural Resources and Ecology of the Russian Federation signed the Cooperation Agreement for a national project ‘Ecology’ which focuses on cooperation on biodiversity conservation. The goal of the project is to assess the current natural state and population dynamics of key species in the marine and terrestrial ecosystems of the Arctic. These species include the wild reindeer, ivory gull, Atlantic walrus and polar bear which are listed in the Red Book of the Russian Federation.

In 2020, as part of this work, expeditionary field work was carried out to study the polar bear habitats on the Novaya Zemlya archipelago (Cape Zhelaniya) and the walrus populations on the islands of the Franz Josef Land archipelago as well as the Oran Islands and Victoria Island. In addition, during the field work in July-August 2020, work was organized on Vize Island to study the ivory gulls. The actual cost of these activities in 2020 was more than 119 mln rubles.

The Company has continued the work started in 2016 to publish scientific data obtained from both field research work conducted in collaboration with the leading research institutes of Russia, and those collected by Rosneft itself from its field operations. As a result of this work, Rosneft published both the “Environmental Atlas for the Barents Sea” and the “Species as biological indicators of the state of Arctic marine ecosystems” in 2020. In the autumn-winter period of 2020, field research was conducted on the wild reindeer species on the Taymyr Peninsula and in Evenkiya. Scientists from the Siberian Federal University and the Arctic Research Center used aerial surveys as well as satellite transmitters placed on tagged collars for remote tracking of migration routes. The research was conducted using daily observations at fixed locations as well as by using motorized monitoring along the banks of the Kheta and Khatanga rivers. Over 50 samples were also taken for further laboratory research to improve scientific knowledge of the health, diets and habitats of these species.

The Group Subsidiaries carried out large-scale work to enhance the population of aquatic species according to preliminary results, more than 70 mln juvenile fish species were released into the river systems of Russia. The largest production subsidiary of Rosneft, RN-Yuganskneftegaz made the greatest contribution to this release with more than 55 mln juvenile Siberian sturgeon, muskun and peled raised in fish hatcheries as part of river ecosystem preservation measures. All juveniles were released into the rivers of the Ob-Irysh basin.

PERSONNEL AND SOCIAL PROGRAMMES

In 2020, the average headcount of Rosneft Group Subsidiaries was 342.7 thousand employees, which is up 273 thousand compared to 2019 (315.4 thousand employees).

The increase was primarily due to a higher average headcount in Group Subsidiaries driven by business expansion and the acquisition or inclusion of several new assets in the Company’s business plan.

The average employee age increased by 0.3 years to 40.6 years vs 40.3 years as at the end of 2019. 45.9 thousand employees held managerial positions vs 40.8 thousand as at the end of 2019. The number of employees categorised as managers remained virtually flat year-on-year and made up 12.3% of the total average headcount in 2020 (vs 12.2% as at the end of 2019).

WORKFORCE PRODUCTIVITY AND ORGANISATIONAL EFFECTIVENESS

Improvement of workforce productivity has been, and remains, a key priority for the Company. As at the end of 2020, the Company achieved its overall productivity target on a comparable basis. We developed a list of relevant improvement initiatives, which we update annually as part of our Long-Term Development Programme. Workforce productivity metrics are used as an individual KPI to assess the performance of some of the Company’s top executives.

Average headcount in 2020 (as per the business plan)
Average headcount as at 31 December 2020 (as per the business plan)

EFFECTIVENESS PROGRAMMES

No Company goal can be achieved without our core asset – highly qualified personnel motivated to work effectively, whatever the market environment.

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Average headcount as at 31 December 2020 (as per the business plan)
including the CEO and senior management of the Group Subsidiaries within Rosneft’s major businesses.

In 2020, we designed five standard organisational structures for functional areas and communicated them to the Group Subsidiaries. Their phased implementation is planned until the end of 2022. To capitalise on the automation of methodologically streamlined HR business processes, we continued to roll out uniform corporate HR, compensation and social development standards based on SAP and 1C. In 2020, they were implemented at another seven Group Subsidiaries.

TALENT POOL MANAGEMENT

As part of the talent pool management plan for 2020, the Company strengthened the talent pool for target first- and second-level management positions in the Company’s Head Office and first-level management positions in the Group Subsidiaries. The talent pool committee, chaired by the top manager of the Company, held a meeting to review the candidates to be included in the business’ talent pool.

We gathered information on additional candidates selected to be included in the talent pool for first-level management positions in the Group Subsidiaries. To ensure HR security within the Company and Group Subsidiaries, we continuously develop our management talent pool, which includes a multi-tier competency assessment to select candidates, identify their priority growth areas and design related individual plans.

As part of talent pool selection and individual development planning in 2020, we assessed managerial and professional skills of 2,382 employees. We provided the talent pool with 1,004 man-courses in management training. We also reviewed the Company’s internal regulations on talent pool management, with all necessary amendments now pending approval.

PERSONNEL TRAINING AND DEVELOPMENT

Amid the 2020 pandemic, the Company managed to maintain the stable development of its corporate training system.

Together with partner educational institutions in Russia and abroad, we reviewed and updated educational programmes and implemented distance learning formats employing IT platforms, as well as solutions for group and individual online learning and knowledge testing.

In 2020, we provided 761.9 thousand man-courses as part of the mandatory vocational and management training, overachieving the 2020 target by 38%.

Our training programmes cover all of the Company’s business areas. As part of talent pool development under the Rosneft–2022 Strategy, we organised the following management training courses:

- MBA programmes for managers, talent pool and high-potential employees of the Head Office and Group Subsidiaries (95 employees);
- Leader of the Future (Strategic Level), Operational Level, Young Talents) (93 employees).

These programmes are run in partnership with the Graduate School of Management of St Petersburg University, Moscow State Institute of International Relations (MGIMO), Gubkin Russian State University of Oil and Gas and foreign universities, including the Polytechnic University of Turin (Italy), NOVA University Lisbon (Portugal), and Qatar branch of HEC Paris (France, Qatar).

The following educational programmes were successfully completed:

- training for young engineers from upstream facilities in the following jobs: technological monitoring and control in well construction (drilling supervisor), well construction supervisor, oilfield chemist, and project manager (108 people trained);
- training of shop managers from the upstream facilities under the professional retraining programme to improve performance and production methods (79 people trained);
- professional retraining for target personnel groups in oil and gas practical engineering and technology, oil and gas engineering, economics, organisational development and effective HR management in the oil and gas industry (87 people trained);
- retraining in geology and exploration (as part of an educational project run in collaboration with Lomonosov Moscow State University);
- training for in-house coaches and line personnel at oil depots and filling stations of R&D and manufacturing facilities;
- professional retraining for target personnel groups in HSE;
- retraining in compliance, business ethics compliance, anti-corruption and anti-fraud (over 30.7 thousand man-courses);
- special training for employees engaged in providing aircraft to support the Company’s operations.

The Company’s initiative to continue the educational programmes in the unfavourable situation received support not only from traditional training providers in Russia and abroad but also from Rosneft’s international partners.

As part of educational cooperation with BP, we held a video conference on personnel assessment, a round table on digital communication between employees and their employer, a joint seminar on developing HR competencies and a webinar on creating corporate training centres. BP representatives took part in Rosneft’s annual conference for best mentors and gave a talk on BP’s experience with developing a mentoring system at production facilities.

Together with Rosneft International Centre for Research and Development (RICRD, Qatar) and leading international experts, we ran the Moving into the Digital Era through Digital Transformation course for our IT team.
DEVELOPMENT OF IN-HOUSE TRAINING

We leverage our in-house training centres, coaches, experts and workplace mentors to provide 63% of training (479,6 thousand man-courses).

All in all, there are 64 training centres operating as part of the Group Subsidiaries or local educational institutions across our footprint. They have testing sites and offer hands-on vocational training, including mandatory courses, to help blue-collar employees and specialists develop professionally.

In 2020, the Company created a corporate training centre at Bashneft-PROFI to train employees of Group Subsidiaries operating in Bashkortostan.

Additionally, we are working to create the following facilities:
- a corporate training centre at RN-Vankor in Krasnoyarsk Territory;
- an electrical engineering and testing site at the Samaraneftegaz training centre;
- a training centre at Zvezda Shipbuilding Complex;
- a regional training centre at RN-Komsomolsk Refinery;
- a training centre at Obneftegaz.

We are also developing an internal training system to preserve and transfer knowledge within the Company.

In 2020, in-house coaches conducted 207 corporate training sessions (5,113 man-courses).

We ran a training programme for in-house coaches covering 68 groups and 850 man-courses (99 at the Company’s Head Office and 701 at Group Subsidiaries).

On top of that, over 422 thousand man-courses were available in the distance learning format.

As a result of the company-wide mentoring programme, we compiled an integral rating to assess the efficiency of relevant initiatives implemented by the Group Subsidiaries in 2020. The assessment covered 89 Group Subsidiaries in Upstream, Downstream, Gas Processing, and Petrochemicals, In-house Services, Corporate Services (R&D and manufacturing), Shipbuilding and Ship Repair, with winners named for each business.

We also staged the Best Mentor 2020 competition in the Group Subsidiaries (the first round) and across Upstream, Downstream, Gas Processing.

In 2020, Rosneft helped arrange training for Venezuelan, Cuban and Mongolian specialists at partner universities:
- complete a programme for 27 Venezuelan students in July 2020;
- continue a programme for the second group of 20 Cuban students;
- organise training for 41 Mongolian students.

COOPERATION WITH FOREIGN PARTNERS

As a global company, Rosneft is fostering partnerships with foreign oil and gas producers and the world’s best educational institutions to provide comprehensive training to its employees and enable them to perform well in any international project.

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- organise training for 41 Mongolian students.

PROFESSIONAL STANDARDS

In 2020, the Company continued to implement professional standards.

In pursuance of Directive of the Russian Government No. 519p-P13 dated 14 July 2016, Rosneft’s Board of Directors held two meetings in the reporting year to discuss the roles of professional standards across Rosneft and the Group Subsidiaries. According to the latest monitoring, more than a quarter of 1,360 approved professional standards can be implemented in the Company, with 68 of them classified as mandatory qualification requirements (depending on the subsidiary’s type of operations).

The qualification standards apply to over 49 thousand employees, of whom over 96% have an educational background meeting the requirements.

In 2015, Rosneft and other oil and gas producers joined the National Council for Professional Qualifications in the Oil and Gas Industry. Pursuant to the Council’s Action Plan, the Nefteyugansk Corporate Institute, Rosneft’s Professional Expertise Centre, drafted two industry standards, and submitted them for approval by the Ministry of Labour and Social Protection. In 2020, the Ministry approved three industry standards developed earlier by Rosneft.
PERSONNEL SKILL ASSESSMENT

Our comprehensive personnel assessment framework establishes uniform knowledge and skill requirements for employees across all business segments, including the Head Office and Group Subsidiaries. We assess employees when planning competency training, creating a talent pool and expert training, competency training, creating a talent pool and expert training, competency training, and social programmes, petro-chemicals, and HSE.

In 2020, we assessed over 16,18 thousand people based on the TIP materials as well as those used to evaluate the professional competencies of the key blue-collar staff in Oil Refining and Petrochemicals, Exploration and Production, and In-House Services.

To ensure reliable power supply and safe operation of the Company’s power generation facilities Rosneft started developing company-wide professional requirements (including a set of assessment tools and educational programmes) for employees of the Energy function. In 2020, we developed professional standards for five most common jobs: electrical maintenance technician, electrical, relay and automation equipment repairman, boiler operator, boiler equipment repairman, and internal combustion engine operator. Six more internal regulations are to be developed in 2021.

PRE-UNIVERSITY TRAINING

In accordance with its Youth Policy, Rosneft consistently implements a school-to-workplace approach to training. The initial project run in close partnership with the state educational system is pre-university training.

We organise Rosneft classes at top-ranking schools, colleges, and gymnasiuums in regions where we operate. The initiative is supported by the Group Subsidiaries that have a strong need for qualified labour to implement contemplated growth plans and capacity ramps up.

Rosneft classes offer school students a high-quality secondary education with a strong focus on technology and natural sciences to enable them to continue engineering studies at universities. After graduation, young talents are employed by the Company.

This helped the schools maintain education during the pandemic and continue implementing the project run by Rosneft and Lomonosov Moscow State University to provide distance learning for teachers in 2020. In the reporting period, Educational Processes in Digital Format, a virtual summer school for teachers, was held in cooperation with Lomonosov Moscow State University and the Russian Academy of Education. 186 teachers from 33 schools of 17 Russian regions took part in the training.

Rosneft provides career guidance for students of all partner secondary educational institutions. The key corporate initiative of the 2020 Rosneft classes programme was the StartYour Success, a series of workshops that took place in 57 towns and settlements.

YOUTH POLICY

Rosneft’s Youth Policy aims to ensure a steady influx of young, qualified specialists from among the top graduates of educational institutions, and their fast and effective onboarding at the Company’s facilities. To this end, Rosneft is working hard to build an external talent pool comprised of students of local educational institutions. The Company’s Youth Policy covers pre-university training of schoolchildren (Rosneft classes), cooperation with universities and students, and work with young specialists.

In 2020, the Company’s top priority in terms of the Youth Policy was to maintain efficient cooperation with educational institutions and continue productive work with young specialists amid the pandemic, as well as ensure full implementation of projects under the Rosneft – 2022 Strategy, including Rosneft classes and programmes for young talent. The latter reflects the Company’s support of the Russian Government’s educational policy and compliance with the main goals of the Education national project, including Continuing Education, Looking for Talents, Smart School, and Teacher of the Future.
Across eight federal districts. Some 2,761 schoolchildren (122 Rosneft classes) participated in the workshops.

To improve the effectiveness of Rosneft classes, schools introduce early career guidance and preliminary training for fifth to ninth grade kids. This helps them decide on their future career and make an informed choice of the major at high school, thus improving the selection of students for Rosneft classes.

For a unified approach to the programme implementation, Rosneft’s HR Department has developed a concept of early career guidance and preliminary training to provide methodology support to teachers, school students and employees of Group Subsidiaries involved in the pre-university training project.

Among other things, the Rosneft classes project seeks to identify, support and provide education to the gifted youth. The attendees of Rosneft classes take an active part in various academic contests. In the school year 2019–2020, 985 students became winners and runners-up in a wide range of olympiads, competitions and conferences, with 517 winning the top awards and other prizes at various stages of the National Olympiad of Schoolchildren.

The Company continued its cooperation with the Sirius Educational Centre to reach out to more young talents in the country’s regions.

In 2020, we held the third partner educational programme in an online format involving 986 students from Rosneft classes across 25 regions. The programme included three modules developed jointly by Sirius and Rosneft’s Corporate Research and Design Complex. During the competition, Sirius expert council ranked the participants and selected 108 winners from 30 Russian towns and settlements.

The project proved to be a success as evidenced by the number of Rosneft-class graduates who received relevant higher education and signed employment contracts with the Company. In 2020, 106 graduates started work at 54 Group Subsidiaries, with a total of 896 employed by 63 Group Subsidiaries.

**WORK WITH YOUNG TALENT**

In 2020, 101 Group Subsidiaries employed 3,621 young professionals, with 1,009 university graduates hired during the year.

The programmes for young specialists are based on the Company’s Regulations on Organising Work with Young Specialists, which covers the following areas:

- onboarding;
- training and development;
- identifying and development of potential leaders;
- progress assessment;
- financial support and social protection of young specialists.

To fast-track the onboarding of the young talent, we have put in place dedicated courses, set up 71 young specialist councils and introduced mentorship programmes across the Group Subsidiaries. As part of the Three Steps programme, Rosneft offers the young talent training and professional growth opportunities aligned with their individual development plans.

In 2020, the Company continued carrying out youth training and development activities. To that end, we provided 1,146 man-hours aimed at developing professional, corporate and managerial competences. We also organised in-person (regional conferences that took place in the first quarter of 2020) and online R&D conferences for young specialists using corporate digital resources. 3,654 employees of the Company, including 2,716 young employees from 97 Group Subsidiaries, took part in regional and cluster R&D conferences.

For the first time an interregional R&D conference was held on three information and communication portals, including the HR Department’s corporate portal. 97 out of 395 participating young specialists from 77 Group Subsidiaries became winners, runners-up or nominees. The conference also saw 89 projects recommended for implementation. As part of the conference, we developed and held 15 training sessions for young talent, organised exchange of experience among HR divisions of the Group Subsidiaries, created the conference’s website and digital magazine. The event opening and wrap-up were streamed. The new format helped greatly expand the conference’s target audience. Some 1.5 thousand employees participated in the training sessions.

In an effort to build up a strategic talent pool, we staged assessment business games for prospective young leaders in their third year of employment. The games took place from September to October 2020 and brought together 382 employees from 88 Group Subsidiaries. Based on the results, we selected 157 participants from 61 Group Subsidiaries who had demonstrated strong corporate and managerial skills, and recommended that they be included in the strategic pipeline of young talent. As game winners, these employees will receive further training under the Three Steps programme.

In 2020, we trained 148 young specialists who had topped in the 2019 assessment games.

In December 2020, we held an annual conference for chairs of young professionals’ councils to help boost the efficiency of their work. The event saw some 84 participants.
COOPERATION WITH UNIVERSITIES

In 2020, Rosneft worked together with 70 Russian and foreign universities from the majority of regions where it operates. Of these, 26 universities are partners of Rosneft. Cooperation agreements with higher education institutions allow the Company to actively engage in joint efforts focused on employee training and retraining, and research and innovation, as well as help develop the research and education capabilities of universities so that their graduates are qualified enough to meet our current business needs. Below are some of the 2020 highlights:

• 25 university departments continued to operate and one new specialised department was established, with 68 employees of the Company involved in their activities in 2020;
• Rosneft Scientific and Educational Centre focusing on digital technology in the oil and gas industry was created jointly with Lomonosov Moscow State University;
• a new Master’s programme on Digitalisation in Fossil Fuel Geology was launched by the Department of Geology and Geochemistry of Fossil Fuels of the university’s Geology Faculty;
• a new Master’s programme on Genomics and Human Health (led by Prof. Evgeny Rogaev, corresponding member of the Russian Academy of Sciences and head of the Genetics Department of the Biology Faculty) signified the launch of a novel field of research at Lomonosov Moscow State University;
• work continued on projects aimed at enhancing curriculum via more sophisticated university infrastructure (the Marine Engineering Scientific and Educational Centre at St Petersburg State Marine Technical University, a Rosneft drilling laboratory at Tyumen Industrial University, the Rosneft – Ufa State Oil Technical University research and education centre, etc.);
• works completed on the creation of a vocational training centre to be run by the Faculty of Vocational Education of Millionschikov Grozny State Oil Technical University. The centre’s opening ceremony timed with the university’s 100th anniversary took place on 20 August 2020. The centre has become a high-tech educational platform for students of Grozny State Oil Technical University, employees of the Company and residents of the Chechen Republic;
• Rosneft Days were held offline and online to provide career guidance and improve the Company’s image among more than 14.5 thousand students;
• 2,475 students completed internship with the Company;
• In 2020, the Head Office arranged a long-term internship for 129 Master’s students of Rosneft’s partner universities.

SUPPORT FOR EDUCATIONAL INSTITUTIONS

Rosneft and the Group Subsidiaries provide charitable assistance to educational institutions of various levels offering courses relevant to the Company’s needs and taking part in projects and programmes of the corporate School–University–Company framework for continuing education.

Some of this aid is devoted to class programmes supported by Rosneft Group Subsidiaries. The funding targets include:

• additional education in relevant subjects involving lecturers from partner universities;
• class programmes supported by Rosneft Group Subsidiaries, including materials and equipment for dedicated classrooms and distance learning equipment for teachers and schoolchildren;
• training for teachers;
• career-guidance and team-building events for schoolchildren.

In 2020, RUB 225.2 mln was given to partner schools.

Vocational and higher education institutions received financial support:

• to improve and develop their hard and soft capabilities;
• to maintain their specialised departments and Master’s courses as required by the Company’s strategic projects;
• to help finance large-scale infrastructure projects;
• to provide corporate scholarships and grants to talented students looking for professional development within the Company’s perimeter,

Master’s students doing internships at Rosneft’s business units, as well as promising educators. 849 corporate scholarships and 150 corporate grants were provided in 2020.

In 2020, Rosneft continued issuing grants for relevant exploratory research by academics at its partner universities (68 grants were issued). As a result, 16 exploratory studies were carried out at 11 partner universities.

The aid provided to vocational and higher education institutions for the said purposes totalled RUB 889.9 mln.
SOCIAL PARTNERSHIP AND SOCIAL BENEFITS

Rosneft pays special attention to its social partnership programme with two focus areas:
• corporate social partnership – strengthening our meaningful cooperation with the Interregional Trade Union Organisation of Rosneft (ITUO Rosneft), which represents most of the trade unions of Group Subsidiaries. In 2020, the Company continued with its traditional activities in this domain:
  – decision-making on the improvement of the Standard Collective Agreement of Rosneft Group Subsidiaries. In 2020, three amendments and additions were made to the Agreement to enhance social security for employees;
• industrial social partnership – liaising with the Russian Association of Oil and Gas Employers. In 2020, more than 50 Rosneft Group Subsidiaries joined the Industry Agreement on the Companies of the Oil and Gas Industry and the Construction of the Oil and Gas Industry Facilities, effectively gaining certain advantages in implementing the Russian Labour Code.

Cooperation with the Russian Association of Oil and Gas Employers led to the following results:
• the Russian Government approved the Temporary Rules of Rotation-based Work amid the COVID-19 Pandemic and later extended them to 2021;
• the Russian Triilateral Commission approved, and the State Duma adopted in the first reading, a draft amendment to the Russian Tax Code on recognising costs for health resort treatment tours for employees as payroll expenses.

SOCIAL PROGRAMMES

For many years, Rosneft has been one of the most socially responsible employers in Russia. In 2020, the Company continued to implement the Rosneft–2022 Strategy to ensure better motivation and social security for its employees and retirees.

In 2020, the Company allocated RUB 27.6 bln to create optimal working conditions, promote healthy lifestyles, and provide healthcare and social guarantees for its employees. Rosneft’s management has always been committed to maintaining high social security standards for our employees.

Key Social Policy Costs in 2020, RUB bln, %

- Private pension schemes 50%
- Healthcare, healthy lifestyle promotion, and other social contributions 42%
- Healthcare facility and social infrastructure 5%
- Maintenance Housing 3%

CORPORATE PENSIONS AND SOCIAL SUPPORT FOR VETERANS

The corporate pension programme is an integral part of the Company’s HR and social policy, as it is aimed at improving the social protection of retired employees. Pension contributions made by Rosneft and Group Subsidiaries under private pension schemes totalled RUB 13.9 bln in 2020.

The corporate pension programme includes the following elements:

PRIVATE PENSION SCHEMES FOR EMPLOYEES
• the programme covers more than 280 thousand employees of Rosneft and Group Subsidiaries who entered into a pension agreement with Non-State Pension Fund (NPF) Evolution®.

SOCIAL SUPPORT FOR VETERANS
• the Company has been running a veteran support programme for over 17 years;
• in 2020, the number of people benefiting from monthly pension payments under the programme totalled 23 thousand; in 2020, pensions rose by 5% as a result of indexation.

ACTIVE LONGEVITY PROGRAMME
• as part of the Rosneft–2022 Strategy, in 2020 we carried on with the Active Longevity Programme designed to improve the social security of retirees. In 2020, the investment income of NPF Evolution was used to finance a 6.18% increase in some 40.2 thousand pensions.

Under collective bargaining agreements, Group Subsidiaries allocated RUB 700 mln to provide financial aid to pensioners on national holidays, one-off financial aid for family reasons, aid to relatives upon a pensioner’s death, funding of tours for health resort treatment, etc.

To mark the 75th anniversary of the victory in the Great Patriotic War of 1941–1945, the Company launched a programme to compensate annual housing and utility bills for veterans of the Great Patriotic War and persons of equivalent categories.

The above programmes help enhance social security not only for the employees of Rosneft and Group Subsidiaries but also for pensioners who retired earlier.

1 Formerly known as NPF Neftegarant.
HEALTHCARE AND PERSONAL INSURANCE

In order to protect and strengthen the health of its employees, prevent diseases and promote a healthy lifestyle, Rosneft continuously implements the following healthcare and personal insurance initiatives:

- provision of emergency and routine medical services for employees, including those stationed at remote and hard-to-access production facilities of the Company;
- voluntary health insurance for the Company’s employees providing access to the required healthcare services at the finest Russian medical institutions as an add-on to the mandatory government healthcare scheme;
- provision of resort and rehabilitation treatment opportunities for employees;
- implementation of programmes aimed at disease prevention and mitigation, and promotion of a healthy lifestyle.

As part of the Rosneft-2022 Strategy approved by the Board of Directors, the Company continued to run a number of designated programmes aiming to:

- supply industrial healthcare facilities with modern training equipment. In the reporting period, 52 Group Subsidiaries that have such facilities received a total of 670 units of equipment to develop emergency medical care skills;
- create and develop a corporate telemedicine network. In 2020, the network covered 33 healthcare facilities at remote production sites, which allowed them to conduct some two thousand online medical consultations with large regional consultation centres;
- perform preventive medical examination of the Company’s employees focusing on early detection of cardiovascular and oncological diseases. In 2020, given the COVID-19 pandemic and related restrictions, around 12 thousand Rosneft employees underwent medical examination.

The Company keeps running its Live Longer! programme to promote a healthy lifestyle. In 2020, given the epidemiological situation in Russia, the majority of the programme’s initiatives aimed at identifying and eliminating health risks, promoting a healthy lifestyle and improving physical and mental health of the Company’s employees were held online and in the format of information campaigns.

Resort treatment and rehabilitation opportunities aimed at preserving employees’ health, extending their careers and preventing diseases are an integral part of the social security net offered to the Company’s employees, their families and retirees (veterans of labour). In 2020, resort treatment programmes for employees and their families in Russia and Cuba were partly suspended due to the COVID-19 pandemic.

A total of 30.8 thousand employees, members of their families and retirees received treatment services in Russia, primarily at the Company’s own health resorts and regional wellness centres.

Rosneft plans to resume the Cuba wellness and recreation programme in the second half of 2021 if the global epidemiological situation improves.

In the reporting year, personal insurance programmes (voluntary health and accident insurance) covered more than 340 thousand employees of the Company.

Quality medical assistance provided by high-tech multidisciplinary clinics accessible for employees at their place of residence or workplace is the key to improve the health of our employees and extend their careers.

Amid the COVID-19 pandemic, the voluntary health insurance programme gave us an opportunity to take prompt measures to curb the spread of the disease, including organised mass testing of our employees for COVID-19 (a total of over 780 thousand tests) and providing medical treatment to employees working at remote production facilities.

Group Subsidiaries continued to provide voluntary accident insurance policies with a 24/7 coverage as an additional source of support for employees with lost-time injuries (causing temporary or permanent inability to work) or their families in case of a materialised insured event.

Corporate healthcare and personal insurance programmes help support and build on the Healthcare national project.

COMPREHENSIVE HOUSING PROGRAMME

For over 15 years, the Company has been successfully running a comprehensive housing programme, a crucial incentive included in the corporate social policy. The initiative enables the Company to attract and retain highly qualified, and ensure long-term engagement of valuable professionals by providing housing through the following arrangements:

- mortgage lending;
- provision of corporate housing.

Starting August 2020, partner banks (Russian Regional Development Bank and Dalnevestochny Bank) give subsidised mortgage loans at an interest rate of 5.25% (Bank of Russia’s key rate +1%) to Rosneft employees who take part in the corporate mortgage programme.

In addition, relocated professionals are provided with corporate housing, with the total number of apartments available in the Company’s regions of operation exceeding 15 thousand.

With its comprehensive housing programme, Rosneft also contributes to the implementation of the national Housing programme.

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SOCIAL AND ECONOMIC DEVELOPMENT OF REGIONS AND CHARITY IN 2020

The Company’s systematic approach to making a social impact helps reduce social risks and achieve our key charitable goals as we remain committed to fully implementing both the social and economic programmes under our agreements with regional authorities and individual charitable initiatives. In our charitable activities, we mainly seek to:

- promote social and economic development in our regions of operation;
- foster partner relation with local governments;
- help advance the federal education policy;
- support federal programmes for healthcare, physical training and sports, science and technology, environmental protection, etc.

Our social policy is about delivering high living standards across the footprint (including for employees of Group Subsidiaries), maintaining a strong focus on the society’s needs, and getting the most out of our projects. We pay special attention to improving the infrastructure of municipal districts and settlements and provide funds to upgrade municipal territories, repair or replace engineering and transportation system equipment and power and heat supply facilities, protect communities and territories from emergencies, and ensure fire safety.

In 2020, Rosneft and the Group Subsidiaries continued their charitable tradition of financing projects to build, repair, equip or support kindergartens, orphanages and schools. Promoting mass sports, physical training, healthy lifestyles, culture, science, and higher education, reviving cultural heritage and protecting the environment also remained high on our agenda.

The Company’s social policy seeks to preserve the traditions, culture and heritage of indigenous peoples in its regions of operation, with the well-being and comfort of the northerners as a clear priority. We use the local natural resources with utmost care, and make a point of restoring them. Rosneft maintains an active dialogue with, and provides full support to indigenous minorities of the North, enabling them to live their lives as they always have. We work to ensure that domestic reindeer herding and other indigenous trades remain an important part of their lifestyle, which we look to preserve along with their national languages and folklore. At the same time, Rosneft promotes higher education and healthcare in the region, and seeks to make the latest digital technology available in remote locations so the people can access e-government services and distance learning. The Company also continues to help protect public health in Russia. In 2020, we introduced a wide range of administrative and sanitary measures and restrictions to prevent COVID-19 from penetrating into, and spreading across our production facilities.

Rosneft also put much effort into assisting the country’s regional authorities across its footprint with their fight against the virus. We supported them in rolling out a full set of measures to protect the local communities and vital infrastructure. Among other things, we provided mobile CT units and other medical and personal protective equipment (PPE) to healthcare institutions and aid to medical workers at the forefront of the pandemic response.

With our support, ambulance crews and infectious disease wards in hospitals received the latest PPE (protective suits and goggles, waterproof overalls, heavy-duty aprons, valved respirators, multi-layered face masks, particle filtering half masks, helmets, shoe covers, coats, etc.), as well as sprayers, blood pressure gauges, and antiseptics. This helped reduce COVID-19 rates among healthcare workers and contributed to successful anti-epidemic measures.

Allocation of Funds in 2020, %

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical education and sports, including children’s, promotion of healthy lifestyles</td>
<td>43.0%</td>
</tr>
<tr>
<td>Infrastructure development in regions, districts, and municipalities</td>
<td>25.8%</td>
</tr>
<tr>
<td>Kindergartens</td>
<td>9.3%</td>
</tr>
<tr>
<td>Education and science</td>
<td>7.6%</td>
</tr>
<tr>
<td>Culture and revival of cultural heritage</td>
<td>5.3%</td>
</tr>
<tr>
<td>Other (including pensioners, low-income families, youth organisations, municipal events, social and agricultural institutions, environmental projects)</td>
<td>4.9%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>3.3%</td>
</tr>
<tr>
<td>Charities, NGOs, humanitarian aid</td>
<td>1.0%</td>
</tr>
<tr>
<td>Support for veterans, the disabled, and people in need</td>
<td>0.8%</td>
</tr>
<tr>
<td>Support for indigenous peoples of the North</td>
<td>0.6%</td>
</tr>
<tr>
<td>Orphanages</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
COMPANY SPONSORSHIP ACTIVITIES

As part of its sponsorship activities, Rosneft is supporting large-scale projects aimed at protecting the environment and developing science, culture, education, and sports. In 2020, Rosneft spent RUB 1,220.6 mn on sponsorship activities. Sponsorship projects of the Company and Group Subsidiaries confirm Rosneft’s reputation as a socially responsible business, adding up to a stronger public image overall.

Reviving and building up the tradition of partnership between business and culture is an important element of the Company’s operations. In 2020, with the support of Rosneft, the Pushkin State Museum of Fine Arts in Moscow arranged a unique exhibition of the British artist Thomas Gainsborough. The State Hermitage Museum continued to host the permanent historical display Ancient Colonisation of the Northern Black Sea Region after unveiling it in 2019 with our financial help. The Company was also the general sponsor of the After Raphael exhibition. In December 2020, the museum opened it to mark the 500th anniversary of the artist’s death and show both his and his followers’ outstanding works.

For many years, Rosneft has been the general sponsor of the D. D. Shostakovich St Petersburg Academic Philharmonia and, together with BP, has provided support to the Russian–British Britten–Shostakovich Festival Orchestra.

To celebrate the 70th Anniversary of Victory in the Great Patriotic War, Rosneft, together with the TASS agency, implemented the Fuel of Victory special project to inform people about the contribution of oil industry workers in the defeat of the Nazis by the Soviet Army and navy. The project won a special prize of the All-Russian MedaTEK 2020 Award.

Rosneft acted as the general sponsor of the Wings of Victory Foundation seeking to preserve Russia’s military and historical heritage by building a collection of historical aircraft. The Company provided money to restore an Il–2 ground-attack aircraft that Soviet flyer Valentin Skopintsev piloted during WWII. In 2020, it flew over St Petersburg as part of the Navy Day celebrations. In addition, the Company sponsored the Immortal Air Regiment open air exhibition on Tversky Boulevard in Moscow displaying aircraft found by search teams and recovered by specialists of the Wings of Victory Foundation.

Rosneft is a patron of professional and amateur sports. It finances the CSKA Moscow Hockey Club and is a sponsor of the Arsenal Tula Football Club and the Avers Basketball Club, among others. Rosneft supports the domestic automakers and contributes to the development of motor sports in Russia by funding the LADA Sport ROSNEFT racing team. The Company is also the general sponsor of the International SAMBO Federation.

Another integral part of our corporate culture and socially responsible approach is environmental protection. We do not hesitate to go the extra mile to ensure environmental safety, preserve or restore natural resources and protect rare animals – in addition to our extensive efforts to study marine mammals.

In 2020, Rosneft spent RUB 1,220.6 mn on sponsorship activities.

By late 2020, Rosneft provided sustenance for 34 polar bears in 16 zoos across the country.

Together with the Russian Arctic National Reserve, the Company runs a programme to study human impact on the Arctic’s extraordinary ecosystem. This is the first time such a study is being carried out in Russia. As part of the programme, an expedition was organised to Heiss Island (Franz Josef Land archipelago) to look into the environmental condition of Arctic territories with the help of aerial systems and take samples of core for further analysis.
ENERGY EFFICIENCY AND ENERGY SAVING

FUEL AND ENERGY CONSUMPTION

Rosneft is a major fuel and energy consumer in Russia. In 2020, the Company's energy consumption totalled 18.9 million tonnes of coal equivalent (mtoe), or RUB 216,946 mln. For energy consumption and costs by business segment in 2020, see the table below.

Energy consumption and costs by business segment in 2020

<table>
<thead>
<tr>
<th>Segment</th>
<th>Fuel and energy consumption</th>
<th>In ktoe</th>
<th>RUB mln</th>
<th>Share, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>electricity, th. kWh / Rub min</td>
<td>heat, th. Gcal / RUB mln</td>
<td>fuel, kt / RUB mln</td>
<td></td>
</tr>
<tr>
<td>Oil and gas production</td>
<td>32,750,767 / 153,233</td>
<td>2,752 / 725</td>
<td>1,547 / 5,453</td>
<td>7,003 / 143,811</td>
</tr>
<tr>
<td>Oil refining</td>
<td>6,001,792 / 19,963</td>
<td>19,460 / 19,806</td>
<td>4,009 / 15,529</td>
<td>9,786 / 55,198</td>
</tr>
<tr>
<td>Petrochemicals and gas processing</td>
<td>2,308,507 / 8,335</td>
<td>6,799 / 5,604</td>
<td>405 / 1,170</td>
<td>1,843 / 15,109</td>
</tr>
<tr>
<td>Gas production and distribution</td>
<td>340,630 / 1,746</td>
<td>115 / 264</td>
<td>61 / 102</td>
<td>142 / 2,112</td>
</tr>
<tr>
<td>Marketing and distribution</td>
<td>319,479 / 1,674</td>
<td>70 / 86</td>
<td>5 / 32</td>
<td>55 / 1,792</td>
</tr>
<tr>
<td>Services</td>
<td>92,343 / 452</td>
<td>248 / 451</td>
<td>2 / 21</td>
<td>48 / 925</td>
</tr>
<tr>
<td>Total</td>
<td>46,813,318 / 163,303</td>
<td>29,442 / 33,336</td>
<td>6,111 / 20,307</td>
<td>18,967 / 216,946</td>
</tr>
</tbody>
</table>

In accordance with the Energy Efficiency and Energy Saving Policy, the Energy Management System: Requirements and Use (Energy Management System, Requirements and Use Guidance Standard, the Company took the following steps in 2020:

- amended the list of Group Subsidiaries covered by the 2021–2025 Energy Efficiency Programme, adding the following assets: RN-Buzulukskoye Gas Processing Plant, and Saratovnefteprodukt. Given asset combinations and divestments and with no new energy saving initiatives planned for 2021–2025, the Programme covered 82 Group Subsidiaries;
- drafted regulations on how to use the Electrically-driven Centrifugal Pumps module of the Mechanical Resources Information system at Group Subsidiaries in Upstream, which resulted in Rosneft becoming one of the first companies in Russia’s oil and gas industry to introduce a production well operating procedure for monitoring the energy efficiency of electrically-driven centrifugal pumps and implementing targeted energy saving initiatives before any equipment failures or well interventions;
- arranged for corporate training in energy efficiency (five courses). In 2020, 471 employees took training in the dedicated corporate training centre, put into effect Order No. 71 On Drafting and Implementing Targeted Programmes to Introduce an Energy Consumption Monitoring System in Oil Refining, Gas Processing and Petrochemicals, with individual roadmaps drafted to address the identified gaps in 2020–2022. Another assessment is scheduled for 2023;
- had its own energy efficiency and energy saving divisions perform an internal energy efficiency audit of 386 production facilities and units of equipment at 35 Group Subsidiaries to identify their energy saving potential and exploit it under the Energy Saving Programme;
- had Taz-Yuryakh Neftegazodobycha certified for compliance with ISO 50001 (Energy Management Systems). All in all, 42 Group Subsidiaries accounting for 98% of the Company’s total energy consumption in 2020 held ISO 50001 certificates.

ENERGY EFFICIENCY AND ENERGY SAVING POLICY
POWER GENERATION DEVELOPMENT

The reporting year saw the following generating facilities built or commissioned to help meet the projected Group energy needs in Exploration and Production:

- In-house power plants:
  - 50 MW gas turbine power plant commissioned at the Srednebotuiskoye field of Taas-Yuryakh Neftegazodobyche;
  - main construction and installation operations completed (96.6%) and pre-commissioning started at the 153 MW gas turbine and thermal power plant at the Tuapse Refinery (Phase 2); APCS pre-commissioning almost completed at the 105 MW gas turbine power plant at the Vostochno-Urengoy skysky license area of Rospan International;

- 110 kV grid facilities:
  - two 110 kV substations with a total transformer capacity of 100 MVA and 64 km of 110 kV overhead line commissioned at Orenburgneft and RN-Yuganskneftegaz;

On top of that, the Company renovated a 1.36 km ChP-Okaza heat line, an important facility for the communities of the Sakhalin Region’s northern part.

IMPROVED ENERGY SUPPLY RELIABILITY

Every year, the Company takes a number of steps to ensure uninterrupted energy supply of the existing and prospective production assets. In 2020, as part of its efforts to improve the supply efficiency and reliability, the Company conducted eight technical audits to check the quality of power facility management and drafted a remedial action plan to eliminate the gaps. The reporting year saw 106 remedial actions completed, with deadlines for another 166 not yet expired. This helped achieve a 12.7% year-on-year reduction in power failures across in-house electricity networks.

As part of technical audits, the Company also checks if its sites operate equipment in compliance with health and safety requirements.

Rosneft’s Energy and HR departments have defined the key personnel development and training priorities for the Energy function, with the following steps taken to improve employee competencies:

- group and individual development courses created for the Energy function (Upstream) to do in 2020–2021 after completing pilot tests and undergoing an assessment of professional skills;
- professional competency profiles created for Oil Refining, Gas Processing and Petrochemicals, with five already covered;
- eleven dedicated courses included in the corporate curriculum for 2021;
- Exploration and Production, and Oil Refining, Gas Processing and Petrochemicals coaches trained by their colleagues from the Energy Department to operate in-house power and heating plants and emergency shutdown systems, perform switching, and make the preparations to maintain or repair energy equipment.

In 2020, Rosneft launched a pilot testing programme for RN-Yuganskneftegaz to test the multi-parameter logging while drilling equipment developed as part of the Rosneft–Rosatom R&D cooperation by Dukhov Automatics Research Institute (VNIIA). A five-well pilot testing of this equipment is scheduled for 2021. A pilot testing of an ice-conditioning system that was developed within the Company has been completed, with the system currently being put into operation. The Company has also developed three components of an iceberg towing system (towing rope, buoys, and towing nets) and filed utility model applications.

With an agreement on technological partnership in the production and maintenance of import-substituting solutions signed in 2020 with Rosatom, the parties are now working on a domestic multiphase flow meter to measure flow rate in gas condensate wells. In 2020, the related R&D efforts were completed with the key deliverables presented.

Other equipment that was pilot-tested includes a corporate coiled tubing simulator by RN-VECTOR used to plan prevention actions, estimate residual life and exercise day-to-day operational control. The testing showed that RN-VECTOR’s simulator performs as claimed.

Russian-made catalysts are key to sustaining the technological self-sufficiency of the Company’s refining segment ending its reliance on foreign technologies.

LOCALISATION AND DEVELOPMENT OF INDUSTRIAL CLUSTERS

IMPORT SUBSTITUTION AND EQUIPMENT LOCALISATION FOR ROSNEFT’S NEEDS

In 2015, Rosneft launched an Import Substitution and Equipment Localisation Programme.

Aligned with strategic goals and objectives set forth in the Rosneft–2022 Strategy and the Company’s Long-Term Development Programme, the Programme seeks to:

- facilitate the development of Rosneft as a high-tech oil and gas company;
- secure the Company’s technologically sustainable position in the hydrocarbons market by increasing the share of Russian-made products and implementing projects to localise the manufacturing of foreign oil and gas equipment in Russia in cooperation with leading global producers;
- facilitate the development of infrastructure supporting upstream and downstream projects as part of localisation efforts.

As part of the programme, Rosneft keeps investing in proprietary solutions and products with a view to sustaining its technological self-sufficiency.

As it works to develop critical prospecting, exploration and development technologies, Rosneft approved a pilot testing programme for RN-Yuganskneftegaz to test the multi-parameter logging while drilling equipment developed as part of the Rosneft–Rosatom R&D cooperation by Dukhov Automatics Research Institute (VNIIA). A five-well pilot testing of this equipment is scheduled for 2021.

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comprising production equipment for oil refining catalysts and a variety of controls, measurement and production process management tools. It has a daily capacity of nearly 200 kg of different catalysts (6 t per month).

In 2020, the scientists of RN-TsIR (Rosneft’s R&D institute) developed an innovative technology to convert Rosneft-produced acetone into higher-margin isopropanol, which is mainly imported to Russia today. The technology provides for the hydrogenation of acetone using the company’s own heterogeneous metal-containing catalyst produced from raw materials available in the country. The isopropanol will be used as an antifreeze agent in the production of high-quality propylene-based isopropanol, frost-free car windscreen wiper fluid for the company’s retail network and in-demand for isopropanol as a raw material for the Group Subsidiaries and third parties. Rosneft has now completed its R&D efforts designed to identify further development areas for RN-GRID as required to add new capabilities in line with the newest hydraulic fracturing challenges, and has launched R&D work to develop RN-GRID 3.0.

As regards RN-Sigma, a corporate research and development centre take an active part in implementing the Target Innovative Projects. In 2020, RN-Remont NPO acting as the management company for the industrial cluster, set up an Engineering, Design, Technology and Development Policy Office responsible for the Target Innovative Projects and import substitution.

Industrial cluster companies together with the company’s R&D centre take an active part in implementing the Target Innovative Projects. In 2020, RN-Remont NPO acting as the management company for the industrial cluster, set up an Engineering, Design, Technology and Development Policy Office responsible for the Target Innovative Projects and import substitution.

The industrial cluster is committed to not only unleashing the domestic potential, but also attracting and cooperating with technology partners. To this end and to share experience and best practices, the company has signed a cooperation agreement with the industrial cluster of the Republic of Tatarstan.
INDUSTRIAL AND SHIPBUILDING CLUSTER IN THE RUSSIAN FAR EAST

Upon instruction from the Russian President, Rosneft is ramping up a shipbuilding cluster in the Far East to foster the domestic shipbuilding industry and energise the development of the country’s continental shelf. Zvezda Shipbuilding Complex in Bolshoy Kamen will be the core shipyard and Russia’s first-ever facility for the construction of large-capacity vessels.

Importantly, the shipyard will be manufacturing icebreakers and reinforced ice-class vessels, along with LNG-powered vessels. The shipyard boasts a unique set of competencies unparalleled among both domestic and leading global peers.

To cater to the needs of import substitution and equipment localisation, an industrial cluster for shipboard equipment and components is emerging around the Zvezda Shipyard.

Despite the challenging COVID-19 situation, restricted workforce mobility and the need to comply with the related health and safety regulations, the Company managed to arrange for a large scope of construction works at the shipyard:

- Over 144 th. cub m of concrete poured;
- Over 31 th. sq m of enclosing structures and roofing installed;
- More than 4 kt of steelworks assembled;
- Over 6.1 th. sq m of fire protection added;
- 10,593 linear m of cable lines laid for the power supply and light current systems;
- Four distribution transformer substations assembled;
- Over 12.1 th. linear m of heat and gas supply networks laid;
- More than 8.7 th. linear m of water supply networks and sewerage system laid.

Pre-commissioning operations are nearing completion at one of Zvezda’s key facilities – a dry dock with an adjacent area and outfitting quays. The dry dock is a unique hydraulic structure measuring 485x114x14 metres which can accommodate construction of the majority of existing and future types of vessels with virtually no restrictions on tonnage and launching weight of the hulls, including the world’s most powerful nuclear ice-breaker “Leader”.

The shipyard’s order portfolio already counts 56 vessels, all of them being engineering- and technology-intensive vessels, mostly of high ice-class (supply vessels, research vessels, ice-breakers, Arctic shuttle tankers, “green” Aframax type tankers, gas carriers). This is the first time all the vessels in the shipyard’s production programme are built in Russia.

In November 2020, Zvezda reached an important milestone launching the production of gas carriers (foreign-built until then). The shipyard started cutting steel for the flagship vessel of the Arctic LNG 2 project. This was the result of a great deal of production and organisational efforts taken such as employee training, receiving Russia’s first licence to manufacture and assemble cargo systems for LNG transportation, making pre-production arrangements and securing technology partnership so that the project is implemented within an unprecedentedly short time frame even to international standards.

Another important milestone was the launch of a unique icebreaker-supply vessel named Katerina Velikaya in December 2020, which will also operate in the Russian Arctic.

In 2020, the shipyard also delivered to Rosnefteflot its first vessel, a Russian Aframax type tanker Vladimir Monomakh that has successfully passed its sea trials.

This means that in just five years after incorporation, Zvezda Shipbuilding Complex has mastered the entire shipbuilding cycle – from cutting steel to trials and delivery of vessels to the customer.

VRK SAPPHIRE PLANT

STEERABLE THRUSTERS

An industrial cluster for shipboard equipment and components is emerging around Zvezda Shipbuilding Complex. The cluster accommodates a workshop to manufacture steerable thrusters for ice-class vessels, including gas carriers.

VRK Sapphire Plant, a joint venture of Rosneft and General Electric, manages the project to develop and localise the production of steerable thrusters, a key component of marine electric propulsion system.

The plant has been in operation since 2019. The first two 7.5 MW steerable thrusters were installed on a higher ice-class multifunctional support vessel put afloat in December 2020.

In 2020, the plant continued to upgrade its capacity with the goal of manufacturing higher-power steerable thrusters. Concurrently, VRK Sapphire Plant secured a purchase order for 15 MW steerable thrusters intended to be installed on gas carriers.
The Company’s ongoing development involves engaging a wealth of products, advanced technologies, new contractors and suppliers.

Therefore, the Company’s procurement activities are focused on building long-term partnerships with suppliers and contractors. Signing long-term contracts and placing long-term orders facilitate stable development of the oil and gas industry, the machine building industry and the maintenance services market, while also helping to create jobs in all industries and drive innovation. Thus, in 2020, 75% of the 2021 centralised requirements were covered by long-term contracts.

The Company keeps implementing the category management in procurement, including by leveraging category/procurement strategy as its key enabler. In 2019–2020, Rosneft developed 26 strategies in the most capital-intensive procurement areas.

As part of its work to implement the category management in procurement and build a framework for long-term counterparty qualification¹, the Company continues to develop standard supplier and contractor requirements for certain groups of materials, equipment, works and services. The information on the applicable standard requirements is available at TEK-Torg’s electronic trading platform. Preliminary review of potential suppliers or contractors for compliance with the approved standard requirements makes it easier for them to prepare for and participate in the Company’s procurement procedures in relevant categories.

To establish long-standing relationships with suppliers, the Company’s internal regulations provide for long-term (up to 18 months) accreditation which helps considerably reduce costs incurred by potential suppliers participating in procurement procedures. Suppliers may obtain accreditation both prior to and in the course of procurement procedures.

As a vertically integrated holding company, Rosneft relies on the consolidated procurement of goods, works and services for the Group Subsidiaries with a view to enhancing its procurement efficiency, all in line with recommendations of the federal executive bodies. Rosneft’s procurement is centralised at 64%, including 50.5% handled by the Head Office and 13.5% sourced regionally.

When choosing suppliers and contractors, the Company adheres to the principles of openness, competitiveness, reasonableness, effectiveness, and non-discrimination, as stipulated in the applicable Russian laws and the Procurement Policy adopted by the Company in 2020. The Policy sets out the key goals, objectives and guiding principles of the Company’s supplier relations, as well as procurement management priorities for Rosneft and the Group Subsidiaries.

These principles are implemented under the Regulations on Procurement of Goods, Works and Services applied in the Company and the Group Subsidiaries. To ensure procurement transparency, increased competition and equal access for market participants, the Company manages its procurement procedures electronically via TEK-Torg’s electronic trading platform (Rosneft section). The Company conducts virtually all competitive procurement procedures electronically.

In 2020, the Company and the Group Subsidiaries initiated over 137 thousand procurement procedures on TEK-Torg’s electronic trading platform (Rosneft section) and the Group Subsidiaries initiatives.

The Corporate Internet Shop helps boost, control and streamline the Company’s internal business processes as well as those of the Group Subsidiaries leading to shorter times, lower operating costs and lower procurement prices due to a better competitive environment. As a result, the Company managed to attract new counterparties (mostly SMEs).

¹ The validity period is 18 months.

² Cumulative total since the launch of TEK-Torg’s electronic trading platform.
As at 31 December 2020, over 41 thousand organisations were registered in the CIS, including over 30 thousand small and medium-sized enterprises (SMEs). In 2020, the Company published over 55 thousand procurement opportunities with completed procurement worth over RUB 3.6 bln, almost doubling year-on-year.

The Company is committed to promoting cooperation with SMEs. The annual value of Rosneft Group’s contracts with SMEs is at least RUB 100 bln. It is worth noting that SMEs account for over 50% of potential suppliers accredited with Rosneft. To better inform suppliers and contractors, including SMEs, on procurement opportunities, Rosneft and SME Corporation held 15 workshops/events on the Company’s procurement activities in 2020. The workshops were held in Ivanovo, Sachi, Khabarovsk, Ulyanovsk, Tuapse, Nakhchivan, the Republics of Bashkortostan and Tatarstan, the Volgograd, Sakhalin and Tomsk regions, and the Krasnoyarsk Territory.

The Company has implemented a new joint project – Rosneft Procurement mobile application to facilitate the handling of the Company’s procurement procedures. Rosneft Procurement application enables employees and owners of potential and current suppliers of Rosneft or Group Subsidiaries to choose the relevant procedures swiftly, to be notified of new purchases and to be updated on the news of the trading platform, relevant documents and procedural changes.

As at 31 December 2020, the SSC had a headcount of 175 employees and had service contracts signed with Rosneft, regional procurement operators and 19 Group Subsidiaries.

The Company continues deploying cutting-edge robotic automation in procurement. Robotic scripts are already applied in delivery monitoring, reporting and inventory reallocation. Optical recognition is used in accreditation of potential suppliers and contractors.

To ensure compliance with major international human rights instruments, the Company adopted a Declaration on Respecting Human Rights to be used when interacting with suppliers of goods, works and services. The declaration is available at the Company’s official website, and the requirement to comply with all its guiding principles is part of the procurement documentation.

The Company expects its suppliers and contractors to pay particular attention to health protection, maintaining the right to favourable environment, and creating comfortable and safe labour conditions in line with the applicable labour safety requirements of the Company, the Russian Constitution, Labour Code, health and disease control regulations and standards and/or other legal instruments of their jurisdiction/regions of operation, as well as the international law.

For reference
Rosneft relies on automation tools to unlock resources previously engaged in routine and algorithm-driven operations so as to:
- refocus its employees on more sophisticated tasks,
- mitigate risks of errors (human factor) while managing big data,
- exponentially accelerate routine operations supporting a 24/7 continuous workflow.

According to the Programme for Rosneft’s Needs with SMEs, the Company implemented a new joint project – Rosneft Procurement mobile application to facilitate the handling of the Company’s procurement procedures.

In cooperation with the operator of TEK-Forg’s electronic trading platform, the Company

As at 31 December 2020, Rosneft had a headcount of 175 employees and had service contracts signed with Rosneft, regional procurement operators and 19 Group Subsidiaries.

To recruit and train young professionals, the Company maintains its cooperation with Samara State Technical University, Samara’s flagship in higher education, with a plan to train, hire and attract young talent in 2021 in place.

In July 2020, Gubkin Russian State University of Oil and Gas awarded first masters degrees in procurement upon two-year training at the Department of Procurement Chain Management for the Oil and Gas Industry (under the auspices of Rosneft). There were 14 graduates, and 7 of them were awarded honours degrees.

The educational programme involved managers and employees of Rosneft’s procurement function, leading industry and international experts.

In autumn 2020, the second intake of master’s degree students (26 persons) was launched with on-campus and remote learning combined.

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RESEARCH, DESIGN, AND INNOVATIONS

Rosneft carries out its innovative activities in accordance with the 2020–2024 Innovation Development Programme approved by its Board of Directors. The Programme aims to achieve the Company’s strategic goals drawing on its strategic priorities, such as efficiency, sustainable growth, transparency, social responsibility, and innovations. The Programme provides for a range of activities with a focus on:

- development and deployment of new technologies;
- development, production, and launch of new world-class innovative products and services;
- support to the Company’s modernisation and technological advancement through high-impact improvements in key performance indicators for business processes;
- enhancement of the Company’s shareholder value and competitive edge in the global market.

In the reporting year, Rosneft continued with a successful implementation of R&D results and state registration of intellectual property rights. The R&D efforts in 2020 resulted in 60 intellectual property applications submitted by, and 64 patents granted to, the Company.

KEY ACHIEVEMENTS IN 2020

The Company implements projects in various fields, including oil and gas production, oil refining, and petrochemicals.

UPSTREAM

- RN-Yuganskneftegaz continued to deploy a low-permeability reservoir development technology involving the use of horizontal production well and injection wells and multi-stage hydraulic fracturing (MHSF). In 2020, the technology was deployed at more than 120 wells. Unlike the standard development scheme (one horizontal production well and two directional injection wells), the new scheme is based on one horizontal injection well instead of two directional injection wells. This results in both cost savings and higher oil production. Also in 2020, a new software module, Decision Support in Development of New Areas of Low-Permeable Reservoirs, was added to the RN-KIN module. The map will be used by RN-Yuganskneftegaz to drill over 20 horizontal MHSF wells in 2021–2023.
- Rosneft developed a consolidated methodology that allows evaluating local permeability and porosity properties of the Berezovskaya suite deposits. With the new methodology, the Company refined its technology used to locate Berezovskaya suite reserves in its license area in Western Siberia. A new stratigraphic plan of upper cretaceous deposits in Western Siberia was developed.
- Rosneft partnered with the National Intellectual Development Foundation (Innopraktika) to conduct zoning of the Florov petroleum region in terms of movable hydrocarbon fluid resources, occluded hydrocarbon compounds, and organic matter in the Jurassic high-carbon formation. The Company identified oil exploration targets in the Jurassic high-carbon formation of the Florov petroleum region. Its integration technology for multi-scale studies of the Jurassic high-carbon formation in the Sredneobskaya oil and gas bearing region of Western Siberia was upgraded, adapted and tested to conduct petrophysical studies and analyse logging and seismic data.

RESEARCH-INTENSIVE TECHNOLOGY SOFTWARE

- New algorithms were added to RN-SMT, an integrity monitoring system for oilfield pipelines. They allow us to calculate the maximum possible pressure subject to technical condition of the facilities, carry out factor analysis of changes in pumping energy efficiency, and monitor pipeline inhibition. The system provides an opportunity to fully digitise all the processes related to pipeline operations, reduce operating risks and assist in management decision-making. Once completed, RN-SMT will turn into a single corporate software suite capable of fully supporting pipeline operations.
- To support the national oil and gas industry in its efforts to substitute imports of critical specialist software products, Rosneft commercialised its RN-GRID simulator to serve external consumers; licenses to use the simulator were made available for purchase. The Company continues to issue RN-GRID licenses to all Russian oil and gas companies. In 2020, 115 commercial licenses and over 40 test licenses for RN-GRID were granted to 23 oil and gas production and service companies. In addition, four leading partner universities were granted more than 50 academic licenses to use RN-GRID in teaching. To improve the field design accuracy and select the most appropriate hydrocarbon extraction technologies, Rosneft makes extensive use of field models created by its proprietary RN-KIM hydrodynamic simulator.
- This advanced software product has been widely exploited by the Company for over six years and adapted to the geophysical and operating conditions of the fields the Company is developing. In 2020, we released a new version of this software product with composite modelling that makes it possible to perform computations using graphics processing units or computer clusters and create models for oil and gas condensate fields that require computation-intensive analysis. Rosneft also developed a module that determines the optimal irregular well placement by applying artificial intelligence technologies (similar to Google DeepMind’s AlphaZero). As a result, more than 80% of digital field modelling tasks were performed using RN-KIM. Going forward, the proprietary simulator will not only cover 90–95% of the Company’s needs for hydrodynamic modeling, but also allow us to actively apply artificial intelligence technologies in field development.
- Rosneft developed a module for using corporate software packages (similar to leading foreign geological modelling software packages) that will assist in building geological models of fields. The Company is also developing modules for kinematic interpretation of seismic information. The newly developed system features unique capabilities of modeling process management and can automatically update geological models with new field data.
In 2020, RN-SIGMA capabilities were expanded considerably, with the following features added:
- Geomechanical drilling support in real-time mode, welfare stability dynamic modelling based on time-dependent structural changes of rock formations, assessment of sand ingress risks and risks of cement sheath failure during well operation.
- New features cover a full range of tasks associated with data acquisition, analysis and pre-processing, 1D geomechanical model building and transfer, drilling failures prediction, well path and well structure optimisation, and calculation of the mud weight window for safe operation.

At present, RN-SIGMA has all the required algorithms and interface solutions to build a 1D geomechanical model of wellbore stability and includes a number of modern non-default capabilities, such as elastic anisotropy tracking, temperature tracking, etc.

While developing an information modelling technology for oil and gas production and refining facilities, the Company created over 20 standardised CAD workstations, prototypes of IT systems, 52 teams were tested on a large test facility, and over 50 flexible adjustment parameters.

The Company is working to expand the functionality of RN-SIGMA, one of its most rapidly developing software products. RN-SIGMA was designed to solve the problems of geomechanical modelling and stability analysis of directional and horizontal wells.

In 2020, RN-VKPTOR, a proprietary coil tubing simulator, was developed. This industrial software product is capable of mathematical modelling and analysis of production operations involving the use of coil tubing. The simulator offers more than 50 algorithms for stress, hydraulic and fatigue wear calculations to model various production operations conducted with the use of coil tubing, such as wellbore cleanout, well stimulation and development, milling operations to restore the full bore of the well, fishing operations, cement and packer plug placing and drilling, acid treatment, geo-physical surveys, sand blast perforation, etc.

The coil tubing simulator is used in the oil and gas industry to plan, monitor and analyse coil tubing technology operations. At present, the simulator undergoes pilot testing by more than 100 dedicated experts at Group Subsidiaries.

In 2020, Rosneft created RN-VISOR, a software product for real-time visualisation of coil tubing/hydraulic fracturing data. RN-VISOR is a real-time data acquisition, processing and visualisation tool installed on the coil tubing/hydraulic fracturing control station.

RN-VISOR collects integrated data coming from central station sensors, enables data storage and visualisation of coil tubing or hydraulic fracturing operations and data transmission through a user-friendly interface, and has over 50 flexible adjustment parameters.
• Wells Data. During the project’s first stage in 2020, Rosneft drilled the northernmost stratigraphic well on the Russian Arctic shelf. The results of the expedition were broadcast by Russia-1, Russia-24 and Channel One, and presented in a number of federal print media. The initial analysis of core samples shows that the upper part of the acquired geological material, which will be used to make reliable predictions of oil and gas occurrence, exceeds 24 and coincides with the Arctic shelf waters and determines prospective targets in the Company’s Severo-Karaysky license area.

ASSOCIATED PETROLEUM GAS MONETISATION

• Rosneft continued with the GTL technology project. The Company developed a plan for its pilot testing and commenced engineering of a GTL-15 pilot unit.
• It partnered with the National Intellectual Development Foundation to design and manufacture a pilot APO desulphurisation unit based on microporous membranes. The unit was added to the preliminary water discharge facility at Orenburgneftegaz.

OIL REFINING

• The Company developed a technology for the reactivation of diesel fuel hydrotreatment catalysts. It is capable of restoring catalysts to more than 95% of the activity demonstrated by fresh catalysts. The technology drastically improves the catalyst efficiency and reduces their purchase costs.
• The Company successfully completed the development of a diesel fraction isodewaxing catalyst with a higher tolerance to sulphur compounds, and its production technology. The Novokuibyshev Catalyst Plant released a catalyst with a higher tolerance to sulphur compounds for an integrated hydrotreatment/isodewaxing process. The decision to commercialise the new product will be made after the catalyst is tested at the Angarsk Plant of Catalysts and Organic Synthesis (tests scheduled for 2021). If the decision is positive, the product will fully substitute imported catalysts for the integrated hydrotreatment/isodewaxing process at the Angarsk Petrochemical Company.
• In December 2020, the Novokuibyshev Catalyst Plant produced the first commercial batches of an isode-waxing catalyst IDZ-028RN and a hydrofinishing catalyst HG-017RN. The catalysts were delivered to the Kuibyshev Refinery in preparation for production testing scheduled for March 2021. Following the production tests, Rosneft will decide on the commencement of full-scale production of the innovative catalyst at the Company’s plants and its further use at Rosneft’s oil refineries. The new catalytic system will be the first domestic catalyst system for the production of winter and Arctic grades of ultra-low-sulphur diesel fuel.
• With the goal of reducing the Company’s dependence on foreign suppliers of catalysts, Rosneft developed technologies to obtain isodewaxing and hydrofinishing catalysts for the production of high-viscosity index base oils.
• Rosneft successfully completed an R&D phase to develop diesel fuels with improved environmental properties and performance for the Company’s oil refineries. Based on the results of qualification and laboratory engine tests, the Company issued recommendations for the commencement of commercial production of diesel fuel with improved environmental properties and performance at the Saratov Oil Refinery.
• The Company successfully completed R&D activities to develop uniform technical specifications for neutralisers intended to ensure chemical protection against corrosion of the condensation and cooling equipment of atmospheric and vacuum distillation units at the Company’s oil refineries. As a result, the specifications for neutralisers will be amended accordingly.

These efforts will improve operational performance of crude oil distillation units (decarbonate corrosion and sedimentation, cut operating costs associated with chemical protection against corrosion, and mitigate the risks of unscheduled downtime due to clogged heat exchangers in the atmospheric and vacuum distillation units).

POLYMERIC MATERIALS FOR OIL PRODUCTION

• Rosneft designed a dicyclopentadiene-based binding substance for the production of polymer composite pipes. The Company produced and tested representative samples of polymer composite pipes. Following the tests, the binding substance composition was altered. The representative samples of pipe segments made of PDPCPD-based polymer composites were found to fully comply with physical and mechanical requirements. Results of ultimate collapse pressure tests were 40% better than those expected. This indicates that the pipe has a good margin of strength.
• Rosneft designed an industrial technology to produce a ruthenium catalyst for dicyclopentadiene (DCPD) metathesis polymerisation. It
• developed initial design data for an industrial facility to produce the ruthenium catalyst for the DCPD metathesis polymerisation process. The ruthenium catalyst is intended for the production of polymers and polymer composites based on polydicyclo-pentadiene (PDCPD), such as an ultra-lightweight polymer composite for hydraulic fracturing, polymer composite casing, dispersant and depressor additives, etc.

HIGH-TECH EQUIPMENT

• In July 2020, Rosneft completed successful production tests of a pilot mobile preliminary water discharge unit (MPWDU) at an Arctic facility located in the Tazovsky District of the Yamal-Nenets Autonomous Area. The technology is designed to provide primary treatment of the formation fluid directly at the field, near the well pad, to avoid transporting useable formation water to the central preparation and gathering facility. This tool is based on a unique patented technology of mass transfer coalescers enabling the production of

ADAPTATION AND ADOPTION OF ADVANCED TECHNOLOGIES

As part of its efforts to adopt promising efficient technologies developed by Russian and foreign companies, the Company spent RUB 1.86 bln to deploy and roll out 3.7 thousand solutions.

As part of its efforts to implement the Target Innovative Projects, the Company signed over 30 licence and sublicence agreements for the transfer of its software and solutions (RN-KIN, RN-GRID and the manufacturing process for oils worth over RUB 30 mn, including to provide training to students

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Pilot projects

<table>
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<tr>
<th>Metric</th>
<th>Total projects / technologies</th>
<th>Projects tested / deployed</th>
<th>Costs, RUB thousand, incl. VAT</th>
<th>Total incremental oil production, kt</th>
<th>Economic effect, RUB thousand</th>
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<tr>
<td>Technology deployment</td>
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</tbody>
</table>

Digital transformation

Digital transformation and innovations are at the forefront of Rosneft's efforts to develop information technology. To engage with the domestic market, Rosneft places a strong focus on enhancing cooperation in the digital industry and building its own digital ecosystem. The Company works with leading national universities, including the National Research University Higher School of Economics and others, to develop innovative IT solutions in Russia. To support import substitution initiatives, Rosneft's endeavours to meet its business development targets and create an industry standard in IT are guided by the Company's IT strategy that defines information technology as a tool for optimising and transforming business processes. Some examples of the relevant projects are listed below.
• integrated modelling of a production asset that combines models of the formation, well, production infrastructure, accumulation and storage system;
• integrated planning and management in production and drilling;
• prediction of equipment failures;
• computer vision.

In 2020, the Company analysed 26 digital scenarios and launched 14 digital projects.

There are 35 digital projects currently underway as part of the Comprehensive Plan to Deliver the Rosneft–2022 Strategy. These cover areas such as Digital Field, Digital Plant, Digital Supply Chain and Digital Filling Station.

The external challenges that come from a consistent policy of sanctions in relation to providing technology that is being pursued by a number of governments coupled with the COVID-19 pandemic, changes in the environment and regulatory framework, the emergence of new digital technologies and the need for higher returns from IT solutions force the Company to adapt its IT strategy.

To this end, the Company seeks to leverage information technology to improve the effectiveness of its business, focusing on the following:
• deploying digital technologies across its operations to build a single digital environment and migrating to big data-powered products, creating self-sufficient IT solutions and using proprietary developments, improving the corporate data processing centre and creating a network of regional data processing centres, including protected standby capacities in different geographies, implementing a set of measures to enhance remote working at the Company, upgrading the IT infrastructure, mobile ecosystem security system, etc.,
• creating a corporate store of basic digital apps to support the implementation of digital scenarios across the Company’s processes.

Oil Refining. Digital Plant

• Projects to introduce advanced process control systems are being rolled out at six Group Subsidiaries.
• 24 engineering models have been developed and updated for process units at refineries in Oil Refining.
• Piloting a solution template to automate repair, maintenance, and equipment control was approved for two Group Subsidiaries.
• Functional and engineering requirements and the architectural concept were approved to create a standard solution for optimised blending of heavy petroleum products at five refineries.

Achievements in 2020 Under Business Digitalisation Programmes

Upstream. Digital Field

• 100% of Russian Group Subsidiaries involved in production that are part of the Exploration and Production business were given access to geological drilling support that relies on data visualisation powered by advanced analytics.
• RN-GRID, a unique hydraulic fracturing simulator, is in charge of 100% engineering calculation required to design and perform hydraulic fracturing.
• Rosneft’s own mathematical modelling and schedule optimisation technology helped the Company save up to 52 days per year within the production well building and work-over cycles. After pilot testing had confirmed there was a significant effect, the Company started developing a single corporate solution for all its drilling facilities.
• Digital twins were created for the fields of six Group Subsidiaries in Exploration and Production. Digital twins are 3D models based on advanced data visualisation that help accelerate and improve management’s decision making, reduce the risk of, and the time of response to, incidents and emergencies.

Oil Refining. Digital Plant
**Information security** is a key factor underlying the Company’s sustainable operation amid digitalisation and improvement of business management, control and industrial automation systems.

Since 2018, the Company has been implementing its information security strategy aimed to ensure secure digital development of the Company.

In 2020, Rosneft’s Board of Directors approved the revised Information Security Policy, which addresses the new challenges. The policy is a core document that sets the framework for protecting business processes and interests from risks and threats to information security and ensuring compliance with laws and local regulations in information security that apply in Russia and the jurisdictions of the Company’s operation.

To streamline the implementation of the information security strategy, the Company has built an extensive portfolio of projects aimed at planned upgrading and testing of innovative information security solutions. The Company places a strong focus on promoting the corporate culture and digital hygiene and improving the staff’s awareness of, and skills in, information security.

Rosneft continues its efforts to comply with provisions of Russian laws on critical information infrastructure protection. Group Subsidiaries conduct regular compliance monitoring. On top of that, a centralised procedure has been established to interact with the National Computer Incident Response and Coordination Centre. Scheduled and ad hoc cyber drills are arranged on a regular basis to ensure the staff are prepared to counter cyber attacks.

In 2020, amid the unfavourable epidemiological situation experienced both in Russia and globally, the Company paid particular attention to safe and sustainable operation of its IT infrastructure as employees were moved to remote working.

- Software robots were developed to manage inventories (seven robots) and procurement procedures (two robots) as part of a pilot project to automate business processes relating to inventories and procurement at Novokuibyshevsk Petrochemical Company.

- The Company is developing the Digital Core for Commerce and Logistics initiative, which is expected to reduce the residue to 5.5% of the technological limits in 2021 and 8.3% of the technological limits in 2022 and onwards.

- 1,500 of the Company’s filling stations allow payment from inside the car.
- 23 self-service terminals have been installed at 12 filling stations of the Company.
- 50 filling complexes saw the rollout of contactless payment solutions for products bought in the café and store and delivered to the customer’s car.
- Five suppliers of complementary goods for filling stations took part in testing of blockchain-based electronic workflow.
5
CORPORATE GOVERNANCE
MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS AND INVESTORS,

2020 saw the Company continue with the implementation of Rosneft–2022, one of the industry’s most comprehensive strategies. Consistent efforts of our management and employees supported business continuity and paved the way for further growth.

In October, the Board resolved to make some changes to the Management Board to help the team better address the pandemic-related challenges and to strengthen the ties with Rosneft’s major regional divisions.

The Company places health and safety among its top priorities. To contain the spread of the coronavirus, Rosneft procured personal protective equipment for employees at all its production facilities, filling stations and offices and introduced strict sanitary and anti-epidemic controls at its shift camps, establishing observation and isolation units and staffing them with medical personnel. Beyond the Arctic Circle, Rosneft introduced telemedicine at its facilities.

In the reporting year, Rosneft’s Board of Directors recommended record high dividends for 2019 – RUB 354.1 bln1 – and approved Vostok Oil, a large-scale and very promising project. The investment community highly appreciated the Company’s performance and, as a result, its shares have hit fresh highs in this year of 2021, outperforming the MOEX Russia Index growth rate several fold.

In April 2020, the Board of Directors voted to assign more responsibilities to the Strategic Planning Committee, renaming it the Strategy and Sustainable Development Committee. The Committee assists the Board of Directors in defining strategic goals and growth targets, including ESG goals.

In 2020, the Company continued to introduce innovations and develop its R&D capabilities as part of the Rosneft–2022 Strategy, came up with new methods to produce synthetic oil, researched into minimising carbon footprint, and deployed digital production management platforms for oil refineries and storage facilities. Commissioned by the Company, Russia’s first green tanker Vladimir Monomakh completed its inaugural voyage after successfully passing its sea trials in 2020.

As a key item of its environmental agenda, the Board of Directors reviewed our Carbon Management Plan for the period until 2035. It focuses on preventing GHG emissions, reducing the upstream emissions intensity by 30%, cutting the methane emissions intensity, and achieving zero routine flaring of associated petroleum gas (APG).

In December, the Board of Directors assessed the Company’s performance over the reporting period and approved a business plan giving the go-ahead for the management to continue investments in promising projects.

The results of 2020 are a testament to the correctness of the Company’s focus on business development and implementation of new high-potential projects in strict compliance with the highest environmental and carbon footprint standards.

Gerhard SCHROEDER
Chairman of the Board of Directors

1 Including dividend payment for the first six months of 2019.
GUIDING PRINCIPLES FOR THE COMPANY’S GOVERNING BODIES

Commitment to shareholders

Rosneft has adopted the world’s best corporate governance practices, and complies with the Bank of Russia’s Corporate Governance Code to ensure the following:

• equal rights and opportunities for, and equitable treatment of all shareholders;
• professionalism and independence of the Board of Directors who act in the best interests of all shareholders;
• efficiency of the Risk Management and Internal Control System (RM&ICS);
• timely disclosure of complete, valid and up-to-date information on the Company’s activities that is most relevant to shareholders and investors for them to rely on in making informed decisions.

In 2020, our shareholders were paid RUB 191.5 bln.

Innovation and global leadership

Continuous improvement and global leadership are the priorities that encourage us to develop and invest in cutting-edge technologies.

In 2020, Rosneft demonstrated new developments in environmental safety and seismic surveying.

Partnership with non-governmental organisations and cooperation with state institutions

The Company is a party to the UN Global Compact.

In 2020, we released an updated public statement regarding the Company’s contribution towards achieving the UN Sustainable Development Goals.

Protection of shareholders and key stakeholders

Rosneft maintains compliance with the Bank of Russia’s Corporate Governance Code at a high level of 95.2%.

The minimum threshold as recommended by the Federal Agency for State Property Management (Rosimushchestvo) is 85% (for evaluation of compliance with the Bank of Russia’s Code see Appendix 3 to this Annual Report).

Favourable environment for sustainable growth

The Company cares for its employees, their families, and members of local communities across its footprint.

We at Rosneft keep a clear focus on employee health, having adopted an integrated framework to respond to epidemic threats. Amid the pandemic, we adopted a practice of testing our employees for COVID-19 and provided all of them with personal protective equipment.

The Company takes care of the environment by introducing carbon management initiatives and implementing best waste management practices. Commitment to environmental safety is an integral part of our corporate culture.

The Company supports scientific research, culture, and sports.

Rosneft respects and honours human rights and freedoms in accordance with the Universal Declaration of Human Rights, Social Charter of the Russian Business, relevant generally accepted standards, and the laws of the Russian Federation and other countries where the Company operates.

CORPORATE GOVERNANCE

KEY CORPORATE GOVERNANCE PRINCIPLES AND IMPROVEMENTS IN 2020

Our corporate governance framework and guidelines for its development take into account the major role that Rosneft plays in its domestic and export markets. The Company is committed to creating a favourable environment for effective cooperation with its shareholders, employees and business partners.

Adhering to high corporate governance standards is a strategic priority that powers the long-term sustainable growth of Rosneft’s shareholder value.
The Company operates a two-tier management model where management functions are split between the Board of Directors and executive bodies.

**BOARD OF DIRECTORS**

The Board of Directors performs two key functions:

- strategic management of the joint-stock company, which includes approving strategic documents and material transactions;
- oversight of the executive bodies.

**EXECUTIVE BODIES**

- The law requires companies to have a sole executive body. At Rosneft, it is the Chief Executive Officer. In dealing with third parties, this person is authorised to act on behalf of the Company without a power of attorney.
- Rosneft has established a collective executive body (Management Board) which is chaired by the Chief Executive Officer. Pursuant to the laws of the Russian Federation, the Management Board and its members (except for the CEO) are not authorised to enter into transactions or execute legal acts on behalf of the Company without a power of attorney.

**COORDINATING AND CONSULTATIVE BODIES**

- The Board of Directors provides strategic management of the Company’s activities; it reports to the General Shareholders Meeting and acts on behalf and for the benefit of all shareholders within its remit.
- The Audit Committee assesses the robustness and effectiveness of the Company’s financial and business processes, identifies internal control systems, compliance, internal audit, and corporate governance.
- The Administrative Council is the collective executive body of the Company.
- The Audit Commission oversees the governing bodies’ compliance with the applicable laws, the Company’s Charter and internal regulations, which guarantee protection of shareholders’ rights and legitimate interests. Organises the work of the Board of Directors and is responsible for efficient communication between the Company’s shareholders, governing and supervisory bodies, and management.

**Internal Audit Service**

Assesses the robustness and effectiveness of the Company’s business processes, identifies internal potential for improving its financial and business performance, including that of the Group Subsidiaries. The Internal Audit Service recommends actions for improving the reliability of the Company’s financial and business results and for reducing their potential for misrepresentation.

**Corporate Secretary**

Ensures the governing bodies’ compliance with the applicable laws, the Company’s Charter and internal regulations, which guarantee protection of shareholders’ rights and legitimate interests. Organises the work of the Board of Directors and is responsible for efficient communication between the Company’s shareholders, governing and supervisory bodies, and management.

**External Auditor**

A commercial organisation selected through a procurement process and approved by the General Shareholders Meeting upon recommendation of the Board of Directors based on the Audit Committee’s assessment.

**Head of Internal Audit and Corporate Secretary**

Are appointed by the Board of Directors.
GENERAL SHAREHOLDERS MEETING

Annual General Shareholders Meeting, a supreme governing body, on results of 2019 took place in 2020.

ANNUAL GENERAL SHAREHOLDERS MEETING

Pursuant to Article 2 of Federal Law No. 50-FZ dated 18 March 2020, the Board of Directors had resolved to use absentee voting as the format for the Company’s Annual General Shareholders Meeting, which was held on 2 June 2020 (vote by means of ballots).

This resolution was made due to the COVID-19 pandemic and associated restrictions on public events.

Rosneft’s shareholders, their safety and well-being are the top priorities of our governing bodies.

The existing tools for remote communication and the Company’s own corporate services, namely Shareholder’s Personal Account, enabled our shareholders to participate in corporate proceedings in full and without restrictions and provided unconditional ability to exercise shareholder rights without physical presence.

The holders of 90.8% of the Company shares took part in the meeting.

They approved the Annual Report, annual accounting (financial) statements and net income distribution for 2019 (including for dividend payment), elected the Board of Directors and the Audit Commission, determined the remuneration of the Board and Audit Commission members for the period, and approved the Company’s Auditor.

During the exercise, shareholders had an opportunity to ask their questions on the agenda via their personal accounts, the shareholder hotline, or by mail.

As at 31 December 2020, all resolutions of the Company’s Annual General Shareholders Meeting 2019 were implemented in full.

For information on Shareholder’s Personal Account, see the section Official Channels of Communication with Shareholders.

Elected by the General Shareholders Meeting, the Board of Directors provides strategic management of the Company’s activities on behalf and for the benefit of all shareholders.

It is run by the Chairman and Deputy Chairmen and has a number of dedicated committees to carry out in-depth reviews of matters that are reserved to them.

Information on the members and activities of the Board of Directors and its committees is published on the Company’s official website.

Key competencies of directors

Board of Directors

Age

Composition

Under 45 years
46–55 years
56–65 years
66 or over

Independent
Non-executive
Executive

36%
55%
9%

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<tr>
<th>Director</th>
<th>Strategy</th>
<th>Oil and gas</th>
<th>Corporate governance and M&amp;A</th>
<th>Law</th>
<th>Finance and audit</th>
<th>Risk management</th>
<th>Politics/GR</th>
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Directors who left the Board of Directors on 2 June 2020

Andrey Belousov
Guillermo Quintero
MEMBERS OF THE BOARD
OF DIRECTORS

(AS AT 31 DECEMBER 2020)

The directors elected by the Annual General Shareholders Meeting in 2020 perfectly fit the Company’s international profile and scale of operations while also bringing the strategic governance expertise and professional competencies needed to make informed, unbiased economic, financial, risk management and other decisions that will help deliver on Rosneft’s goals.

The Board is made up of eleven directors from different countries and backgrounds, including experience in public service and with major oil and gas and financial companies. We want to make sure that the Board’s resolutions are unbiased. This is why four out of eleven directors are independent, as recommended by the Corporate Governance Code of the Bank of Russia.

Gerhard SCHROEDER
Chairman, independent director

Born in 1944
Graduated from the University of Goettingen (Germany), the Department of Law, in 1976
Foreign fellow of the Russian Academy of Sciences

Involvement in other companies
Chairman of the Shareholders’ Committee of Nord Stream AG (Switzerland), Chairman of the Board of Directors at Nord Stream 2 AG (Switzerland), Deputy Chairman of the Supervisory Board at Herrenknecht AG (Germany), and member of the Executive Board at BVUK (Betriebliche Vergütungs- und Versorgungssysteme fur Unternehmen und Kommunen, Germany).
Holds no shares of Rosneft.

Igor SECHIN
Deputy Chairman, Chief Executive Officer, Chairman of the Management Board

Born in 1960
Graduated from the Leningrad State University in 1984, holds a PhD in Economics
2000–2004: Deputy Head of the Russian Presidential Administration
2004–2008: Deputy Head of the Russian Presidential Administration, Advisor to the President
2008–2012: Deputy Prime Minister of the Russian Federation
2012 – present: Chief Executive Officer and Chairman of the Management Board
First elected to the Company’s Board of Directors in 2004. Chairman of the Board of Directors in 2004–2011. In November 2012, he was re-elected to the Board of Directors, and from June 2013 holds the position of the Deputy Chairman.

Involvement in other companies
Chairman of the Boards of Directors of ROSNEFTGAS and InterRAO, and Chairman of the Supervisory Board of CSKA Professional Hockey Club.

Involvement in non-profit organisations
Active in the areas of social, scientific, sports and education development; serves as Chairman of the Board of Trustees of the Russian Research Centre for Radiology and Surgical Technologies, Deputy Chairman of the Supervisory Board of the Russian Volleyball Federation, member of the Boards of Trustees of Lomonosov Moscow State University, National Intellectual Development Foundation, St Petersburg State University, Graduate School of Management of St Petersburg State University, St Petersburg Mining University, Russian Federal Public Academy of Education, Moscow State Institute of International Relations, Russian Geographical Society, Lomonosov Moscow State University High School, Primakov Gymnasium, and Church Construction Support Fund in Moscow. Chairman of the Supervisory Board of Genetic Technologies, member of the Supervisory Board of the Global Energy Association (international research and energy projects), and member of the Supreme Supervisory Board of the Boxing Federation of Russia.
Holds 13,489,350 shares of Rosneft (0.1273% of the Company’s charter capital).

For more information on the positions held in the governing bodies of other organisations, see the Management Board section and the Company’s official website.
**Matthias WARNIG**

Deputy Chairman, independent director
Chairman of the HR and Remuneration Committee, member of the Audit Committee


Holds no shares of Rosneft.

Involvement in other companies:
- Member of the Supervisory Boards of VTB Bank, and FC Gelsenkirchen-Schalke 04 e.V. (Germany), member of the Administrative Council of GAZPROM Schweiz AG (Switzerland), member of the Board of Directors of Transneft, and Chairman of the Administrative Council of Gas Project Development Central Asia AG (Switzerland). Holds 92,633 shares of Rosneft (0.0009% of the Company’s charter capital).

**Oleg Viyugin**

Member of the Strategy and Sustainable Development Committee, and Audit Committee, independent director


Involvement in other companies:
- Chairman of the Supervisory Board of the Moscow Exchange, Chairman of the Board of Directors of NAUFOR, Advisor to CEO of S&P MAR Financial Investments, member of the Board of Directors of Uuko, member of the Supervisory Board of National Settlement Depository and SF Holdings Co PLC.

**Faisal ALSUWAIDI**

Member of the Strategy and Sustainable Development Committee, and HR and Remuneration Committee


Holds no shares of Rosneft.

Involvement in other companies:

**Robert Dudley**

Chairman of the Strategy and Sustainable Development Committee


Involvement in non-profit organisations:
- Active in the area of energy sector development; serves as Chairman of the Accenture Global Energy Board. Holds no shares of Rosneft.

For more information on the positions held in the governing bodies of other organisations, see the Board of Directors section and the Company’s official website.
Alexander NOVAK
Deputy Chairman of the Strategy and Sustainable Development Committee
Born in 1970.
Bachelor of Science in Electrical Engineering, Master of Science in Management.
Fellow of the Royal Academy of Engineering and the Energy Institute.
Mentor in the FTSE 100 Cross-Company Mentoring Executive Programme.
2013–2016: Chief Operating Officer for Production of BP p.l.c.
2016–2020: Chief Executive Officer for Upstream of BP p.l.c.
2016–2020: member of the Board of Directors of Akbor BP.
2020 – present: Chief Executive Officer and member of the Board of Directors of BP p.l.c.
Elected to the Board in June 2020.
Involvement in non-profit organisations
Active in the areas of geography and related sciences, member of the Board of Trustees of the Russian Geographical Society.
Holds no shares of Rosneft.

Bernard Looney
Chief Executive Officer, BP p.l.c.
Born in 1970.
Bachelor of Science in Electrical Engineering, Master of Science in Management.
Fellow of the Royal Academy of Engineering and the Energy Institute.
Mentor in the FTSE 100 Cross-Company Mentoring Executive Programme.
2013–2016: Chief Operating Officer for Production of BP p.l.c.
2016–2020: Chief Executive Officer for Upstream of BP p.l.c.
2016–2020: member of the Board of Directors of Akbor BP.
2020 – present: Chief Executive Officer and member of the Board of Directors of BP p.l.c.
Elected to the Board in June 2020.
Involvement in non-profit organisations
Active in the areas of geography and related sciences, member of the Board of Trustees of the Russian Geographical Society.
Holds no shares of Rosneft.

Maxim Oreshkin
Aide to the President of the Russian Federation
Born in 1982.
Graduated from the Higher School of Economics with a Bachelor’s degree in Economics in 2004 and with a Master’s degree in Economics in 2006.
2006–2013: held various positions at commercial banks.
January 2020 – present: Aide to the President of the Russian Federation.
Elected to the Board in June 2020.
Involvement in other companies
Chairman of the Boards of Directors of the Russian Post, Channel One, and Professional Football Club CSKA, member of the Bank of Russia’s National Financial Board, and member of the Supervisory Boards of Sberbank, VEB RF, and the Management Company of the Russian Direct Investment Fund.
Involvement in non-profit organisations
Active in the areas of social, scientific, sports and education development; serves as Co-Chairman of the Supervisory Board of the National Association of Technology Transfer, member of the Supervisory Boards of the Analytical Centre for the Government of the Russian Federation, and Agency for Strategic Initiatives to Promote New Projects, Chairman of the Board of Trustees of the Novgorod Museum Reserve, and member of the Boards of Trustees of the Skolkovo Foundation, Russian President’s Academy of National Economy and Public Administration, and Russian Geographical Society.
Holds no shares of Rosneft.

Hans-Joerg Rudloff
Chairman of the Audit Committee, member of the HR and Remuneration Committee, independent director
Born in 1940.
Graduated from the University of Bern (Switzerland) in 1965.
2002 – present: Chairman of Marcuard Holding.
2008 – present: Executive Director of ABD Capital S.A.
2015 – present: President of ABD Capital Eastern Europe S.A.
First elected to the Board in June 2007. Member of the Board of Directors from June 2007 to June 2013. Re-elected to the Board of Directors in June 2018.
Involvement in other companies
Member of the Foundation Board of International Centre for Monetary and Banking Studies (ICMB), advisor to the Board of TB Holdings NV (Thys-Bornemisza Group) and director at Decolef and Guardian Capital.
Holds no shares of Rosneft.

Involvement in other companies
Member of the Foundation Board of International Centre for Monetary and Banking Studies (ICMB), advisor to the Board of TB Holdings NV (Thys-Bornemisza Group) and director at Decolef and Guardian Capital.
Holds no shares of Rosneft.
DIRECTORS WHO LEFT THE BOARD IN 2020

**Hamad Rashid AL-MOHANNADI**  
Member of the Strategy and Sustainable Development Committee

Born in 1958.  
Graduated from Portland State University (USA) in 1981.  
Between 1983 and 2018, he held the following positions:  
• Head of the downstream business of Qatar Petroleum;  
• Chief Executive Officer of Qatar Petrochemical Company (QAPCO);  
• Chairman of Qatar Shipping Company;  
• Member of the Boards of Directors of Qatar Petroleum and RasGas Company;  
• Member and Chairman of the Board of Trustees of Qatar University  
2015 — present: member of the Board of Trustees at the Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development  
2017—2020: Chairman of the Board of Trustees at The Community College of Qatar  
• Representative of Qatar Investment Authority.  
Elected to Rosneft’s Board of Directors in June 2019.  
Holds no shares of Rosneft.

**Andrey BELOUSOV**  
Member of the Strategy and Sustainable Development Committee

Born in 1959.  
Graduated from Lomonosov Moscow State University in 1981.  
Doctor of Economics  
2006 — present: Chief Researcher (part-time) at the Institute of Economic Forecasting of the Russian Academy of Sciences  
2013—2020: Aide to the President of Russia.  
2020 — present: First Deputy Prime Minister  
Elected to the Board in June 2015  
Chairman of the Board of Directors from June 2015 to September 2017  
Holds no shares of Rosneft.

**Guillermo Quintero**  
Member of the HR and Remuneration Committee

Born in 1957.  
Graduated from the University of Southern California in 1979.  
2010—2015: Regional President Brazil, Uruguay, Venezuela and Columbia, BP Energy do Brasil Ltda and BP Brasil Ltda, and President and Director of BP Brasil Ltda.  
2011–2015: President of BP Exploration do Brasil Ltda.  
2011—2016: Director at BP Petroleo y Gas S. A.  
2014—2016: President of BP Exploración de Venezuela S. A.  
2016 — present: Director of GQO Consultants LTD  
Elected to the Board in June 2015  
Holds no shares of Rosneft.

**INDUCTION**

The Company ensures prompt onboarding of new directors in line with the established induction procedure. In 2020, Maxim Dreizin and Bernard Looney nominated by JSC ROSNEFTEGAZ and BP Russian Investments Limited were elected to the Board of Directors for the first time.  
Rosneft’s management promptly introduced the elected directors to the Company’s day-to-day operations, strategy, corporate and organisational structure, and corporate governance practices. They have been briefed on the Succession Plan for Directors and Management Board members and received an explanation of the confidentiality and insider information requirements, and the procedure for their participation in the meetings of the Board of Directors and its committees.

**Note:** the first figure stands for the number of meetings attended by the director, the second figure stands for the total number of meetings they were entitled to attend.

*For reference:* Gerhard Schroeder, Chairman of the Board, and Igor Sechin, Matthias Warnig, Robert Dudley, Guillermo Quintero, Bernard Looney, and Hans-Joerg Rudloff, directors, did not vote on a number of agenda items that could involve a potential legal and/or commercial conflict of interests.

**The Document was approved by resolution of Rosneft’s Board of Directors on 29 May 2020.**
ACTIVITIES OF THE BOARD OF DIRECTORS

Matters considered

- HR and Remuneration 11 (8%)
- Directives of the Russian Government 13 (9%)
- Transactions 35 (25%)
- Corporate governance 27 (20%)
- Report reviews 18 (13%)
- Finance, business projects 14 (10%)
- Audit, risks 5 (4%)
- Approving/amending internal regulations 6 (4%)
- Strategy items 7 (5%)
- Other 3 (2%)

BOARD RESOLUTIONS IN KEY FOCUS AREAS


Renewal of Rosneft’s Long-Term Development Programme to account for external factors, the independent auditor’s recommendations, the Company’s updated strategic targets and the Programme implementation results in 2019.

Approval of Innovation Development Programme for 2020–2024 with an outlook for 2030 to support Rosneft’s development as a high-tech energy company, ensure its technological leadership in oil and gas production and oil refining, and meet the stringent international environmental and industrial safety standards.

Approval of Rosneft’s business plan for 2020–2021. The document aims to maintain the Company’s production potential and ensure stable financial performance and leadership in unit production costs with due account of the Russian Government’s Directives No 6883p-P13 dated 4 August 2020 on implementing the OPEC and non-OPEC ministerial meeting’s (ONOMM) decisions setting Rosneft’s oil production level in Russia for the period until May 2022. The Board of Directors took notice of the preliminary results of the business plan performance and normalisation in 2020.

It approved the implementation concept for Vostok Oil, a project to create a new oil and gas province in Russia’s north. The Board approved the business projects to develop the Suzunskoye and Lodochnoye licence areas, and Russkoye field. It reviewed the Comprehensive Plan for the Enhancement of the RMaK (2020–2022) and the report on the implementation of the Plan in 2019.

To ensure compliance with the orders of the Russian President and the Russian Government the following items were considered:

- addressing the impact of COVID-19;
- reducing crude oil production to provide for Russia’s compliance with the OPEC and non-OPEC ministerial meeting’s decision to that effect;
- introducing tax monitoring;
- improving labour productivity;
- updating Rosneft’s Long-Term Development Programme to reflect the Company’s 2019 results.

Amendments to the terms of Rosneft’s Open Market Share Buyback Programme to bring it in line with the current market environment, the programme was amended to simplify the buyback procedure.

Evaluation of the independent directors against independence criteria (Gerhard Schroeder, Matthias Warnig, Oleg Viyugin and Hans-Joerg Rudloff).


All surveyed Directors, senior executives, and heads of business units praised Rosneft’s Board performance as generally highly effective.

The self-assessment has revealed areas for the Board’s performance improvement and efficiency increase.

In 2020, the Board of Directors held 32 meetings (3 in person and 29 in the form of absentee voting) and considered 159 items (16 at in-person meeting and 123 at meetings held in the form of absentee voting).

To this end and to help maintain strong performance in other areas, the Board approved the Action Plan to improve the performance of Rosneft’s Board of Directors that takes into account the 2019 external assessment by Ernst & Young as an independent consultant.

Update of the Succession Plan for Directors and Members of the Management Board to reflect Bank of Russia’s recommendations and the 2019 external assessment of the Board by Ernst & Young. The Plan seeks to guarantee succession in the Company’s management bodies and preserve the Board of Directors and Management Board’s best practices ensuring consistency with the Company’s development strategy.

In 2020, the Board of Directors continued expanding its ESG and sustainable growth agenda. In particular, by vesting the Strategic Planning Committee, which was renamed the Strategy and Sustainable Development Committee, with additional powers to review ESG-related matters, the Board will be able to focus more closely on the Company’s green projects.

The following internal documents were approved/amended:

- Policy on Onshore Oil Production;
- Policy on Gas Business;
- Information Security Policy;
- Working Capital Management Policy;
- Policy on Internal Audit;
- Regulations on Rosneft Board Committees.

The following programmes and reports were reviewed/approved:

- Sustainability Report 2019;
- reports on the activities of the Board’s committees in 2019–2020;
- Energy Saving Programme for 2020–2024 and report on the programme implementation in 2019;
- report on the Company’s HSE activities in 2019 and preliminary results of 2020;
- report on the Information Policy implementation in 2020;
- report on the Innovative Development Programme progress in 2019;

The following documents and criteria related to remuneration were approved:

- performance indicators of Rosneft’s top managers for 2020;
- normalised KPIs of top managers for the 2019 annual bonus calculation, and their performance and bonus amount for 2019.

The Board of Directors conducted corporate procedures with respect to more than 60 interested party transactions.
PLANS FOR 2021

The Board of Directors approves its work plans and meeting schedule semi-annually.

The work plan takes into account the proposals of members of the Board, executive bodies and top management, and always includes the following matters:

- oversight of the Strategy performance;
- reviewing the business plans and results;
- implementation/review of Rosneft’s Long-Term Development Programme;
- approval of management’s collective and individual KPIs;
- assessment of the Board performance;
- preparations for the General Shareholders Meetings.

The Company’s Corporate Governance Code defines the list of additional issues that the Board of Directors seeks to consider in person.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three committees:

- Audit Committee;
- HR and Remuneration Committee;
- Strategy and Sustainable Development Committee.

The committees are set up and their chairs elected at the first meeting of the Board of Directors in its new composition (in 2020, the meeting was held in absentia).

The committees of the Board of Directors plan their activities taking into account the schedule of the Board of Directors’ meetings.

ACTIVITIES OF THE BOARD COMMITTEES

AUDIT COMMITTEE

Statement of Hans-Joerg Rudloff, Chairman of the Audit Committee

2020 was a hard year for many companies all over the world. Due to the pandemic, Rosneft had to reorganise internal processes and organisational systems across all its units. Working from home and lack of interaction between employees and businesses caused a number of hard challenges, and it is the commitment and discipline of our staff that helped us tackle them. In spite of all the difficulties, the Company conducted over 200 audits, 30 ad hoc inspections that involved our new objectives, such as supporting new projects, for example, those related to shipbuilding, and other business expansion initiatives. In addition, we provided continuous training in new systems and technologies. Although the Audit Committee members were unable to meet in person, the audit function exercised its duties and carried out its mission due to the high quality of available written materials.

In general, we overcame the last year’s challenges and adapted to a new way of doing business. Therefore, our shareholders can be certain that the Company’s internal control system is functioning to its full potential.

KEY RESOLUTIONS

The Committee recommended that the Board of Directors approve the proposal to the General Shareholders Meeting regarding the distribution of the Company’s profit for 2019, the amount of dividends for 2019, and the payout procedure.

To ensure proper preparation of accounting (financial) statement and impartiality and independence of the external audit, the Committee:

- reviewed the consolidated financial results, financial statements and the relevant audit reports (on a quarterly basis);
- recommended Ernst & Young as the Company’s auditor and the amount of the auditor’s fees.

To ensure efficiency of the risk management and internal control system, the Committee conducted preliminary review of the following:

- reporting on the company-wide financial and operational risks materialised in 2019;
- reporting on the identification of company-wide financial and operational risks for 2021;
- report on internal investigations conducted by Rosneft in 2019;
- results of the survey on strategic risks in 2020.

The Working Capital Management Policy was updated to set out a risk-oriented approach to managing working capital elements, the Company’s adherence to information transparency, and absence of restrictions on competition in managing accounts payable and receivable.

The auditor’s fees for 2020 recommended to the General Shareholders Meeting:

- audit of Rosneft’s NAS accounting (financial) statements – RUB 72,000,000, including VAT;
- audit of Rosneft’s IFRS consolidated financial statements – up to RUB 78,906,950, including VAT.

The external auditor’s actual remuneration for the audit of financial statements and other services is disclosed on the Company’s website in the Corporate governance – Internal control and audit – Company auditor section.

In 2020, the Audit Committee held 17 meetings (one in person and 16 in the form of absentee voting) and considered 40 items (two at in-person meetings and 38 at meetings held in the form of absentee voting).

KEY RESOLUTIONS

The Committee recommended that the Board of Directors approve the proposal to the General Shareholders Meeting regarding the distribution of the Company’s profit for 2019, the amount of dividends for 2019, and the payout procedure.

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- reporting on the company-wide financial and operational risks materialised in 2019;
- reporting on the identification of company-wide financial and operational risks for 2021;
- report on internal investigations conducted by Rosneft in 2019;
- results of the survey on strategic risks in 2020.

The Working Capital Management Policy was updated to set out a risk-oriented approach to managing working capital elements, the Company’s adherence to information transparency, and absence of restrictions on competition in managing accounts payable and receivable.

The auditor’s fees for 2020 recommended to the General Shareholders Meeting:

- audit of Rosneft’s NAS accounting (financial) statements – RUB 72,000,000, including VAT;
- audit of Rosneft’s IFRS consolidated financial statements – up to RUB 78,906,950, including VAT.

The external auditor’s actual remuneration for the audit of financial statements and other services is disclosed on the Company’s website in the Corporate governance – Internal control and audit – Company auditor section.

In 2020, the Audit Committee held 17 meetings (one in person and 16 in the form of absentee voting) and considered 40 items (two at in-person meetings and 38 at meetings held in the form of absentee voting).
To ensure the impartiality and independence of the internal audit, the Committee reviewed:
- reports on the internal audit performance in 2019 and first six months of 2020, and information on the independence and objectivity of the internal audit,
- the assessment and results of the quarterly monitoring of potential conflicts of interest related to the Head of Internal Audit serving on the Management Board in Q1–Q3 2020.

In the area of corporate governance, the Committee:
- updated Rosneft’s Policy on Internal Audit to reflect the amendments to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995 with respect to the requirement to prepare and disclose to shareholders an internal audit report on the safety and efficiency of the Company’s risk management and internal control system.
- reviewed proposals regarding the assessment and results considered during conference calls between the Committee members, management, and representatives of internal and external auditors.

The matters related to financial statements and information provided by the auditor were first discussed in 2019 for the 2018 annual report on the Company’s HSE activities.

HR AND REMUNERATION COMMITTEE

Statement of Matthias Warnig, Chairman of HR and Remuneration Committee

One of the most notable events for the Company in 2020 was the change in our approach to the Management Board formation. Five CEOs of key Group Subsidiaries joined the Management Board in 2020 to give a more important role to our regional businesses implementing major oil and gas projects. Alongside that, the Committee focused on assessing the effectiveness of the Company’s HR and succession policies. The Committee ensured the independence of nominees and Board members. Motivation was another focus of the Committee.

To determine the Company’s priorities, the Committee reviewed:
- status of the Rosneft – 2022 Strategy,
- Rosneft’s 2019 Sustainability Report,
- Rosneft’s updated Long-Term Development Programme and the audit of its implementation results in 2019,
- adjustment of Rosneft’s business plan for 2020,
- the Company’s business plan for 2021–2022, its implementation results and normalisation for 2019,
- renewal of the Company’s Accounting Function Development Strategy to 2024, with its name changed to Rosneft’s Programme to Improve the Efficiency of Rosneft’s Accounting Function to 2024.

KEY RESOLUTIONS

To attract skilled talent to the Company’s management and create conditions for high performance, the Committee:
- reviewed proposals regarding the remuneration of the members of the Board of Directors and Audit Commission for 2019–2020, as well as the compensation of the expenses related to their functions;
- provided recommendations for appointments to the Management Board;
- verified the compliance of candidates to the Board of Directors with independence criteria;
- renewed the Succession Plan for Directors and members of the Management Board.

To assess the performance of the Company’s management and governing bodies, the Committee reviewed:
- top management’s collective and individual KPIs for 2020, their normalised KPI performance criteria for 2019, and the results considered in the 2019 annual bonus calculation;
- self-assessment of the Board’s performance;
- reports and action plans for introducing professional standards.

In 2020, the HR and Remuneration Committee held 14 meetings in the form of absentee voting and considered 29 items.

With respect to HSE matters, the Committee approved reports on the Company’s HSE activities in 2019 and preliminary results in 2020.

In 2020, the Strategy and Sustainable Development Committee held 15 meetings in the form of absentee voting and considered 28 items.

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Key matters related to the Committee activities were discussed in due course with the Committee members with the involvement of the Company’s management.

STRATEGY AND SUSTAINABLE DEVELOPMENT COMMITTEE

Statement of Robert Dudley, Chairman of the Strategy and Sustainable Development Committee:

The Committee name was changed in 2020 to emphasise our focus on environmental and social responsibility, improving the corporate governance system and enhancing its transparency, as well as supervision over the Company’s strategic investment projects.

KEY RESOLUTIONS

To run the Company’s business projects, the Committee recommended that the Board of Directors approve key metrics and budgets for a number of business projects.

To promote innovation, the Committee recommended that the Board of Directors approve Rosneft’s Innovation Development Programme for 2020–2024 with an outlook for 2030.

When reviewing the key matters, the Chairman and Committee members consulted the Company’s management, requested additional information and received written and oral clarifications.

In 2020, the Strategy and Sustainable Development Committee held 15 meetings in the form of absentee voting and considered 28 items.
EXECUTIVE BODIES

As per Rosneft’s Charter, the person performing the functions of the sole executive body and Chairman of the Management Board is the Chief Executive Officer.

Since 2012, the position of the Chief Executive Officer has been held by Igor Sechin. He manages the Company’s day-to-day operations, formulates the Management Board’s agenda, and chairs the Board’s meetings.

The procedure for Management Board formation, the rights, duties and liability of Management Board members, and proceedings of the Management Board are governed by the Regulations on the Collective Executive Body (Management Board) of Rosneft OJSC.

To better address the pandemic-related challenges, improve production and economic efficiency, and strengthen the links with Rosneft’s major regional divisions in implementing promising oil and gas production projects that could become the Company’s growth drivers in the medium term, the Board of Directors resolved to change the composition of the Management Board starting on 30 September 2020.

The newly appointed members of the Management Board are:

- Igor Tabachnikov, General Director of LLC RN-Yugarskneftegaz;
- Khasan Tatriev, General Director of Bashneft;
- Vladimir Chernov, General Director of LLC RN-Vankor;
- Ilgam Kuchukov, General Director of JSC Suzun;
- Dina Malikova, President, Chairman of the Board at RRDB Bank (JSC).

The Management Board is also comprised of senior executives responsible for key areas of the Company’s activities: upstream, downstream, finance and strategic planning.

The membership of RRDB Bank’s President and Chairman of the Board in Rosneft’s Management Board aims to ensure continuous monitoring of financing availability.

The Vice Presidents, who had previously been members of the Management Board, continued to work for the Company performing their functional responsibilities and assisting the Management Board in their respective areas of expertise.

The size of Rosneft’s Management Board did not change in 2020, totaling 11 members. Nine membership positions have been filled, while two remain vacant.

The activities of the Company’s executive bodies are governed by Regulations on the Sole Executive Body (Chief Executive Officer) and Regulations on the Collective Executive Body (Management Board) of Rosneft OJSC Company.

CHANGES IN THE BOARD COMPOSITION

As AT 31 DECEMBER 2020

Igor SECHIN

Chairman of the Management Board, Chief Executive Officer

Born in 1960

In 1984 graduated from Leningrad State University. PhD in Economics.

Holder of government and ministerial awards.

2000–2004: Deputy Head of the Russian Presidential Head Office.

2004–2008: Deputy Head of the Russian Presidential Head Office, Aide to the President.

2004–2011: Chairman of Rosneft’s Board of Directors.


2012–present: Deputy Chairman of Rosneft’s Board of Directors.

Holds positions in various non-profits and takes part in social, scientific, sport and education development (for the full list of positions in non-profit organisations, see the Board of Directors section).

Holds 13,489,350 shares of Rosneft (0.1273% of the Company’s charter capital).
Zeljko RUNJE
Deputy Chairman of the Management Board, First Vice President for Oil, Gas, and Offshore Business Development

Born in 1954.
Graduated with honours from the University of Alaska.
Has Acknowledgement from the President of the Russian Federation, Order of Friendship holder.
1979–1993: held various management positions in Arctic Alaska drilling and production projects.
1997–2012: held various executive positions in the Sakhalin-1 project in his capacity as Vice President of ExxonMobil Russia Inc.
From October 2012: Vice President of Rosneft.
From March 2013: Vice President for In-House Services at Rosneft.
In November 2012, appointed member of Rosneft's Management Board.
From December 2019: First Vice President for Oil, Gas, and Offshore Business Development of Rosneft, Deputy Chairman of the Management Board.
Chairman of the Supervisory Board at PJSC Rosneft Sakhalin, Chairman of the board of directors at JSC RN-NShelf-Far East, JSC Vakhuncheishnikhaftegaz, LLC RN-GAZ, LLC RN-Ustnaya, member of the Board of Directors at PJSC Bashneft, CJSC Rosneft, JSC FEJSC, LLC RN-Commerce, LLC RN-Commerce, and PJSC NOK Slavneft.
Holds 377,318 shares of Rosneft (0.0036% of the Company’s charter capital).

Didier CASIMIRO
First Vice President

Born in 1966.
Graduated with distinction from Ghent University (Belgium) in 1991, and from Ghent University (Belgium) / Lisbon University (Portugal) in 1992.
1996–2005: held executive positions at BP.
2005–2012: held executive positions at TNK-BP.
From May 2012: Vice President of Rosneft.
From March 2013: Vice President for Commerce and Logistics at Rosneft.
From January 2015: Vice President for Refining, Petrochemical, Commerce and Logistics at Rosneft.
From July 2020: First Vice President of Rosneft. Member of Rosneft’s Management Board since June 2012.
Chairman of the Board of Directors at PJSC Saratov Refinery, Rosneft – MP Nefteprodukt, LLC RN-Commerce, LLC RN-Refining, PJSC Bashneft, LLC RN-Foreign Projects, Chairman of the Supervisory Board at PJSC LINIK, member of the Board of Directors at CJSC NOK Slavneft, PJSC Slavneft-YANOS, JSC SPIMEX.
Holds 457,598 shares of Rosneft (0.0043% of the Company’s charter capital).

Ilgam KUCHUKOV
Advisor to the Chief Executive Officer in the rank of Vice President, General Director of JSC Suzun

Born in 1977.
In 2008: graduated from Tyumen State Oil and Gas University.
2000–2015: held various positions in the oil and gas industry.
2015–2018: First Deputy General Director for Production, Chief Engineer at LLC RN-Yuganskneftegaz.
2018–present: General Director of JSC Suzun and LLC Tagilukoye (concurrently), Deputy General Director for greenfield development at LLC RN-Vankor (concurrently).
From September 2020: Advisor to the Chief Executive Officer in the rank of Vice President, member of the Management Board at Rosneft.
Holds no shares of Rosneft.

Dina MALIKOVA
Advisor to the Chief Executive Officer in the rank of Vice President, President of RRDB Bank (JSC)

Born in 1975.
In 1996: graduated from Ulyanov-Lenin Kazan State University, PhD in Physics and Mathematics.
1995–2003: held various positions in a number of credit and finance organisations.
2003–2011: Head of Treasury, member of the Board at RRDB Bank (JSC).
2011–2013: Senior Vice President, member of the Board at RRDB Bank (JSC).
2014–present: – President, Chairman of the Board at RRDB Bank (JSC).
From September 2020: Advisor to the Chief Executive Officer in the rank of Vice President, member of the Management Board at Rosneft.
Chairman of the Board of Directors at PJSC PERESVET Bank, member of the Supervisory Board at RRDB Bank (JSC).
Holds 436 shares of Rosneft (0.00005% of the Company’s charter capital).
### Andrey POLYAKOV
**Vice President – Chief Geologist at Rosneft**

- **Born in 1976.**
- In 2002 graduated from Lomonosov Moscow State University.
- 2005–2013: Deputy Director, Director of the Corporate Research and Development Centre, Division of Scientific and Technical Development and Innovation, Department of Exploration and Licensing, Department of Resource Base and Reserves, Audit Department, Rosneft.
- 2013–2017: Division Head, Deputy Director, Director of the Exploration and Licensing Department, Vice President for Subsurface and Reservoir Management, JSC Independent Oil and Gas Company.
- From December 2019: Vice President – Chief Geologist and member of the Management Board at Rosneft.
- Chairman of the Board of Directors at PJSC Samaraneftegeofizika, member of the Board of Directors at LLC RN-Upstream, LLC RN-GAZ, LLC RN-Assets, LLC RN-foreign Projects, JSC Vankorneft.
- Holds 18,757.7 shares of Rosneft (0.0002 % of the Company’s charter capital).

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### Igor TABACHNIKOV
**Advisor to the Chief Executive Officer in the rank of Vice President, General Director of RN-Yuganskneftegaz**

- **Born in 1985.**
- In 2007 graduated from Pietrozavodsk State University, in 2010 graduated with honours from the Academy of National Economy under the Russian Government.
- In 2010–2011 completed the post-graduate programme at the Department of Economic Policy, Lomonosov Moscow State University.
- In 2018–2019 completed the SKOLKOVO Moscow School of Management’s Executive MBA programme.
- 2007–2015: Held various positions in Russia’s oil and gas industry companies (OJSC Severneftegazprom, CJSC Vankorneft).
- 2015–2016: General Director at OJSC Taimyrneftegazodobycha.
- 2016–2019: General Director at JSC NNK-Neftegaz, CJSC Kovarnoe.
- 2019–15 March 2021: General Director at LLC RN-Yuganskneftegaz, Director of Rosneft’s Office in the Khanty-Mansi Autonomous Area – Yugra (Nefteyugansk) (concurrently), General Director at Kondaneft (concurrently).
- From September 2020: Advisor to the Chief Executive Officer in the rank of Vice President, member of the Management Board at Rosneft.
- Holds no shares of Rosneft.

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### Khasan TATRIEV
**Advisor to the Chief Executive Officer in the rank of Vice President, General Director of Bashneft**

- **Born in 1963.**
- In 2002 graduated from the Tyumen State University.
- Holder of government and industry awards:
  - Order “For Merit to the Fatherland” fourth degree, (2019).
  - 2002–2012: Held executive positions at various oil and gas industry companies.
  - 2012–2015: General Director at OJSC RN-Iningushneft.
  - 2019–2020: President, Chairman of the Management Board at Bashneft.
  - From June 2020: General Director of Bashneft.
  - From September 2020: Advisor to the Chief Executive Officer in the rank of Vice President, member of the Management Board at Rosneft.
  - Chairman of the Board of Directors at PJSC Ulansingneft, member of the Board of Directors at Bashneft.
- Holds no shares of Rosneft.

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### Vladimir CHERNOVK
**Advisor to the Chief Executive Officer in the rank of Vice President, General Director of LLC RN-Vankor**

- **Born in 1970.**
- In 1999 graduated from the Nizhny Novgorod State Academy of Water Transport. In 2009 – from Tomsk Polytechnic University.
- Holder of government and ministerial awards:
  - 2000–2010: Held executive positions at various oil and gas industry companies.
  - 2010–2011: Deputy General Director for Production at CJSC Vankorneft.
  - 2011–2014: Deputy Chief Engineer, Acting Deputy General Director for Production Development at CJSC Vankorneft.
  - 2014–2015: Director of the Capital Construction Department at CJSC Independent Oil and Gas Company.
  - 2015–2017: Vice President for Oil and Gas Production at CJSC Independent Oil and Gas Company.
  - 2017 – present: General Director of LLC RN-Vankor, JSC Vankorneft (concurrently).
  - 2020 – present: General Director (concurrently) of LLC NVD-Neda, LLC Taimyrneftegaz-Plast, LLC Taimyrneftegaz-Estate, LLC FSNO-36.
- From September 2020: Advisor to the Chief Executive Officer in the rank of Vice President, member of the Management Board at Rosneft.
- General Director of LLC Vostok-Oil.
- Holds no shares of Rosneft.
Due to changes in the Management Board’s composition, the powers of the following Board members have been terminated: Gennady Bukaev, Eric Liron, Yury Kurilin, Peter Lazarev, Elena Zavaleeva, Andrey Shishkin and Ural Latypov.

**Gennady BUKAEV**  
Vice President, Head of Internal Audit

Born in 1947.
In 1971 graduated from Leningrad State University. PhD in Economics.
Holder of government and ministerial awards.
2004–2012: Assistant to the Prime Minister of the Russian Federation.
2012–2013: Advisor to the President of the Republic of Bashkortostan.
From 2013: Advisor to the President of Rosneft.

**Eric Maurice Liron**  
Vice President for Oil and Gas Services of Rosneft

Born in 1954.
In 1980 graduated from the School of Radio Engineering, Electronics and Computer Science (Paris, France).
1980–2000: held various executive positions at Schlumberger managing complex projects in the Middle East, Africa, and the Asia-Pacific Region.
2000–2005: manager of Complex Projects in Russia, managing the oilfield services project for Sibur at Schlumberger Oilfield Services (Russia).
2006–2013: held various executive positions at TNK-BP Management, was Vice President of the Wells Division.
From April 2013: Vice President of Rosneft for Drilling, Development, and Services.
2013–2019: First Vice President of Rosneft overseeing the production business.
2019–2020: Vice President of In-House Services at Rosneft.
2015–2020: member of Rosneft’s Management Board.
December 2020 – present: Vice President of Rosneft for Oil and Gas Services.

**Yury Kurilin**  
Vice President, Chief of Staff of Rosneft

Born in 1972.
Graduated from Lomonosov Moscow State University in 1994 and from California State University (Hayward) with an MBA degree in 1998.
2003–2008: Head of the Head Office of the President and Chief Executive Officer, Head of the Office of the President at TNK-BP Management.
2008–2011: Commercial Director at BP Group companies.
2011–2014: worked in procurement and performance planning and management at BP America (Houston, USA).
2014–2017: Director for Corporate Affairs and Interaction with Business Partners at BP Exploration Operating Company Ltd. (UK), Moscow Branch.
2017–2020: member of Rosneft’s Management Board.
March 2017 – present: Vice President, Chief of Staff of Rosneft.

**Peter Lazarev**  
Financial Director

Born in 1967.
Graduated from Plekhanov Moscow Institute of National Economy in 1990.
2000–2004: Head of the Promissory Note and Investment Programmes in the Finance Department of Rosneft, Deputy Departmental Director, Head of Securities in the Finance Department.
2004–2012: Head of Treasury at Rosneft.
2011–2020: member of Rosneft’s Management Board.
February 2012 – present: Financial Director of Rosneft.

**Elena Zavaleeva**  
Advisor to the Chief Executive Officer, Vice President

Born in 1981.
Graduated from Moscow State Social University of the Ministry of Labour and Social Development in 2003.
Majoring in Law.
Holder of government awards.
Works at Rosneft since 2008.
2013–2017: held a number of positions, including Deputy Director – Head of Federal Authorities Relations of the Government and Management Relations Department, First Deputy Director of the Government and Management Relations Department, Acting Director of the Department.
2017: Director of the Government and Management Relations Department.
September 2017–2020: State Secretary, Vice President of Rosneft.
2018–2020: member of Rosneft’s Management Board.
October 2020 – present: Advisor to the Chief Executive Officer, Vice President.

**Andrey Shishkin**  
Vice President for Informatisation, Innovation and Localisation

Born in 1959.
From Moscow International Higher Business School MIRBIS in 2002.
Holder of government and ministerial awards.
From July 2012: Vice President of Rosneft.
From March 2015: Vice President of Rosneft for Energy, Health, Safety and Environment.
From August 2014: Vice President of Rosneft for Energy and Localisation.
From April 2016: Vice President of Rosneft for Energy, Localisation and Innovation.
2015–2020: member of Rosneft’s Management Board.
November 2019 – present: Vice President for Informatisation, Innovation and Localisation of Rosneft.
In 2020, the Management Board held 86 meetings, reviewed 189 matters and adopted a number of decisions, including the following:

- approved amendments to 36 transactions for the supply of oil and oil products, associated petroleum gas and gas condensate, well drilling, construction and installation operations, loan agreements, etc.;
- approved winding up / reorganisation of nine Group Subsidiaries as part of the Company’s corporate structure optimisation;
- approved Rosneft’s participation / termination of participation (direct and indirect) in 31 profit and one non-profit organisations;
- approved KPIs for the heads of Rosneft’s standalone business units and the sole executive bodies of key Group Subsidiaries for 2020, reviewed their performance in 2019;
- approved the lists of nominees to the boards of directors of the key Group Subsidiaries as well as for the positions in the executive bodies of the key Group Subsidiaries;
- approved the amended templates of charters and regulations on governing bodies for the Group Subsidiaries as well as the updated charter of a key Group Subsidiary;
- approved internal regulations / modifications of internal regulations on the procedures of the Company’s collective/
- management of receivables and payables,
- remuneration and social security of employees,
- supply of goods, works and services,
- government relations,
- energy management, etc.

The members of the Management Board know Russian, English, French, German, Spanish, Portuguese, Dutch and Croatian.

Management Board Tenure

<table>
<thead>
<tr>
<th>Management Board member</th>
<th>Membership start date</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Igor Sechin</td>
<td>From 2012</td>
<td>8 years</td>
</tr>
<tr>
<td>Zeljko Runje</td>
<td>From 2012</td>
<td>8 years</td>
</tr>
<tr>
<td>Didier Casimiro</td>
<td>From 2012</td>
<td>8 years</td>
</tr>
<tr>
<td>Ilgam Kuchukov</td>
<td>From 2020</td>
<td>Less than a year</td>
</tr>
<tr>
<td>Dina Malikova</td>
<td>From 2020</td>
<td>Less than a year</td>
</tr>
<tr>
<td>Andrei Polyakov</td>
<td>From 2019</td>
<td>1 year</td>
</tr>
<tr>
<td>Igor Tabakhtnikov</td>
<td>From 2020</td>
<td>Less than a year</td>
</tr>
<tr>
<td>Khasan Tatniev</td>
<td>From 2020</td>
<td>Less than a year</td>
</tr>
<tr>
<td>Vladimir Chernov</td>
<td>From 2020</td>
<td>Less than a year</td>
</tr>
</tbody>
</table>
The Board prepares its work plan quarterly taking into account proposals of the Board members, top managers and heads of functional units, including the following matters:
- implementation of business projects, investment programmes, entering into transactions / amending transaction terms, including non-core assets and real estate transactions;
- Rosneft’s participation / termination of participation in profit and non-profit organisations;
- winding up and reorganisation of the Group Subsidiaries;
- termination and appointment of the governing bodies of the Group Subsidiaries.

In 2021, the Management Board will continue implementing the Company’s Development Strategy in accordance with the Board of Directors’ resolutions.

CORPORATE SECRETARY

Starting February 2021, the position of the Company’s Corporate Secretary is held by Yury Kurilin.

The Corporate Secretary is functionally accountable to the Board of Directors, appointed and dismissed by the CEO on the basis of the Board of Directors’ resolutions.

The Corporate Secretary’s key functions are:
- supporting the activities of the Board of Directors and its committees, acting as the Management Board Secretary;
- preventing corporate conflicts;
- facilitating the exercise of shareholders’ rights;
- implementing the disclosure policy;
- managing the compliance with regulatory and internal requirements for countering the illegal use of insider information;
- communicating with the registrar, the government bodies and the corporate relations and securities market regulatory authorities;

The Corporate Secretary’s activities are governed by the Regulation on the Corporate Secretary.

The Corporate Secretary is supported by the Company’s separate business unit – Corporate Governance Department.

Yury Kurilin

Born in 1972.

Graduated from Lomonosov Moscow State University in 1994 and from California State University (Hayward) with an MBA degree in 1998.

From September 2003 to December 2008
Head of the Head Office of the Office of the President and Chief Executive Officer, Head of the Office of the President at TNK-BP Management.

December 2008 – October 2011
Commercial Director at BP Group companies.

October 2011 – November 2014
worked in procurement performance planning and management at BP America (Houston, USA).

November 2014 – March 2017
Director for Corporate Affairs.

In March 2017 appointed Vice President, Chief of Staff of Rosneft.

From April 2017 to September 2020 member of Rosneft’s Management Board.

Holds no shares of Rosneft.

As at 31 December 2020, the Corporate Secretary’s position was held by Svetlana Gritskevich. Her powers were terminated by the resolution of the Board of Directors. Information about Svetlana Gritskevich is available in Rosneft’s previous annual reports.

Minutes of the Board of Directors No. 17 dated 11 February 2021.
REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

In 2015, the Board of Directors approved Rosneft’s Regulations on Remunerations and Compensations Payable to Members of the Board of Directors drawing on the recommendations of the Bank of Russia’s Corporate Governance Code which lists all types and terms of payments to directors, thus ensuring a transparent remuneration process.

Since 2015, the Company has been paying the following amounts to members of its Board of Directors as fixed remuneration and additional compensation:

• fixed remuneration payable to each Board member and amounting to USD 500,000;
• additional compensation payable for:
  - chairing the Board of Directors and amounting to USD 100,000;
  - membership in the Board committees and amounting to USD 50,000;
  - chairing the Board committees and amounting to USD 50,000.

The remuneration is payable to directors pro rata to the time served and performance of additional duties.

On 2 June 2020, the Annual General Shareholders Meeting, acting on the recommendation of the Board of Directors, pre-approved by the HR and Remuneration Committee, resolved to pay the following amounts to members of its Board of Directors pro rata to the time served:

- Gerhard Schroeder – USD 600,000 (including compensation for chairing the Board of Directors);
- Hamad Rashid Al-Mahannadi – USD 530,000 (including compensation for membership in the Strategy and Sustainable Development Committee of Rosneft’s Board of Directors);
- Faisal Alsuwaidi – USD 530,000 (including compensation for membership in the Strategy and Sustainable Development Committee of Rosneft’s Board of Directors);
- Oleg Viyugin – USD 560,000 (including compensation for membership in the Strategy and Sustainable Development Committee and Audit Committee of Rosneft’s Board of Directors);
- Hans-Joerg Rudloff – USD 580,000 (for chairing the Audit Committee and membership in the HR and Remuneration Committee of Rosneft’s Board of Directors);
- Matthias Warnig – USD 580,000 (including compensation for chairing the HR and Remuneration Committee and membership in the Audit Committee of Rosneft’s Board of Directors);

The total remuneration paid to members of the Board of Directors for 2019–2020 corporate year amounted to USD 3,380,000.

REMUNERATION OF THE MANAGEMENT

The existing complex incentive system for the top management is described in Rosneft’s Standard for Rewards and Compensations to Top Managers and ensures their focus on results and commitment to achieving the Company’s strategic goals.

Top managers’ remuneration depends on the Company’s performance and implementation of major projects, provided that team-based and individual key performance indicators are met.

The KPIs, actual performance and annual bonuses are approved by the Board of Directors on an annual basis with input from the HR and Remuneration Committee.

The KPI framework and its integration with the Company’s Strategy are detailed in Section Company KPIs of this Report.

No loans or borrowings were issued to members of the Board of Directors and the Management Board in the reporting year.

The total remuneration paid to members of the Management Board in 2020 amounted to RUB 3,531 bln, down by 11 % year-on-year.

Since 2017, the total remuneration payable to members of the Management Board went down by 10.1 %, or RUB 396 bln.

Incentive system

<table>
<thead>
<tr>
<th>Incentive system</th>
<th>Total remuneration payable to members of the Management Board, RUB bln</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash remuneration</td>
<td>3,927</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>3,854</td>
</tr>
<tr>
<td>Non-financial incentives</td>
<td>3,570</td>
</tr>
<tr>
<td>Total</td>
<td>3,831</td>
</tr>
</tbody>
</table>

Information on remuneration and reimbursement of expenses paid to the collective executive body (the Management Board) in 2020 was published on 12 February 2021 in accordance with the Russian regulatory requirements for information disclosure by issuers of issue-grade securities as part of Rosneft’s Issuer Report (Quarterly Report) for Q4 2020.
CIVIL LIABILITY INSURANCE
FOR THE MEMBERS OF THE BOARD
OF DIRECTORS AND THE MANAGEMENT

In 2020, the Company and SOGAZ extended the civil liability insurance contract for members of the Board of Directors, executive bodies, employees of the Company and all of the Group Subsidiaries. The contract stipulates USD 150 mln third-party liability coverage. It also provides for additional liability insurance for independent directors, as well as additional liability limits for environmental pollution and environmental management.

MANAGING POSSIBLE CONFLICTS OF INTEREST

Integrity is one of the Company’s priorities and key values. It allows Rosneft to balance interests of shareholders with interests of management and ensures trust and high standards of business culture and ethics in their interaction. The Company is committed to managing possible conflicts of interest at all corporate governance levels.

Rosneft’s Charter contains a number of restrictions for related party transactions that could benefit certain members of the governing bodies or shareholders. The internal documents available on the Company’s website set forth the values and principles underlying the Company’s corporate culture, as well as key rules aimed at preventing and managing conflicts of interest at all corporate governance levels.

SHAREHOLDERS

Rosneft’s Charter regulates the basic rights and obligations of shareholders, as well as the decision-making procedures for the most significant issues. The Corporate Secretary coordinates the efforts to protect shareholder rights and interests, ensures effective day-to-day interaction with shareholders, and contributes to preventing corporate conflicts.

The Corporate Secretary is required to promptly notify the Board of Directors of any potential violation of the applicable laws or shareholder rights and any potential conflicts of interest.

To foster dialogue with the shareholders, the Company’s website features contacts for shareholders, including the shareholder hotline.

BOARD OF DIRECTORS

The Board of Directors is responsible for managing any conflicts of interest in the Company. The Regulations on the Board of Directors determine the duties of Board members related to prevention and management of any conflicts of interest.

In particular, Board members shall refrain from any actions which result or may result in a conflict between their interests and those of the Company. Board members must report any actual/potential conflicts of interest to the Chairman of the Board of Directors or the Corporate Secretary.

With respect to any issues that may, in the opinion of a Board member, result in a conflict with the Company’s interests, the director shall not participate in voting and, where necessary, in the discussion of such issues.

For the avoidance of any potential conflicts among the Company’s employees, the Board of Directors introduced rules for conducting transactions in financial instruments by persons included in the insider list and their related parties.

For Shareholders:

Shareholder Relations Division, Corporate Governance Department, Rosneft
Phone: 8-800-500-61-00 (toll-free within Russia), +7 (495) 987-30-60; Fax: +7 (495) 917-86-53
E-mail: shareholders@rosneft.ru
Dear shareholders, Outside working hours, you can text us at +7 (926) 685-44-86. Please include your full name, and we will get back to you.

As part of its major role in ensuring transparency and timely and full disclosure, the Board of Directors approved the rules for disclosing insider information.

The Company’s Chief Executive Officer exercises day-to-day control over compliance with regulatory and internal requirements related to insider information.
EXECUTIVE BODIES

The Regulations on the Management Board and on the Chief Executive Officer contain special sections with the following rules to prevent a conflict of interests with the interests of the Company:
• these persons shall refrain from transactions that may cause a conflict of interest and, should such a conflict arise, immediately notify the Chairman of the Management Board / the Chairman of the Board of Directors and/or the Corporate Secretary;
• while in office, these persons may not hold and/or control 20 or more percent of voting shares (interests or stakes) in any entity competing or having any business interest in maintaining relations with the Company;
• these persons may not accept any gifts from persons interested in resolutions passed as part of their duties or otherwise benefit from such persons.

TOP MANAGERS AND EMPLOYEES

Possible conflicts of interest are also regulated by a number of internal documents, including the Corporate Governance Code, Code of Business and Corporate Ethics, and the Regulations on Managing Conflicts of Interest in Rosneft and Group Subsidiaries. These documents establish the rules for preventing the conflicts of interest, define the terms “conflict of interest” and “corruption” and set out the procedure for preventing corporate fraud.

The Company's Policy on Combating Corporate Fraud and Involvement in Corruption Activities. The Policy establishes a comprehensive set of principles, procedures and initiatives aimed at preventing and combatting corporate fraud and involvement in corruption, as well as at compliance with the anti-corruption laws of the Russian Federation. The Policy defines the Company's efforts in building anti-corruption elements of the corporate culture and organisational structure, as well as rules and procedures intended to prevent corporate fraud and corruption.

The list of special rules aiming to prevent the securities market manipulation and the illegal use of insider information is laid down in the Company’s Regulations on Internal Control Rules for the Prevention, Detection and Suppression of Illegitimate Use of Insider Information in Rosneft.

The document is publicly available on the Company's official website and establishes the rules for access to insider information and its disclosure, the procedure for conducting transactions in financial instruments by persons included in the insider list and their related persons, as well as the rules for protection of confidentiality of the insider information of Rosneft.

In the reporting period, Andrey Polyakov, member of the Management Board / Vice President – Chief Geologist, reported his potential conflict of interest, partially related to the positions held in the governing bodies of other organisations. The Corporate Secretary, Chief Executive Officer and Chairman of the Board of Directors were duly notified. In the reporting period, all grounds for this conflict of interest were resolved in accordance with corporate procedures.

ANTI-CORRUPTION EFFORTS

Rosneft works to maintain compliance with the requirements of the anti-corruption laws of the Russian Federation, including through a set of measures aimed at building an organisational structure and elements of corporate culture, and establishing rules and procedures to prevent corporate fraud and corruption.

The efforts were also aligned with the National Anti-Corruption Plan for 2018–2020 approved by Presidential Executive Order No. 578 dated 29 June 2018 (Instruction of the Russian Government No. PM-4575 dated 23 July 2018).


All of the Company's governing bodies contributed to these efforts within their remit:
1. Rosneft's Board of Directors (the Audit Committee of the Board of Directors) approved strategic documents; and guiding principles, and regularly assesses the efficiency of such efforts; considered and approved the results of a review of the anti-corruption risk management and internal control process.
2. Rosneft’s Chief Executive Officer ensures the implementation of the Company’s Policy on Combating Corporate Fraud and Involvement in Corruption Activities, and approves the relevant internal regulations. In 2020, Rosneft approved and implemented the Company’s Regulations on Coordinating Anti-Corruption Processes, including the following procedures: (i) assessment of corporate fraud and corruption risks; (ii) protection of whistleblowers; (iii) reporting of suspected corporate frauds or corruption and investigations; (iv) training and communications in combating corporate fraud and corruption; (v) monitoring and control of anti-fraud and anti-corruption processes (Order No. 61 dated 20 January 2020); – updated the Company’s Procedure for Documenting and Reporting Business Expenses and Other Transactions with Employees (Order No. 366 dated 22 June 2020).
3. The Rosneft Council for Business Ethics, which includes senior executives responsible for key areas of the Company’s activities, (i) reviews reports on implementation, execution and operating efficiency of the anti-fraud and anti-corruption risk management and internal control system; (ii) approves the results of collecting and analysing ethical declarations in order to identify conflicts of interest among the Company's employees in accordance with the Regulations on Managing Conflicts of Interest in Rosneft and Group Subsidiaries.

Moreover, as part of the comprehensive anti-fraud and anti-corruption Programme for 2019–2020, the Company in the reporting period:
1. updated its employees on typical violations of anti-fraud and anti-corruption rules (including management of conflicts of interest) on a quarterly basis;
2. on an ongoing basis informed the relevant units about new regulations and government initiatives aimed at combating corruption;
3. assessed/reassessed the risk of corruption on a quarterly basis in line with the approved methodology.

Managing Conflicts of Interest

The Company operates a 24/7 Security Hotline to report on suspected, proven and potential cases of corporate fraud, corruption and conflict of interest.

Identified/prevented damage amounted to RUB 38.7 mln. The Company took disciplinary actions against 96 employees, terminated 32 employment contracts, and submitted findings of 18 audits to law enforcement authorities.

Members of the Company’s Board of Directors are updated on the Security Hotline operation on a quarterly basis.

In the reporting year, the Company kept on updating the Executive Office of the Russian Government on its progress towards Instruction of the Russian Government No. DM-P17-4575 dated 23 July 2018 on the implementation of the National Anti-Corruption Plan for 2018–2020.

The Corruption Control section on the official corporate website has:

- the Company’s statement on its zero tolerance for corruption;
- key provisions of Russian and applicable international anti-corruption laws;
- internal corruption control regulations of the Company (Rosneft’s Code of Business and Corporate Ethics and Policy on Combating Corporate Fraud and Involvement in Corruption Activities);
- Security Hotline contact details;
- information on cooperation with law enforcement authorities.

The Company manages conflicts of interest at all levels.

The rules for the avoidance and prevention of conflicts of interest are set forth in the Corporate Governance Code, the Code of Business and Corporate Ethics, the Company’s Policy on Combating Corporate Fraud and Involvement in Corruption Activities, and the Regulations on Managing Conflicts of Interest in Rosneft and Group Subsidiaries.

The Regulations set out a framework to classify conflicts of interest, including conflicts of interest between shareholders and members of the Company’s governing bodies (e.g. decisions made by corporate governing bodies that might adversely affect the Company’s financial and operating performance, the Company failing to make a statutory disclosure or members of corporate governing bodies underreporting on their positions in governing bodies of other entities, on interests (stakes) held in other entities, or other information required to be disclosed by the applicable laws, the Company’s Charter or internal regulations).

The Board members’ obligations to disclose a conflict of interest were set out in the Regulation on the Holding by Members of Rosneft Board of Directors of Rosneft Shares, Shares of and Equity Stakes in Group Subsidiaries.

In the reporting period, Andrey Polyakov, member of the Management Board, Vice President – Chief Geologist, declared his potential conflict of interest, partially related to the positions held in the governing bodies of other organisations. The Corporate Secretary, Chief Executive Officer and Chairman of the Board of Directors were duly notified.

In the reporting period, this conflict of interest was resolved in accordance with corporate procedures.

To abide by Clause 12 of the National Anti-Corruption Plan for 2018–2020, as well as ensure compliance with the anti-corruption laws for the prevention and settlement of conflict of interest, during the reporting period the Company:

- introduced a procedure that requires participants of procurement procedures to declare any conflict of interest (Order No. 69 dated 27 July 2020);
- collected annual declarations on property and property-related obligations of its officers/employees, as well as on income, property and property-related obligations of their spouses and minor children who are included in the list of persons required to submit such declarations;
- carried out an annual campaign to collect ethical declarations of the Company’s officers/employees in order to monitor their compliance with restrictions, prohibitions and requirements of anti-corruption laws, with the results of the analysis of such ethical declarations being approved by the Business Ethics Council;³
- informed employees of the matters related to the management of the conflict of interest (in October 2020, methodology support on frequently asked questions related to conflicts of interest was circulated to the Company’s employees);
- required new hires and employees appointed to new positions to sign an anti-corruption clause, which forms part of their employment contracts and includes the restrictions, prohibitions and requirements aimed at preventing the conflict of interest.

- All Group Subsidiaries have set up conflict of interest commissions.

Pursuant to Clauses 22 and 28 of the National Anti-Corruption Plan for 2018–2020, the Company runs ongoing corporate training programmes in the field of countering corporate fraud and corruption for its employees, including those whose job responsibilities include participation in combating corruption, and new hires.

Multimedia training courses on Countering Corporate Fraud and Business Ethics Compliance:

³ Letter of the Bank of Russia No. P–06–28/145 dated 1 October 2020
The Audit Commission comprises five members elected on an annual basis and monitors the Company’s financial and business activities.

The Audit Commission audits the Company’s financial and business operations, verifies the accuracy and reliability of data included in Rosneft’s annual reports and annual accounting (financial) statements, and prepares proposals and recommendations for improving the asset management efficiency and streamlining the risk management and internal control system.

In 2020, the Audit Commission held two meetings that, among other things, adopted its action plan and approved an audit programme.

The findings of the Audit Commission were communicated as part of the materials for the General Shareholders Meeting in the form of an opinion of the Audit Commission on the accuracy and reliability of data included in Rosneft’s Annual Report and annual accounting (financial) statements as at 31 December 2020, and in the report on interest-related-party transactions entered into in the reporting period.

On 2 June 2020, the Annual General Shareholders Meeting resolved to elect the Audit Commission as follows:

**Chairman**

Zakhar Sabantsev

- Born in 1974.
- Graduated from the Moscow State University of Economics, Statistics, and Informatics.
- Section Head, Bank Sector Monitoring, Consolidated and Analytical Work Section, Financial Policy Department, Ministry of Finance of the Russian Federation.

**Members of the Audit Commission**

- **Olga Andrianova**
  - Born in 1958.
  - Graduated from the All-Russian State Distance-Learning Institute of Finance and Economics (ARDLIFE).
  - Head Accountant – Head of Finance and Economics at JSC ROSETTEGAZ.

- **Tatyana Zobkova**
  - Born in 1976.
  - Graduated from Moscow State Pedagogical University and National Research Nuclear University (MEPhI).

- **Sergey Poms**
  - Born in 1959.
  - Graduated from Nakhimov Black Sea Higher Naval School and St Petersburg State University.
  - Vice President of the National Association of Securities Market Participants (NAUFOR).

- **Pavel Shumov**
  - Born in 1978.
  - Graduated from the Moscow State University of Economics, Statistics, and Informatics.
  - Head of unit, Deputy Director, Department of State Regulation of Tariffs and Infrastructure Reforms.

The Audit Commission is governed by the Regulations on Rosneft’s Audit Commission.

The procedure for calculating and paying remunerations and compensations to the members of the Audit Commission is described in Rosneft’s Regulations on Remunerations and Compensation to Rosneft’s Audit Commission Members.

The annual compensation awarded by the Annual General Shareholders Meeting to the members of the Audit Commission amounted to RUB 440,000 in 2020.

No compensation was paid to public officials serving on the Audit Commission.

**RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

In accordance with the Corporate Governance Code of the Bank of Russia¹, Russian regulatory requirements² and the best practices, the Company has established and is continuously improving its Risk Management and Internal Control System (RM&ICS).

The objectives of the RM&ICS are set out in the Company’s Policy on the Risk Management and Internal Control System³ drawing on recommendations of international firms engaged in risk management, internal control and audit services (including the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and the Federation of European Risk Management Associations (FERMA)). These are intended to provide reasonable assurance that the Company will achieve its following goals:

1. **Strategic goals contributing to the accomplishment of the Company’s mission**
2. **Operational goals relating to the Company’s financial and operating performance and asset integrity**
3. **Goals of maintaining compliance with applicable laws and local regulations, including HSE requirements and requirements for information and personal security**
4. **Goals of preparing reliable financial statements or non-financial reports for internal and/or external users in a timely manner**

The main principles of the RM&ICS operation, approaches to identifying and assessing risks related to financial and business operations and business processes, as well as to develop measures for managing financial and business risks and control procedures reducing business process risks are set out in the Company’s lower-level regulations⁴.

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¹ Corporate Governance Code recommended by letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014.
³ Rosneft’s Policy on the Risk Management and Internal Control System No. P4-01-P-01 approved by Resolution of the Company’s Board of Directors, Minutes No. 8 dated 16 November 2019.
⁴ The Company’s Standard on the Corporate-Wide Risk Management System, the Company’s Standard on the Internal Control System, and the RM&ICS regulations and guidelines.
# RM&ICS Stakeholders

## Strategic Level

**Board of Directors and Audit Committee of the Board of Directors**
- Approve RM&ICS focus areas and follow-up on their progress
- Approve RM&ICS reports
- Approve risk appetite
- Monitor the RM&ICS reliability and performance

**Management Board**
- Ensures the establishment and operation of an effective RM&ICS

**Risk Management Committee**
- Validates the RM&ICS issues reported to the Chief Executive Officer
- Resolves RM&ICS operational disputes

**Chief Executive Officer**
- Validates RM&ICS focus areas
- Validates RM&ICS reports
- Validates risk appetite

**Management**
- Distributes roles and responsibilities among employees
- Manages risks
- Develops and implements control procedures
- Conducts self-assessment of internal controls

**Risk and Internal Control Methodology Department**
- Plans RM&ICS focus areas
- Develops, implements and updates Company-wide RM&ICS guidelines
- Prepares reports on risks and internal controls
- Manages the RM&ICS roll-out and operation across Rosneft's business units and Group Subsidiaries
- Provides guidelines to key RM&ICS stakeholders, trains them in risk management and internal controls

**Security Service**
- Develops, updates, and introduces internal anti-fraud and anti-corruption regulations and implementing documents
- Participates in ensuring compliance with internal regulations and implementing anti-fraud and anti-corruption initiatives taken by Rosneft's executive bodies
- Manages the Security Hotline
- Conducts inspections/investigations into abusive/unlawful practices by the Company's employees and third parties

## Operational Level

**Employees**
- Implement risk management controls and initiatives
- Assist the Company's management in managing risks
- Help identify, assess and report on risks and internal controls, and conduct self-assessment of internal controls

**Business Units Providing Certain RM&ICS Functions**
- Prepare and consolidate RM&ICS reports
- Manage the roll-out of RM&ICS elements and develop proposals for the risk management methodology
- Assist the Company's management in conducting self-assessment of internal controls

**Audit Commission**
- Audits the Company's financial and business operations, verifies the accuracy and reliability of data included in Rosneft's annual reports and annual accounting (financial) statements

**Employees**
- Assesses the RM&ICS reliability and performance
- Conducts audits
- Monitors the implementation of RM&ICS improvement proposals made by internal auditors
- Assists the Company's executive bodies in investigating abusive/unlawful practices by the Company's employees and third parties

**RM&ICS independent monitoring and performance assessment**

**Internal Audit Service**
- Audits the Company's financial and business operations, verifies the accuracy and reliability of data included in Rosneft's annual reports and annual accounting (financial) statements

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**Strategy**
- Operating results
- Market Overview and Competitive Environment
- Sustainable Development
- Corporate Governance
- Information for Shareholders and Investors
RM&ICS ENHANCEMENT

Owing to ongoing improvements in its RM&ICS, the Company can promptly respond to changes in the external environment and internal business processes, achieve better performance, and increase its shareholder value.

Key targets and objectives of the RM&ICS enhancement, as well as critical steps to achieve them, are set out in the Comprehensive RM&ICS Enhancement Plan.

The Comprehensive RM&ICS Enhancement Plan for 2020–2022 was endorsed by the Company’s Risk Management Committee and Chief Executive Officer and approved by Rosneft’s Board of Directors.

RM&ICS ENHANCEMENT HIGHLIGHTS FOR 2020

<table>
<thead>
<tr>
<th>RM&amp;ICS Enhancement Initiatives</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving RM&amp;ICS guidelines Employee trainings</td>
<td>Temporary recommendations for managing risks related to business projects (including the Company’s major projects) were developed and communicated to employees. Employees of Rosneft and Group Subsidiaries were trained in the RM&amp;ICS guidelines.</td>
</tr>
<tr>
<td>Developing the Company’s risk management and internal control infrastructure and procedures</td>
<td>The approach to identify and evaluate the Company’s strategic risks, including the assessment of strategic threats, was updated. The qualitative risk assessment models were verified (back-tested). A model (algorithm) was developed to evaluate the risk of accumulation of unclaimed liquid and non-liquid inventories.</td>
</tr>
<tr>
<td>Implementing and maintaining the Internal Control System</td>
<td>Group Subsidiaries and processes were selected for a self-assessment of internal controls. The Company’s employees were trained in self-assessment, including control procedures and testing.</td>
</tr>
<tr>
<td>Improving the RM&amp;ICS processes across Group Subsidiaries</td>
<td>The corporate-wide risk management system was implemented by nine Group Subsidiaries.</td>
</tr>
<tr>
<td>Improving information resources to support and maintain the RM&amp;ICS</td>
<td>Risk and internal control experts from Rosneft’s business units and Group Subsidiaries received an overview training in the Risk Management and Internal Control information resources.</td>
</tr>
</tbody>
</table>

INTERNAL CONTROL SYSTEM

The internal control system (ICS) is an integral part of the RM&ICS:

- The ICS is fully aligned with RM&ICS.
- The Company relies on these regulations to identify risks inherent in its business processes and implement controls, thus improving manageability and efficiency across business processes, reliability of financial statements, and compliance with the applicable laws and internal regulations.

CORPORATE-WIDE RISK MANAGEMENT SYSTEM (CWRMS)

Key CWRMS components

1. ANNUAL PLANNING
2. RISK IDENTIFICATION
3. RISK ASSESSMENT
4. RESPONDING TO RISKS
5. RISK REPORTING
6. RISK MONITORING
ON GOING ENHANCEMENT OF THE CWRMS INFRASTRUCTURE AND PROCESS
REGULATIONS AND POLICIES
INTERFACES BETWEEN THE CWRMS AND OTHER PROCESSES
DISTRIBUTION OF ROLES WITHIN THE CWRMS

Risk management process

A combination of risk management elements supported by the existing organisational structure, internal policies and regulations, risk management procedures and techniques that are applied across all management levels and functions of the Company to make its risks acceptable in the context of achieving Rosneft’s strategic goals.

Risk management infrastructure

A set of elements that provide a Company-wide basis, tools, and framework for risk management.
Risk management at Rosneft is governed by the Company’s Policy on the Risk Management and Internal Control System1 and Standard on the Corporate-Wide Risk Management System2. The CWRMS is a combination of interrelated elements embedded into various business processes of the Company (including strategic and business planning processes) and implemented at all management levels by all employees of the Company. All strategic and financial and operational risks of the Company are reported within the CWRMS. Risk reports are delivered for review/approval to the members of the Board’s Audit Committee / the Board of Directors and communicated to the management.

Heads of the Company’s business units arrange for, and steer risk management processes within their remit. When choosing a risk response and specific mitigants, risk owners seek to find an optimal trade-off while maintaining an acceptable risk level (risk appetite).

Changes in legislation and regulatory environment
The Company’s operating results are very sensitive to changes in the applicable laws, including tax, currency and customs regulations, etc. Rosneft continuously monitors and assesses such changes, and makes projections as to their likely effect on the Company’s operations. Rosneft’s experts are regular members of working groups drafting bills in various fields of law.

COVID-19 pandemic
In 2020, the COVID-19 pandemic affected Rosneft’s operations and key markets. The Company’s management factors in the epidemiological situation when assessing the impact of financial, operational and strategic risks on the achievement of the Company’s mid- and long-term goals, develops and implements measures to reduce such impact, as well as initiatives to protect employees.

RISK APPETITE OF THE COMPANY
In 2020, Rosneft’s Board of Directors approved the Company’s risk appetite for 2021:

Financial and economic performance
The Company strictly complies with its financial covenants. The Company ensures that all its short- and long-term commitments are fulfilled as they fall due.

Health, safety and environment
Recognising the nature and scale of the footprint of its business, products and services, the Company feels responsible for safe and accident-free operation and protects health and safety of its employees and local residents in regions of its operation.

Corporate governance
The Company has zero tolerance for any form or manifestation of corporate fraud and corruption.

CORPORATE INSURANCE
Rosneft relies on insurance as a risk management tool enabling it to pass financial losses from the risks materialised on to insurers. Rosneft's corporate insurance programme covers:
• fixed assets of the Company;
• civil liability;
• business risks.

Rosneft has insurance coverage in place for its fixed assets against the risk of damage to (loss of) property and potential losses resulting from business interruption due to accidents and other accidental exposures, as well as liability insurance against the risk of legal action by third parties arising out of its onshore and offshore operations.

No 225-FZ On Compulsory Insurance of Owners of Hazardous Facilities against Civil Liability for Damage Caused by Accidents at Hazardous Facilities. Clause 1 of Article 1 of the above Law provides for the compulsory insurance of property interests of the facility’s owner and its obligation to indemnify for damage caused to the affected party.
In its 2020 operations, Rosneft’s Internal Audit Service was governed by the Code of Ethics of the International Institute of Internal Auditors, international professional standards of internal audit and the Company’s key internal regulations on the Internal Audit Service:
• Policy on Internal Audit;
• Regulations on the Internal Audit Quality Assurance and Improvement Programme.

The Internal Audit Service assists Rosneft’s Board of Directors and its executive bodies in enhancing the Company’s management efficiency and improving its financial and business performance, including through a systematic and consistent approach to the analysis and evaluation of the RM&ICS as well as corporate governance, therefore providing reasonable assurance that the Company will achieve its goals. It also helps ensure:
• accuracy, reliability, and integrity of information on the Company’s financial and business operations, including those of Group Subsidiaries;
• efficiency and effectiveness of the Company’s operations, including those of Group Subsidiaries;
• room for improvement available across the Company’s financial and business operations, including those of Group Subsidiaries;
• integrity of the Company’s assets, including those of Group Subsidiaries;
• administration of internal audit policies and procedures;
• approving Policy-level internal regulations on internal audit (specifically, the Policy on Internal Audit that sets out its goals, objectives, and roles);
• deciding on the appointment and removal of the Head of Internal Audit;
• reviewing internal audit plans and performance reports;
• approving the Internal Audit’s budget and remuneration of the Head of Internal Audit;
• the Board’s Audit Committee reviewing material limitations of authority and other restrictions likely to adversely affect performance of the Internal Audit Service.

Functionally, the Internal Audit Service reports to Rosneft’s Board of Directors. This implies:
• approving Policy-level internal regulations on internal audit (specifically, the Policy on Internal Audit that sets out its goals, objectives, and roles);
• deciding on the appointment and removal of the Head of Internal Audit;
• reviewing internal audit plans and performance reports;
• approving the Internal Audit’s budget and remuneration of the Head of Internal Audit;
• the Board’s Audit Committee reviewing material limitations of authority and other restrictions likely to adversely affect performance of the Internal Audit Service.

Administratively, the Internal Audit Service reports to Rosneft’s Chief Executive Officer. This implies:
• allocating necessary funds within the approved budget;
• approving internal audit plans;
• reviewing internal audit performance reports;
• assisting the Company’s executive bodies in investigating abusive/ unlawful practices by the Company’s employees and third parties, including negligence, corporate fraud, corrupt practices, abuses and various wrongdoings detrimental to the Company;
• cooperating with the Company’s business units on internal audit matters;
• implementing the Internal Audit Quality Assurance and Improvement Programme;
• performing other functions essential to the Head of Internal Audit.

Rosneft’s internal audit function is performed by the Vice President — Head of Internal Audit and the Company’s functional units, specifically the Operational Audit Department, the Corporate Audit Department, the Regional Audit Department, the Internal Audit Methodology and Management Division, and the Economic and Organisational Analysis Division. In accordance with Rosneft’s organisational structure approved by the Board of Directors, units of the Internal Audit Service report directly to the Head of Internal Audit.

The Head of Internal Audit provides Rosneft’s Chief Executive Officer, Board of Directors (its Audit Committee) with confirmation of the organisational independence of the Internal Audit Service and individual impartiality of internal auditors at least once a year, thereby raising awareness among the Internal Audit employees about potential conflicts of interest and related issues, as well as response procedures to situations which may influence the independence and impartiality of internal audit.

The internal auditors provide written confirmation of their personal impartiality to the heads of the Internal Audit functional units and to the Head of Internal Audit at least once a year, thereby raising awareness among the Internal Audit employees about potential conflicts of interest and related issues, as well as response procedures to situations which may influence the independence and impartiality of internal audit.

Rosneft’s Internal Audit Service is mainly responsible for:

1. developing an internal audit plan based on the risk-oriented approach;
2. assessing the RM&ICS reliability and performance as well as its adequacy given the scale and complexity of the Company’s business;
3. assessing corporate governance;
4. conducting audits and activities in line with the internal audit plan approved by Rosneft’s Chief Executive Officer and endorsed by the Board of Audit Committee;
5. performing other inspections and tasks as instructed by Rosneft’s Board of Directors (its Audit Committee) and/or the Company’s Chief Executive Officer;
6. analyzing audit targets to look into, and evaluate specific aspects of their activity;
7. developing recommendations for streamlining business processes, including their integrity, risk management and internal controls;
8. advising the Company’s executive bodies on risk management, internal controls and corporate governance (provided that the internal audit remains independent and impartial);
9. monitoring the Company’s progress in addressing breaches and shortcomings identified during audits;
INTERNAL AUDIT PERFORMANCE IN 2020

The internal audit plan is based on an audit model and uses information and requests received from Rosneft’s executive bodies and Board of Directors, as well as its risk evaluation results. It includes audits and other activities and is subject to approval by Rosneft’s Chief Executive Officer and endorsement by the Board of Directors. Details of the plan are presented to the Company’s Board of Directors as part of the internal audit report for the previous period.

At least twice a year, the Head of Internal Audit processes to prepare and submit this report to Rosneft’s Board of Directors and its executive bodies (including information about material risks, breaches and shortcomings, results and effectiveness of internal auditors’ proposals for eliminating the same, delivery of the internal audit plan, and assessment of reliability and performance of the Company’s RM&ICS and corporate governance).

The internal audit reports for the first six months and the full year of 2020 were reviewed by the Chief Executive Officer, the Board’s Audit Committee and the Board of Directors of Rosneft.

The Internal Audit Service completed all planned activities in line with its internal audit plan for 2020. The Internal Audit Service prepares and annually updates a three-year plan based on the interrelation of processes, risks, and Group Subsidiaries. The plan covers the highest risk processes and major Group Subsidiaries.

In 2020, Rosneft’s Internal Audit Service ran a number of initiatives to improve the control environment, including monitoring of large investment projects, oil and petroleum products inventory management, well cost accounting, and implementation of geological solutions, as well as customer service quality control at the Company’s filling stations/oil depots. To boost ICS efficiency in procurement, the Internal Audit Service continued to implement preventive controls.

In the reporting period, it carried out initiatives to develop process approach, assess working environment and employee awareness of corporate values across the Company’s business units, and implemented measures to enhance internal audit efficiency.

The Internal Audit Service continued its risk management and internal control system efficiency assessment, the Internal Audit Service concluded that the RM&ICS ensured overall support of the risk management process and efficient ICS, providing reasonable assurance that the Company would achieve its goals.
INFORMATION FOR SHAREHOLDERS AND INVESTORS
The Company's share capital is divided into 10,598,177,817 ordinary shares with a par value of RUB 0.01 each.

Rosneft shares are traded on the Moscow Exchange. Outside of Russia, the shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs).

As at 31 December 2020, J.P. Morgan, acting as a depositary bank, issued GDRs for 5.4% of ordinary shares in the Company. 

The Company has over 190 thousand individual and corporate shareholders and about 500 GDR holders.

In late March 2020, oil market volatility prompted Rosneft's Board of Directors to amend the terms of the Programme, and UBS started to buy back shares and GDRs in the open market. In 2020, the Company repurchased over 80 million shares/GDRs worth about USD 370 ml in the programme, and Rosneft Group carries them on the balance sheet. Once the programme is completed, the Board of Directors will make a decision regarding the purchased shares.
DIVIDEND POLICY

The Dividend Policy approved by the Board of Directors formalises the Company’s key principles of, and approaches to, dividend payouts to shareholders and introduces transparent decision-making processes for paying out (declaring) dividends and determining their amount and payment procedure.

Principles of the Dividend Policy:
- ensuring compliance with the requirements of the Russian laws, the Company’s Charter and internal regulations when paying out (declaring) dividends;
- maximising the transparency of the dividend calculation process;
- increasing the Company’s investment appeal;
- maintaining the balance of short- and long-term interests of shareholders;
- supporting shareholder commitment to improving the Company’s profitability;
- ensuring that the dividend payout pattern comfortably reflects an increase in Rosneft’s net profit;
- making dividend payments in a way most convenient for our shareholders;
- paying out dividends as soon as practicable.

The decision to pay dividends is made by the General Shareholders Meeting upon recommendation of the Board of Directors.

In 2020, the Company discharged 99.98% of its obligation to pay out dividends. Dividends were paid to all shareholders of record, except for persons who failed to timely notify the issuer’s registrar of changes in the data recorded on their profile.

The Company’s Charter provides for a five-year period when shareholders may claim dividends declared but not paid due to missing address or banking details, which is longer than required by the applicable laws.

Rosneft’s dividend history

In 2020, the Company made no changes to its Dividend Policy.

On 22 April 2021, the Board of Directors recommended that the General Shareholders Meeting approve RUB 6.94 per share as dividend for FY2020. The total amount of dividends recommended for FY2020 is RUB 73.6 bn. The dividend payout ratio (dividends / non-consolidated net profit under RAS) for 2020 is 47%, while the dividend payout ratio (dividends / consolidated net profit under IFRS) is 50%.

SHAREHOLDER RELATIONS,
KEY EVENTS IN 2020

The Company has established a multi-level system to protect the rights of its shareholders.

SHAREHOLDER RIGHTS GUARANTEED BY LAW

Pursuant to the Russian laws, the Company’s shareholders have the right to:
- vote at the General Shareholders Meeting on a one-share-one-vote basis;
- propose items for the agenda of the General Shareholders Meeting and nominate candidates to the Board of Directors (if a shareholder owns at least 2% of voting shares);
- exercise pre-emptive rights to buy shares in case issues of new shares or convertible instruments;
- receive dividends declared by the Company, in proportion to the number of shares held;
- review information and materials provided in preparation for the General Shareholders Meeting;
- obtain information on the Company’s operations.

ADDITIONAL RIGHTS GUARANTEED BY THE COMPANY’S CHARTER AND INTERNAL REGULATIONS

The Company offers equal and fair opportunities for its shareholders to exercise their legal rights, e.g. by securing additional rights and procedures in the Charter and internal regulations, specifically the right to:
- receive part of the Company’s profit as dividend;
- receive necessary information on the Company on a timely and regular basis;
- participate in managing the Company’s operations.

INDEPENDENT AND PROFESSIONAL BOARD OF DIRECTORS

The composition of the Board of Directors and the number of Board members reflect the Company’s shareholding structure. Electing Board members by cumulative voting guarantees the rights and legitimate interests of shareholders.

The Board of Directors consists of four independent directors of internationally recognised business standing.

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Rosneft’s dividend history

<table>
<thead>
<tr>
<th>Year</th>
<th>Total dividends declared, RUB bln</th>
<th>IH dividends, RUB bln</th>
<th>Dividend per share, RUB</th>
<th>Interim dividends, RUB</th>
<th>Full-year dividends, RUB</th>
<th>Dividend payout ratio under IFRS, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>276</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2011</td>
<td>7.53</td>
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<td>2018</td>
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<td>2019</td>
<td>33.41</td>
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<tr>
<td>2020</td>
<td>6.94</td>
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</tr>
</tbody>
</table>
OFFICIAL CHANNELS OF COMMUNICATION WITH SHAREHOLDERS

The Company has established efficient means of communicating with its shareholders.

The Company has several communication channels in place to facilitate the exercise of corporate rights and promote efficient shareholder relations, including:

- Shareholder account on the Company’s website.
- 24 hour shareholder Hotline (a multichannel phone line to receive and handle calls): 8 800 500 1100 (toll-free within Russia); +7 495 987 3060;
- mailing address for letters: 26/1 Sofiyskaya Embankment, Moscow, 117997, Russia;
- e-mail for requests: shareholders@rosneft.ru;
- fax: +7 499 517 8653;

Tea can gain access to their Shareholder’s Personal Account, shareholders need to request login and password from the Moscow Head Office or regional branches of the Company’s registrar, LLC Reestr-RN.

For clients of nominee shareholders, access to the Shareholder’s Personal Account is granted by the registrar upon the disclosure of information therein by relevant nominee shareholders.

The rules governing the procedure of registering a Shareholder’s Personal Account can be found on the website of LLC Reestr-RN or on the Company’s website.

Any questions concerning access to the Shareholder’s Personal Account can be addressed to:

- LLC Reestr-RN call centre by phone: +7 (495) 411-79-11 (or by email: support@reestrn.ru);
- Hotline for Rosneft shareholders at: 8 (800) 500-11-00 (toll-free within Russia) and +7 (495) 987-30-60 (email: shareholders@rosneft.ru).

In 2020, the Corporate Governance Department handled 4,355 applications, including:

- 3,265 phone calls;
- 491 letters;
- 123 e-mails;
- 476 requests claiming unpaid dividends for prior periods.

Shareholder’s Personal Account

With Shareholder’s Personal Account put into operation in 2019, Rosneft’s shareholders can now exercise their rights online, take part in the General Shareholders Meeting, receive updates on their account, monitor dividend payouts, submit requests, and request advice.

In 2020, the Shareholder’s Personal Account was updated to include new functions, which allow shareholders of record to:

- use the registrar’s services remotely and pay for them online;
- request and receive 2-NDFL earnings certificate in a convenient way;
- exercise their rights in relation to several Shareholder’s Personal Accounts within one session (one account).

All users of the Shareholder’s Personal Account, regardless of where their shares are stored, can now enjoy a more informative service (with corporate events added to the news feed and calendar), and an improved interface of the shareholder meeting section (with new notifications, brief voting instructions, and a service that allows users to request information on and see materials related to a particular meeting agenda item using the electronic voting ballot).

The registrar is LLC Reestr-RN acting under a perpetual licence to register security holders.

LLC Reestr-RN has been operating in the registrar services market for 20 years and ranks among the top ten Russian registrars. The company keeps registers for more than 17 thousand issuers, with an inventory of 542 thousand personal accounts to record the rights of their shareholders. Shareholder service offices and transfer agent offices of LLC Reestr-RN operate in the regions where the majority of Company shareholders reside and include the Head Office, 13 branches, 44 transfer agent offices at regional branches of LLC Reestr-RN’s partner registrars, 5 transfer agent offices at Rosneft’s partner banks, and a contact and service centre for Rosneft shareholders.

The Company, together with LLC Reestr-RN, regularly notifies its shareholders of the need to update their personal data recorded in the Shareholders Register of Rosneft.

PROTECTING SHAREHOLDERS’ TITLE TO SHARES

The Company practices reliable and safe methods of recording title to its shares and has engaged a professional registrar to maintain its Shareholder Register.
Rosneft shares are among the most attractive investment instruments in the Russian stock market. The Company has a free float of 11%, including 5.4% in the form of GDRs traded on the London Stock Exchange (LSE). Rosneft enjoys a diversified investor base of around 500 institutional investors.

International institutional shareholders of the Company are based in major business and financial hubs, such as New York, Boston, Los Angeles, London, Frankfurt, Stockholm, Hong Kong, Singapore, and Tokyo. For over ten years since its IPO, Rosneft shares have been steadily growing in value. Between 19 July 2006 (IPO) and 31 December 2020, Rosneft’s share prices on the Moscow Exchange doubled.

Relations with the Company’s investors, both existing and potential, are maintained by the Chairman of the Management Board of Rosneft, First Vice President, heads of businesses, and the Investor Relations Department. In 2020, despite pandemic-related challenges and restrictions, the Company actively engaged with investors, including through a number of Rosneft management’s speeches at major international forums. The Company sent representatives to five in-person conferences (in January–March 2020), held over 300 group and one-on-one virtual meetings with representatives of more than 400 funds, and organised about 200 conference calls (including four quarterly disclosures) and seven calls dedicated to the Company’s activities.

Feedback from investors is reported to Rosneft’s management on a regular basis. Currently, 20 investment banks provide analytical coverage of the Company, with 18 of them recommending to buy or hold Rosneft shares/GDRs.

The Chairman of the Management Board of Rosneft and heads of relevant core functions maintain regular communications with the investor community, where investors, analysts, and representatives of international rating agencies are updated on strategic trends in the Company’s development, its operations, and financial management directly by the Company’s top executives. Rosneft holds quarterly conference calls for investors involving heads of economics, finance, and operations who provide detailed coverage of the Company’s performance in the reporting period. Shareholder and investor materials, such as press releases, presentations, Rosneft’s Annual Report and Sustainability Report, as well as material facts on resolutions of the Company’s Board of Directors are posted on the Company’s website.

In 2020, the Company also kept improving its ESG practices and disclosures. In June 2020, Rosneft released an updated public statement on its contribution towards achieving the UN Sustainable Development Goals approved by the Company’s Board of Directors in December 2018. During the reporting year, Rosneft maintained regular communication with investors supporting the global Climate Action 100+ initiative. The Company held around 50 investor calls on ESG matters and an ESG-focused roadshow. Rosneft maintains an ongoing dialogue with key ESG analytical and rating agencies.

Following the disclosure of operational and financial indicators for 2020 during the trading session on 26 March 2021, the Company’s market cap on the Moscow Exchange set a new record, going above RUB 585 per share.

Priorities for 2020

- Improve disclosure standards
- Focus on investor and shareholder relations more closely
- Promote fast, high-quality, and skilful financial communications
2020 IR HIGHLIGHTS

January
- JPMorgan
  CEEMEA Opportunities Conference (London)
- Berenberg
  Emerging Europe Conference
  Outlook 2020 Conference (London)

February
- Credit Suisse
  25th Annual Energy Summit (Vail)
- JPMorgan
  GEM Corporate Conference (Miami)
- UBS
  Russian Corporate Days Conference (Stockholm and Frankfurt)

March
- UBS
  European Oil & Gas Conference
  Q3 Conference
- Sberbank
  Russian Corporate Days Conference

April
- Bank of America
  Merrill Lynch
  Energy & Utilities Conference
- Moscow Exchange Forum

May
- Morgan Stanley
  GEMs EEMEA Conference 2020
  Disclosure of the Company's performance for Q1 2020 Investor Conference involving heads of finance, economics, and operations

June
- Bank of America
  Merrill Lynch
  The Emerging Markets Debt and Equity Conference
- Morgan Stanley
  Annual GEMs EEMEA Conference
- Credit Suisse
  Global Energy Conference
- Wood
  EMEA Commodities – Well Grounded Conference
- Renaissance Capital
  Annual Russia Investor Conference
- VTB Capital Investments
  Online session

September
- UBS
  Russian Corporate Days Conference
  2020 Virtual GEMs Conference
- CEEMEA Global Energy Conference
  2020 Global Emerging Markets Forum

October
- VTB Capital Investments
  2020 Global Emerging Markets Forum

November
- JP Morgan
  Global Energy Conference
- CEEMEA Conference
  Global Natural Resources Conference
- Bank of America
  Merrill Lynch
  Global Energy Conference 2020
- Russia Calling Forum
  Disclosure of the Company's performance for Q3 2020 Investor Conference involving heads of finance, economics, and operations

December
- UBS
  Global Emerging Markets Virtual Conference
  Emerging Europe Conference

Index

<table>
<thead>
<tr>
<th>Index</th>
<th>Rosneft share and depositary receipt index weight as at January 2021, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI Russia</td>
<td>3.25%</td>
</tr>
<tr>
<td>FTSE Russia</td>
<td>3.34%</td>
</tr>
<tr>
<td>IPOEX</td>
<td>3.33%</td>
</tr>
</tbody>
</table>

List of the largest institutional equity and GDR investors as at 31 December 2020

| Capital Group | 9.45% |
| BlackRock     | 4.41% |
| Vanguard      | 4.06% |
| Amstred Capital, LP | 3.55% |
| State Street Corp. | 2.38% |
| GIC Pte Ltd.  | 1.94% |
| Parni Investment Management LLC | 1.82% |
| SAFE Investment Co. Ltd. | 1.80% |
| Macquarie Group Ltd. | 1.77% |
| UBS Group AG.  | 1.45% |
| VanEck Associates Corp. | 1.36% |
| APG Asset Management NV | 1.17% |
| Legal & General Group plc. | 1.05% |
| Amundi Pioneer | 1.02% |

1 Excluding strategic investors.
<table>
<thead>
<tr>
<th>No</th>
<th>Bank</th>
<th>Recommendation, early 2020</th>
<th>Recommendation, late 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BCS</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>2</td>
<td>Renaissance Capital</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>3</td>
<td>ATON</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>4</td>
<td>SOVA Capital</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>5</td>
<td>Raiffeisen Bank</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>6</td>
<td>Gazprombank</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>7</td>
<td>Deutsche Bank</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>8</td>
<td>Bank of America Merrill Lynch</td>
<td>Hold</td>
<td>Buy</td>
</tr>
<tr>
<td>9</td>
<td>J. P. Morgan</td>
<td>Hold</td>
<td>Buy</td>
</tr>
<tr>
<td>10</td>
<td>Wood &amp; Co</td>
<td>Hold</td>
<td>Buy</td>
</tr>
<tr>
<td>11</td>
<td>Goldman Sachs</td>
<td>Hold</td>
<td>Buy</td>
</tr>
<tr>
<td>12</td>
<td>Sberbank</td>
<td>Hold</td>
<td>Buy</td>
</tr>
<tr>
<td>13</td>
<td>Veles Capital</td>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>14</td>
<td>Citi</td>
<td>Buy</td>
<td>Hold</td>
</tr>
<tr>
<td>15</td>
<td>HSBC</td>
<td>Buy</td>
<td>Hold</td>
</tr>
<tr>
<td>16</td>
<td>Credit Suisse</td>
<td>Buy</td>
<td>Hold</td>
</tr>
<tr>
<td>17</td>
<td>UBS</td>
<td>Buy</td>
<td>Hold</td>
</tr>
<tr>
<td>18</td>
<td>Morgan Stanley</td>
<td>Hold</td>
<td>Hold</td>
</tr>
<tr>
<td>19</td>
<td>Alfa Bank</td>
<td>Under review</td>
<td>Under review</td>
</tr>
<tr>
<td>20</td>
<td>VTB Capital</td>
<td>Under review</td>
<td>Under review</td>
</tr>
</tbody>
</table>

Comparative Performance of Rosneft Stocks, Brent prices, MOEX Russia Index, and MICEX Oil and Gas Index in 2020 (base: 100)

Rosneft Stock Price and Trading Volumes at LSE and MOEX

1 Monthly average
ROSNEFT BONDS AND CREDIT RATINGS

In 2012, Rosneft placed two Eurobond issues as part of its Eurobond Programme for a total of USD 10 bln: USD 1 bln maturing in 2017 and USD 2 bln maturing in 2022. As at 31 December 2020, the only outstanding issue was the USD 2 bln maturing in 2022.

Between 2006 and 2010, former subsidiaries of TNK-BP Group placed eight Eurobond issues for a total of USD 5.5 bln maturing in 2011–2020. As at 31 December 2020, all bonds have been redeemed.

In 2012–2017, Rosneft launched four Ruble Bond Programmes and completed 41 issues of corporate and exchange-traded ruble bonds for a total of RUB 2,261 bln. Four of the issues worth RUB 400 bln were redeemed in December 2020 in line with the offering documents.

In November 2017, the Company registered its fifth multi-currency Exchange-Traded Bond Programme with a total par value of RUB 1.3 trln. Under the programme, Rosneft placed ten issues of ruble bonds for a total of RUB 795 bln between December 2017 and December 2020.

In November 2020, the Company registered its sixth multi-currency Exchange-Traded Bond Programme with a total par value of RUB 0.8 trln. Under this programme, Rosneft placed two issues of ruble bonds for a total of RUB 800 bln in November 2020.

In January 2021, S&P Global reviewed the risk outlook for the oil and gas sector to the downside which negatively affected credit ratings of a number of international oil and gas companies. Rosneft’s credit rating was reconfirmed at the same level.

Throughout the year, Rosneft’s credit ratings by S&P Global and Moody’s international rating agencies were at an investment grade and on a par with the sovereign rating of the Russian Federation: BBB-, outlook stable, and Baa3, outlook stable, respectively. On top of that, Expert RA, Russian rating agency, maintained Rosneft’s creditworthiness at the highest level (ruAAA) with a stable outlook.

### Issue Number Par Value, bln Currency Issue Date Maturity Date Coupon, %

#### Eurobonds (issued by Rosneft International Finance DAC)

- **Series 2**
  - 2 USD December 2012 March 2022 4.199

- **Bonds 04, 05**
  - 20 RUB October 2012 October 2022

- **Bonds 07, 08**
  - 30 RUB March 2015 March 2025

- **Bonds 09, 09, 10, 11, 12**
  - 40 RUB June 2015 May 2025

#### Exchange-traded bonds

- **BO-05, BO-06**
  - 40 RUB December 2013 December 2023 6.65

- **BO-01, BO-07**
  - 35 RUB February 2014 February 2024 8.90

- **BO-02, BO-03, BO-04, BO-09**
  - 65 RUB December 2014 November 2024 9.40

- **BO-08, BO-10, BO-11, BO-12, BO-13, BO-14**
  - 160 RUB December 2014 November 2024 9.40

- **BO-15, BO-16, BO-17, BO-18, BO-19, BO-20, BO-21, BO-22, BO-23, BO-24**
  - 400 RUB December 2014 December 2024 7.85

- **BO-25, BO-26, BO-27, BO-28, BO-29, BO-30**
  - 400 RUB January 2015 January 2021 6.30

- **BO-01, BO-02, BO-03, BO-04, BO-05**
  - 600 RUB December 2016 November 2026 4.35

- **BO-06, BO-07**
  - 286 RUB July 2017 July 2027 8.50

- **BO-08**
  - 100 RUB October 2017 September 2027 4.35

- **BO-01, BO-02, BO-03, BO-04, BO-05**
  - 600 RUB December 2017 November 2027 4.35

- **BO-06, BO-07**
  - 286 RUB July 2017 July 2027 8.50

- **BO-08**
  - 100 RUB October 2017 September 2027 4.35

- **BO-01, BO-02, BO-03, BO-04, BO-05**
  - 600 RUB December 2017 November 2027 4.35

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  - 286 RUB July 2017 July 2027 8.50

- **BO-08**
  - 100 RUB October 2017 September 2027 4.35

### Notes

1. No put option available.
2. Coupon payments every three months.
4. For the coupon period applicable as at 31 December 2020.
5. As at 31 December 2020, part of the issue has been redeemed before maturity.
Rosneft is committed to prompt and reliable disclosure of information. The Board of Directors has approved Rosneft’s Information Policy and oversees the Company’s compliance with it to assist shareholders, investors, and stakeholders in making informed investment and management decisions.

The Company relies on various disclosure channels and methods to ensure unrestricted and easy access to information disclosed in accordance with the applicable laws, rules of the Moscow Exchange, London Stock Exchange, and internal regulations.

To ensure that Russian and foreign shareholders and investors are treated equally, the Company simultaneously discloses all information in Russian and English.

The Company uses its official website and the website of Interfax Corporate Information Disclosure Centre to publish the Company’s Charter and other internal regulations, annual and quarterly reports (issuer’s reports), sustainability reports, annual and quarterly RAS financial statements, IFRS consolidated financial statements and relevant Management Discussion and Analysis (MD&A), presentations, press releases, information on affiliates, and other data that may have an impact on the performance of Rosneft securities.

The Company has established a reliable system of preventing the unlawful use and distribution of insider information and regularly monitors persons having access to it.

The Company is committed to promoting information disclosure by its controlled entities through continuous methodological support.

The Company also discloses additional information that is not required by law or stock exchange rules:
- data on operating and financial performance with notes of the Company’s top management to annual and interim financial statements;
- the Company’s policy on sustainable development, health and safety;
- the Company’s operational structure.

The Company holds conference calls with institutional investors and its representatives take part in major investment conferences by means of video-conferencing.

Key principles of the Information Policy are prompt disclosure, accessibility, reliability, and relevance of information.

The Company published and held:
- 613 press releases and news on its official website;
- 5 media interviews of its top managers and directors;
- 6 press conferences, media briefings of the Company’s management and representatives of its major shareholders;
- 4 regular financial performance presentations.

2020 Disclosure Items

- Acquisition of shares/GDRs under Rosneft’s Open Market Share Buyback Programme 204
- Accrued and paid income on bonds and shares 154
- Meetings and resolutions of Rosneft’s governing bodies 60
- Disclosure of the Company’s reports 27
- Bond issues 27
- Completed transactions and projects, including stakes held in other entities 18
- Other 36

1 The documents are available at: http://www.e-disclosure.ru/portal/company.aspx?id=6505
Appendix 1

(CONсолIDATED FINANCIAL STATEMENTS ROSNEFT OIL COMPANY FOR THE YEAR ENDED DECEMBER 31, 2020 WITH INDEPENDENT AUDITOR’S REPORT ROSNEFT OIL COMPANY)
### CONSOLIDATED BALANCE SHEET (IN BILLIONS OF RUSSIAN RUBLES)

#### Notes

<table>
<thead>
<tr>
<th>Assets</th>
<th>Notes</th>
<th>2020</th>
<th>2019 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>18</td>
<td>806</td>
<td>228</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>18</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Other short-term financial assets</td>
<td>19</td>
<td>857</td>
<td>501</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>20</td>
<td>468</td>
<td>620</td>
</tr>
<tr>
<td>Bank loans granted</td>
<td></td>
<td>131</td>
<td>153</td>
</tr>
<tr>
<td>Inventories</td>
<td>21</td>
<td>581</td>
<td>478</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>22</td>
<td>322</td>
<td>469</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>2,922</td>
<td>2,396</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>23</td>
<td>10,401</td>
<td>8,706</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>24</td>
<td>155</td>
<td>160</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>25</td>
<td>80</td>
<td>68</td>
</tr>
<tr>
<td>Other long-term financial assets</td>
<td>26</td>
<td>275</td>
<td>229</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>27</td>
<td>846</td>
<td>801</td>
</tr>
<tr>
<td>Bank loans granted</td>
<td></td>
<td>353</td>
<td>291</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>31</td>
<td>54</td>
<td>32</td>
</tr>
<tr>
<td>Goodwill</td>
<td>25</td>
<td>82</td>
<td>93</td>
</tr>
<tr>
<td>Other non-current non-financial assets</td>
<td>28</td>
<td>172</td>
<td>91</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>12,428</td>
<td>10,550</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>15,350</td>
<td>12,946</td>
</tr>
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</table>

#### Liabilities and equity

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th>Notes</th>
<th>2020</th>
<th>2019 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>29</td>
<td>1,546</td>
<td>1,162</td>
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<tr>
<td>Loans and borrowings and other financial liabilities</td>
<td>30</td>
<td>798</td>
<td>795</td>
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<tr>
<td>Income tax liabilities</td>
<td></td>
<td>14</td>
<td>23</td>
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<tr>
<td>Other tax liabilities</td>
<td>31</td>
<td>501</td>
<td>379</td>
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<td>Provisions</td>
<td>32</td>
<td>68</td>
<td>55</td>
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<tr>
<td>Prepayment on long-term oil and petroleum products supply agreements</td>
<td>33</td>
<td>357</td>
<td>332</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td></td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

*Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2019 acquisitions (Note 7).*

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>3,092</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings and other financial liabilities</td>
<td>30</td>
<td>3,810</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>15</td>
<td>1,072</td>
</tr>
<tr>
<td>Provisions</td>
<td>32</td>
<td>437</td>
</tr>
<tr>
<td>Prepayment on long-term oil and petroleum products supply agreements</td>
<td>33</td>
<td>1,401</td>
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<tr>
<td>Other non-current liabilities</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
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<td>6,771</td>
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<tr>
<td><strong>Equity</strong></td>
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<tr>
<td>Share capital</td>
<td>36</td>
<td>1</td>
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<tr>
<td>Treasury shares</td>
<td>36</td>
<td>(370)</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
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<td>1,100</td>
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<tr>
<td>Reserve for foreign exchange differences on translation of foreign operations</td>
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<td>(86)</td>
</tr>
<tr>
<td>Other funds and reserves</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>36</td>
<td>4,007</td>
</tr>
<tr>
<td>Rosneft shareholders’ equity</td>
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<td>4,706</td>
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<tr>
<td>Non-controlling interests</td>
<td>16</td>
<td>781</td>
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<tr>
<td><strong>Total equity</strong></td>
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<td>5,487</td>
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<tr>
<td><strong>Total liabilities and equity</strong></td>
<td></td>
<td>15,350</td>
</tr>
</tbody>
</table>

Chief Executive Officer _________________ I.I. Sechin, February, ______ 2021.
For the years ended December 31

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and equity share in profits of associates and joint ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil, gas, petroleum products and petrochemicals sales</td>
<td>8</td>
<td>5,628</td>
</tr>
<tr>
<td>Support services and other revenues</td>
<td></td>
<td>77</td>
</tr>
<tr>
<td>Equity share in profits of associates and joint ventures</td>
<td>27</td>
<td>52</td>
</tr>
<tr>
<td>Total revenues and equity share in profits of associates and joint ventures</td>
<td></td>
<td>5,757</td>
</tr>
<tr>
<td>Costs and expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production and operating expenses</td>
<td>767</td>
<td>715</td>
</tr>
<tr>
<td>Cost of purchased oil, gas, petroleum products, goods for retail and refining costs</td>
<td>691</td>
<td>1,566</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>127</td>
<td>200</td>
</tr>
<tr>
<td>Transportation costs and other commercial expenses</td>
<td>681</td>
<td>733</td>
</tr>
<tr>
<td>Exploration expenses</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>23–25</td>
<td>663</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
<td>9</td>
<td>2,121</td>
</tr>
<tr>
<td>Export customs duty</td>
<td>10</td>
<td>354</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>5,379</td>
<td>7,371</td>
</tr>
<tr>
<td>Operating income</td>
<td>378</td>
<td>1,305</td>
</tr>
<tr>
<td>Finance income</td>
<td>11</td>
<td>95</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>12</td>
<td>(220)</td>
</tr>
<tr>
<td>Other income</td>
<td>11</td>
<td>333</td>
</tr>
<tr>
<td>Other expenses</td>
<td>11</td>
<td>(463)</td>
</tr>
<tr>
<td>Foreign exchange differences</td>
<td></td>
<td>(163)</td>
</tr>
<tr>
<td>Realized foreign exchange differences on hedge instruments</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>162</td>
<td>994</td>
</tr>
<tr>
<td>Income tax benefit/(expense)</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Net income</td>
<td>181</td>
<td>802</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rosneft shareholders</td>
<td>147</td>
<td>705</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>16</td>
<td>34</td>
</tr>
<tr>
<td>Net income attributable to Rosneft shareholders per common share (in RUB) – basic and diluted</td>
<td>17</td>
<td>14.88</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding (millions)</td>
<td>9,876</td>
<td>10,598</td>
</tr>
</tbody>
</table>

Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2019 acquisitions (Note 7).

ROSNEFT OIL COMPANY CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (IN BILLIONS OF RUSSIAN RUBLES)

For the years ended December 31

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>181</td>
<td>802</td>
</tr>
<tr>
<td>Other comprehensive income – to be reclassified to profit or loss in subsequent periods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange differences on translation of foreign operations</td>
<td>119</td>
<td>(88)</td>
</tr>
<tr>
<td>Foreign exchange cash flow hedges</td>
<td>6</td>
<td>(2)</td>
</tr>
<tr>
<td>Income from changes in fair value of debt financial assets at fair value through other comprehensive income</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Increase in loss allowance for expected credit losses on debt financial assets at fair value through other comprehensive income</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Equity share in other comprehensive loss of associates</td>
<td>(1)</td>
<td>(4)</td>
</tr>
<tr>
<td>Income tax related to other comprehensive income – to be reclassified to profit or loss in subsequent periods</td>
<td>6</td>
<td>–</td>
</tr>
<tr>
<td>Total other comprehensive income – to be reclassified to profit or loss in subsequent periods, net of tax</td>
<td>120</td>
<td>31</td>
</tr>
<tr>
<td>Other comprehensive income – not to be reclassified to profit or loss in subsequent periods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from changes in fair value of equity financial assets at fair value through other comprehensive income</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Income tax related to other comprehensive income – not to be reclassified to profit or loss in subsequent periods</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total other comprehensive income – not to be reclassified to profit or loss in subsequent periods, net of tax</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Total comprehensive income, net of tax</td>
<td>303</td>
<td>839</td>
</tr>
<tr>
<td>Total comprehensive income, net of tax, attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rosneft shareholders</td>
<td>269</td>
<td>342</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>34</td>
<td>97</td>
</tr>
</tbody>
</table>

Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2019 acquisitions (Note 7).
## ROSNEFT OIL COMPANY CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY (IN BILLIONS OF RUSSIAN RUBLES, EXCEPT SHARE AMOUNTS)

<table>
<thead>
<tr>
<th></th>
<th>Number of shares (millions)</th>
<th>Share capital</th>
<th>Treasury shares</th>
<th>Additional paid-in capital</th>
<th>Reserve for foreign exchange differences on translation of foreign operations</th>
<th>Other funds and reserves</th>
<th>Retained earnings</th>
<th>Rosneft share-holders’ equity</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at January 1, 2019</strong></td>
<td>10,598</td>
<td>1</td>
<td>–</td>
<td>633</td>
<td>(97)</td>
<td>(94)</td>
<td>3,610</td>
<td>4,053</td>
<td>624</td>
<td>4,677</td>
</tr>
<tr>
<td>Net income (restated)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive (loss)/income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive (loss)/Income (restated)</td>
<td>125</td>
<td>705</td>
<td>742</td>
<td>97</td>
<td>839</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Dividends declared (Note 36)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change of interest in subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other movements (Note 36)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019 (restated)</strong></td>
<td>10,598</td>
<td>1</td>
<td>–</td>
<td>635</td>
<td>(185)</td>
<td>31</td>
<td>4,032</td>
<td>4,514</td>
<td>635</td>
<td>5,149</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends declared (Note 36)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of treasury shares (Note 36)</td>
<td>(1,098)</td>
<td>(370)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change of interest in subsidiaries (Note 16)</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other movements (Note 16)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2020</strong></td>
<td>9,500</td>
<td>1</td>
<td>(370)</td>
<td>1,100</td>
<td>(66)</td>
<td>34</td>
<td>4,007</td>
<td>4,706</td>
<td>781</td>
<td>5,487</td>
</tr>
</tbody>
</table>

* Other funds and reserves include a reserve for changes in fair value of equity and debt financial assets at fair value through other comprehensive income, a reserve for expected credit losses on such debt financial assets, a reserve for equity share in other comprehensive income of associates and joint ventures, and a reserve for foreign exchange cash flow hedges.
**ROSNEFT OIL COMPANY CONSOLIDATED STATEMENT OF CASH FLOWS (IN BILLIONS OF RUSSIAN RUBLES)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Notes</th>
<th>For the years ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2020</td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td>181</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>23–25</td>
<td>663</td>
</tr>
<tr>
<td>Loss on disposal of non-current assets</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Dry hole costs</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Offset of prepayments received on oil and petroleum products long term supply agreements</td>
<td>33</td>
<td>(300)</td>
</tr>
<tr>
<td>Offset of prepayments made on oil and petroleum products long term supply agreements</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Foreign exchange gain on non-operating activities</td>
<td></td>
<td>252</td>
</tr>
<tr>
<td>Realized foreign exchange differences on hedge instruments</td>
<td>6</td>
<td>(2)</td>
</tr>
<tr>
<td>Offset of other financial liabilities</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>Equity share in profits of associates and joint ventures</td>
<td>27</td>
<td>(53)</td>
</tr>
<tr>
<td>Changes in provisions for financial assets</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td>Non-cash income from acquisitions and sales, net</td>
<td>(312)</td>
<td></td>
</tr>
<tr>
<td>Loss from changes in reserves and impairment of assets</td>
<td>388</td>
<td></td>
</tr>
<tr>
<td>Finance expenses</td>
<td>12</td>
<td>220</td>
</tr>
<tr>
<td>Finance income</td>
<td>11</td>
<td>(85)</td>
</tr>
<tr>
<td>Income tax (income)/expense</td>
<td>(15)</td>
<td>(19)</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in accounts receivable, gross</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in inventories</td>
<td>49</td>
<td>(48)</td>
</tr>
<tr>
<td>(Increase)/decrease in restricted cash</td>
<td>(7)</td>
<td>2</td>
</tr>
<tr>
<td>Increase/(decrease) in prepayments and other current assets</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>Increase in long-term prepayments made on oil and petroleum products supply agreements including current portion</td>
<td>(12)</td>
<td>(67)</td>
</tr>
<tr>
<td>(Decrease)/increase in accounts payable and accrued liabilities</td>
<td>(73)</td>
<td>14</td>
</tr>
<tr>
<td>(Decrease)/increase in other tax liabilities</td>
<td>(78)</td>
<td>49</td>
</tr>
<tr>
<td>Decrease in other current liabilities</td>
<td>(3)</td>
<td>(9)</td>
</tr>
<tr>
<td>Increase in other non-current liabilities</td>
<td></td>
<td>(3)</td>
</tr>
<tr>
<td>(Decrease)/increase in current reserves</td>
<td></td>
<td>(5)</td>
</tr>
<tr>
<td>Proceeds under long-term oil and petroleum products supply agreements</td>
<td>1,004</td>
<td>1,004</td>
</tr>
<tr>
<td>Interest paid on long-term prepayment received on oil and petroleum products supply agreements</td>
<td>(14)</td>
<td>(8)</td>
</tr>
<tr>
<td>Net increase in operating assets of subsidiary banks</td>
<td>(54)</td>
<td>(61)</td>
</tr>
<tr>
<td>Net increase in operating/liabilities of subsidiary banks</td>
<td></td>
<td>227</td>
</tr>
</tbody>
</table>

**For the years ended December 31**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019 (restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities before income tax and interest</td>
<td>1,741</td>
<td>1,185</td>
</tr>
<tr>
<td>Income tax payments</td>
<td>(126)</td>
<td>(203)</td>
</tr>
<tr>
<td>Interest received</td>
<td>98</td>
<td>77</td>
</tr>
<tr>
<td>Dividends received</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>1,745</td>
<td>1,110</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(785)</td>
<td>(864)</td>
</tr>
<tr>
<td>Acquisition of licenses and auction fee payments</td>
<td>(4)</td>
<td>(15)</td>
</tr>
<tr>
<td>Acquisition of short-term financial assets</td>
<td>(378)</td>
<td>(93)</td>
</tr>
<tr>
<td>Proceeds from sale of short-term financial assets</td>
<td>100</td>
<td>240</td>
</tr>
<tr>
<td>Proceeds from sale of long-term financial assets</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Acquisition of long-term financial assets</td>
<td>(35)</td>
<td>(19)</td>
</tr>
<tr>
<td>Acquisition of interest and additional capital contribution to the associates and joint ventures</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>Acquisition of interest in subsidiaries, net of cash acquired, and joint arrangements</td>
<td>7</td>
<td>(635)</td>
</tr>
<tr>
<td>Proceeds from sale of interest in subsidiaries, net of cash acquired</td>
<td>31</td>
<td>5</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(1,694)</td>
<td>(729)</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from short-term loans and borrowings</td>
<td>623</td>
<td>401</td>
</tr>
<tr>
<td>Repayment of short-term loans and borrowings</td>
<td>(797)</td>
<td>(689)</td>
</tr>
<tr>
<td>Proceeds from long-term loans and borrowings</td>
<td>1,218</td>
<td>391</td>
</tr>
<tr>
<td>Repayment of long-term loans and borrowings</td>
<td>(588)</td>
<td>(540)</td>
</tr>
<tr>
<td>Proceeds from other financial liabilities</td>
<td>54</td>
<td>161</td>
</tr>
<tr>
<td>Repayment of other financial liabilities</td>
<td>(107)</td>
<td>(57)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(254)</td>
<td>(280)</td>
</tr>
<tr>
<td>Repurchase of bonds</td>
<td>(29)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of non-controlling share in subsidiary</td>
<td>10</td>
<td>644</td>
</tr>
<tr>
<td>Other financing received</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Dividends paid to Rosneft shareholders</td>
<td>36</td>
<td>(172)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling shareholders</td>
<td>(65)</td>
<td>(96)</td>
</tr>
<tr>
<td><strong>Net cash provided by / (used in) financing activities</strong></td>
<td>530</td>
<td>(957)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>581</td>
<td>(576)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>18</td>
<td>228</td>
</tr>
<tr>
<td>Effect of foreign exchange on cash and cash equivalents</td>
<td>(3)</td>
<td>(28)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>18</td>
<td>806</td>
</tr>
</tbody>
</table>
### Appendix 2. (KEY RISK FACTORS)

<table>
<thead>
<tr>
<th>No</th>
<th>Risk</th>
<th>Risk description</th>
<th>Risk owner</th>
<th>Risk management practices</th>
</tr>
</thead>
</table>
| 1  | Risk of accidents | The risk of the break-down of the facilities and/or equipment used at a hazardous industrial facility, uncontrolled explosion and/or pollutant emissions | Vice President for Health, Safety and Environment | - Programmes supporting the key development funds and projects in Oil Refining, Gas Processing and Petrochemicals;  
- Insurance programme for the main production assets (repair of damages);  
- Improving the safety culture; staff training, motivation, incentivisation and commitment to safe practices. Efforts to ensure HSE leadership and zero tolerance to violations at all management levels. |
| 2  | Risk of occupational injuries | The risk is related to lost-time injuries of the Company’s employees or contractors | Vice President for Health, Safety and Environment | - Drafting and implementing remedial actions based on lessons learnt from incidents at Group Subsidiaries;  
- Holding occupational safety trainings;  
- Exercising control over equipping vehicles of the Group Subsidiaries and contractors with in-vehicle monitoring systems and two-way dashboard cameras. |
| 3  | Risk of failure to achieve oil and gas condensate production targets | The risk is related to the failure to achieve oil and gas condensate production targets | First Vice President for Oil, Gas, and Offshore Business Development | - Cutting production at the least profitable fields taking into account the geography, geology and climate conditions of certain projects, including joint ventures;  
- Ensuring continuous monitoring and timely adjustment of the production drilling programme; monitoring well interventions and scheduled initiatives to maintain reservoir pressure;  
- Regular monitoring of procurement requests, contractor selection and construction and installation contracting. |
| 4  | Risk related to raising purchase prices for electric power | The risk is related to fluctuating purchase prices for electric power in the wholesale market price zones, indexation of electricity transmission tariffs, and new surcharges to the capacity price | Vice President for Power | - Promoting the need to restrict the price/tariff growth during the energy price discussions with the federal executive bodies, the Market Council and the expert community. |
| 5  | Risk of failure to achieve natural gas price targets | The risk is related to potential lack of gas price indexation in the second half of 2021 | Vice President for Commerce and Logistics | - Supporting the indexation of regulated gas prices when discussing pricing matters with government bodies and the expert community. |
| 6  | Risk of lower quality of refinery feedstock | Adverse changes in the Company’s financial and operating performance as a result of lower quality of feedstock supplied for refining | Vice President for Refining | - Making adjustments to the processing units’ operation modes, adjusting the production programme;  
- Stopping the receipt of a given batch of oil and/or its redirection to storage facilities, filing complaints;  
- Monitoring supplied feedback quality, benchmarking the actual feedback quality against the target. |
| 7  | Risk of failure to comply with the repair plan in Oil Refining | The risk of a decline in financial and operating performance caused by delays in the maintenance works at the Oil Refining production facilities | Vice President for Refining | - Monitoring contractual delivery timelines; considering the purchases of available alternatives; ensuring the minimum emergency stock;  
- Preparing the procurement and maintenance requests, including the selection criteria (equipment, the availability of qualified personnel, the availability of own repair facilities);  
- Organising inspections at the manufacturer’s site during the production of equipment. |
| 8  | Risk of failure to achieve natural gas sales targets | The risk is related to the decline in gas and gas condensate sales below the target | Vice President for Commerce and Logistics | - On-exchange gas sales / supply contracts with new consumers. |
| 9  | Risk of environmental damage (due to pipe ruptures on land and accidents on the Russian shelf causing adverse environmental impact) | The risk is related to environmental pollution as a result of pipeline incidents/accidents or well construction on the shelf | Vice President for Health, Safety and Environment | - Implementing the programme to ensure reliability of reconstructed oilfied pipelines;  
- Planning and taking actions to remediate oil-contaminated land;  
- Timely emergency response, oil spill containment and clean-up. |
### Risk of failure to achieve natural gas and gas condensate production targets
- **First Vice President for O&G, Gas, and Offshore Business Development**
- Support of and monitoring compliance with project network models for key facilities; monitoring counterparties’ financials to identify signs of bankruptcy and timely notify of high-relevant risks; overseeing the Group Subsidiaries’ initiatives to prevent the COVID-19 spread during the pandemic; making arrangements for the Group Subsidiaries to file complaints in case of contractual defaults.

### Risk of accumulation of unclaimed liquid and non-liquid inventories
- **Deputy Head of Procurement**
- Inventorying the needs in case of any change of project timelines or adjustments of production programmes; an ongoing inventory categorisation, timely classification of inventories as idle or unclaimed to make them available to other Group Subsidiaries; streamlining approaches to pricing in case of selling unclaimed liquid and non-liquid inventories to third parties; random checks of inventory categorisation for correctness.

### Risk of tax claims and risk of losing tax benefits
- **First Vice President**
- Challenging tax authority claims, if any, in and out of court; monitoring legal precedents; checking primary documents for tax benefits; using security interests to cover its credit risks (via bank guarantees, letters of credit, etc.); implementing controls to authorise shipments and shipping orders and ensure that all sales contracts are backed properly by financial instruments; suspending credit risk-related transactions with a defaulting counterparty.

### Market risks
- **First Vice President**
- Leveraging internal optimisation tools, including: non-derivative financial instruments; signing long-term contracts with customised terms; searching for alternative sales channels for petroleum products and streamlining logistics.

### Credit risk related to crude oil, petrochemicals, and gas processing products supply contracts
- **First Vice President**
- Using security interests to cover its credit risks (via bank guarantees, letters of credit, etc.); implementing controls to authorise shipments and shipping orders and ensure that all sales contracts are backed properly by financial instruments; suspending credit risk-related transactions with a defaulting counterparty.

### Counterparty risk related to long-term advance payment crude oil and petroleum products supply contracts
- **Vice President for Commerce and Logistics**
- Monitoring the coverage of outstanding amounts against the planned supplies; discussing and monitoring shipment schedules.

### Risk of default/cross-default
- **Financial Director**
- Regular monitoring of compliance with financial covenants; negotiations with lending banks, if necessary.

### Legal and country risks
- **President**
- Ensuring non-discriminating access of independent market participants to direct supplies of Rosneft petroleum products (creating a level playing field for Group Subsidiaries and third parties).
- Making sure no less than 10% of the output (excluding monthly production adjustments) are regularly sold on the exchange.

- **First Vice President for Commerce and Logistics**
- In case of risks arising from unstable economic environment in the regions hosting Rosneft’s international projects, the Company’s management will take every reasonable step to minimise their potential adverse impact.
- The actual profile of such measures will be decided on a case-by-case basis and may include conducting negotiations with government bodies and project partners, diversifying supply and sales channels, reducing operating costs, optimising the investment programme, and introducing restructuring initiatives.

- **Vice President for Commerce and Logistics**
- In case of political, economic, or social risks arising in Rosneft’s regions of operation, the Company’s management will take every reasonable step to minimise their potential adverse impact.
- The actual profile of such measures will be decided on a case-by-case basis and may include conducting negotiations with government bodies, reducing operating costs, optimising the investment programme, introducing restructuring initiatives, as well as ensuring the safety of the Company’s employees.

- **First Vice President**
- Ensuring non-discriminating access of independent market participants to direct supplies of Rosneft petroleum products (creating a level playing field for Group Subsidiaries and third parties).
- Making sure no less than 10% of the output (excluding monthly production adjustments) are regularly sold on the exchange.

- **Deputy Head of Legal Support**
- Protecting the Company’s interests in court.

### Risk of adverse judgements in legal proceedings to which the Company is a party
- Risk of financial losses due to adverse court rulings in proceedings to which the Company is a party
- **Deputy Head of Legal Support**
- Protecting the Company’s interests in court.
This report on compliance with the principles and recommendations of the Corporate Governance Code (the Report) was reviewed by Rosneft’s Board of Directors at a meeting held on 22 April 2021 (Minutes No. __ dated __ April 2021) as part of the 2020 Annual Report.

The Board of Directors certifies that this Report contains complete and reliable information on Rosneft’s compliance with the principles and recommendations of the Corporate Governance Code in 2020.

Rosneft assesses its compliance with the Corporate Governance Code as per the guidelines recommended by the Bank of Russia in Letter No. IN-06-52/8 on Disclosure of Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company dated 17 February 2016. Key aspects of the Company’s corporate governance model and practice are outlined in Section Corporate Governance of Rosneft’s 2020 Annual Report.
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<tr>
<td>1.1</td>
<td>The Company provides the best possible conditions for shareholders to participate in General Shareholders Meetings, make informed decisions on agenda items, coordinate their actions and express their opinions on matters under consideration.</td>
<td>1. The Company's internal regulation on conducting General Shareholders Meetings approved by the General Shareholders Meeting is publicly available. 2. The Company provides an easily accessible communication channel, such as a hotline, email or online forum, for shareholders to express their opinions and put questions regarding the agenda in preparation for a General Shareholders Meeting. The Company provided such communication channels before every General Shareholders Meeting held in the reporting period.</td>
<td>Complied with 1. Not complied with 2. To maintain effective relations with shareholders, Rosneft provides the following communication channels: a shareholder hotline, mail and email. The Company does not consider setting up a dedicated online forum, as it has other communication channels in place, as well as provides for the opportunity to discuss agenda items at General Shareholders Meetings and, if relevant, using Rosneft's social networks, which are mentioned on Rosneft's official website. Rosneft has the Corporate Governance analytical information system in place. It enables shareholders to vote online and interact with the Company and the Registrar via Shareholder's Personal Account.</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>The procedure to notify shareholders of a General Shareholders Meeting and provide them with relevant materials enables them to get well-prepared.</td>
<td>1. The notice of a General Shareholders Meeting is posted on the Company's website at least 30 days prior to the date of the Meeting. 2. The notice specifies the venue of the Meeting and documents required for admission to the venue. 3. Shareholders are informed of all proposed agenda items and nominated candidates to the Company's Board of Directors and Audit Commission.</td>
<td>Complied with 1. Complied with 2. Not complied with</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>When preparing for and participating in a General Shareholders Meeting, shareholders have unrestricted and timely access to any relevant information and materials, and are able to put questions to the Company's executive bodies and directors, as well as communicate with one another.</td>
<td>1. In the reporting period, shareholders had the opportunity to put questions to the Company's executive bodies and directors both before and during the Annual General Shareholders Meeting. 2. The Board of Directors' opinions (including dissenting opinions recorded in the minutes) on each of the agenda items of the General Shareholders Meetings held in the reporting period were added to the materials for the General Shareholders Meeting. 3. The lists of persons entitled to participate in each General Shareholders Meeting in the reporting period were made available to the shareholders eligible to review such lists as soon as the Company received them.</td>
<td>Complied with 1. Not complied with 2. To maintain effective relations with shareholders, Rosneft provides the following communication channels: a shareholder hotline, mail and email. The Company does not consider setting up a dedicated online forum, as it has other communication channels in place, as well as provides for the opportunity to discuss agenda items at General Shareholders Meetings and, if relevant, using Rosneft's social networks, which are mentioned on Rosneft's official website. Rosneft has the Corporate Governance analytical information system in place. It enables shareholders to vote online and interact with the Company and the Registrar via Shareholder's Personal Account.</td>
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The "Complied with" status is assigned only if the Company meets all of the criteria for compliance with a corporate governance principle. Otherwise, the "Complied with in part" or "Not complied with" status is assigned.

Explanations are given for each criterion for compliance with a corporate governance principle if the Company meets only some of the criteria or none of them. If the Company indicates the "Complied with" status, no explanations are required.

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<td>1.1.4</td>
<td>There are no unjustified difficulties preventing shareholders from exercising their rights to convene a General Shareholders Meeting, nominate candidates to the governing bodies and propose items for the agenda.</td>
<td>1. In the reporting period, shareholders had the opportunity to propose items for the agenda of the Annual General Shareholders Meeting during at least 60 days after the end of the respective calendar year. 2. In the reporting period, the Company rejected no item proposed for the agenda and no candidate nominated to the Company's bodies due to misprints or other minor flaws in shareholders' proposals.</td>
<td>Complied with 1. Complied with in part 2. Not complied with</td>
<td></td>
</tr>
<tr>
<td>1.1.5</td>
<td>Each shareholder is able to exercise their voting right without hindrance, in the simplest and most convenient way.</td>
<td>1. The Company's internal regulation (corporate governance) authorizes each General Shareholders Meeting participant to request a copy of their completed ballot certificate by the ballot committee before the end of the respective meeting.</td>
<td>Complied with 1. Complied with in part 2. Not complied with</td>
<td></td>
</tr>
<tr>
<td>1.1.6</td>
<td>The procedure for holding a General Shareholders Meeting established by the Company provides all persons present at the Meeting with equal opportunities to express their opinions and ask questions.</td>
<td>1. In the reporting period, sufficient time for reporting on and discussing agenda items was provided at General Shareholders Meetings held in the form of a meeting (joint presence of shareholders). 2. Candidates nominated to the Company's governing and supervisory bodies were available for answering shareholders' questions at the Meeting where they were voted upon. 3. When making decisions on the preparation and holding of General Shareholders Meetings in the reporting period, the Board of Directors considered using tele-communications equipment to provide shareholders with remote access to participate in the Meetings.</td>
<td>Complied with 1. Complied with in part 2. Not complied with</td>
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1. Shareholders are provided with an equitable and fair opportunity to receive a share of the Company's profits in the form of dividends.

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<tr>
<td>1.2.1</td>
<td>The Company has developed and implemented a transparent and clear procedure to determine the amount of dividends and pay them out.</td>
<td>1. The Company's Dividend Policy has been developed, approved by the Board of Directors and disclosed. 2. It is based on the Company's results recorded in its financial statements. The Dividend Policy shall apply to the consolidated financial statements.</td>
<td>Complied with 1. Complied with in part 2. Not complied with</td>
<td></td>
</tr>
<tr>
<td>1.2.2</td>
<td>The Company does not resolve to pay out dividends if such resolution, though not in breach of the legislation, is not economically viable and may lead to false assumptions about the Company's operations.</td>
<td>1. The Company's Dividend Policy clearly stipulates financial-economic circumstances under which the Company should not pay dividends.</td>
<td>Complied with 1. Complied with in part 2. Not complied with</td>
<td></td>
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</table>
### 1.3 Corporate governance framework and practices ensure equality of all shareholders owning shares of the same class (type), including minority and foreign shareholders, and their equitable treatment by the Company.

**Criteria for compliance with a corporate governance principle**

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<tr>
<td>1.3.1</td>
<td>The Company ensures fair treatment of each shareholder by its governing bodies and controlling persons, specifically allowing no abuse of minority shareholders by major shareholders</td>
<td><a href="#">Complied with</a></td>
<td>Pursuant to the Russian Government’s decision, Rosneft signed an agreement with a 100% government-owned company to sell all of Rosneft interest and leases participation in all of its projects in Venezuela, including the joint ventures of Petromineros, Petromonagas and Petrovicentia, as well as oil-field services companies, commercial and trade operations. Based on the agreement, all Rosneft assets and trading operations in Venezuela and/or those with connection to Venezuela have been disposed of. Terminated or liquidated. The agreement and the sale of assets resulted in Rosneft’s 100% subsidiary receiving a 95% stake in its parent. In addition, the Company’s Open Market Share Buyback Programme, which also covers GDRs, saw its 100% subsidiary Rosneft’s 100% subsidiary acquire a further 0.76% stake. None of these shares were used in voting during the reporting period.</td>
</tr>
<tr>
<td>1.3.2</td>
<td>The Board of Directors formulates the principles of and approaches to risk management and internal control system in the Company.</td>
<td><a href="#">Complied with</a></td>
<td>The Board of Directors has formulated the principles of and approaches to risk management and internal control system.</td>
</tr>
<tr>
<td>1.3.3</td>
<td>The Board of Directors formulates the principles of and approaches to risk management and internal control system in the Company.</td>
<td><a href="#">Complied with</a></td>
<td>The Board of Directors has formulated the principles of and approaches to risk management and internal control system.</td>
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<tr>
<td>1.3.4</td>
<td>The Board of Directors formulates the principles of and approaches to risk management and internal control system in the Company.</td>
<td><a href="#">Complied with</a></td>
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<td>1.3.5</td>
<td>The Board of Directors formulates the principles of and approaches to risk management and internal control system in the Company.</td>
<td><a href="#">Complied with</a></td>
<td>The Board of Directors has formulated the principles of and approaches to risk management and internal control system.</td>
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### 1.4 Shareholders are provided with reliable and effective methods of registering their ownership of shares and the opportunity to dispose of their shares freely and without hindrance.

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<tr>
<td>1.4.1</td>
<td>Shareholders are provided with reliable and effective methods of registering their ownership of shares and the opportunity to dispose of their shares freely and without hindrance.</td>
<td><a href="#">Complied with</a></td>
<td>The quality and reliability of the work performed by the Company’s registrar to keep the register of security holders meet the Company’s and its shareholders needs.</td>
</tr>
</tbody>
</table>

### 2.1 The Board of Directors is responsible for the strategic management of the Company, formulating key principles of and approaches to the risk management and internal control system in the Company, supervising the work of the Company’s executive bodies and performing other core functions.

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<td>2.1.1</td>
<td>The Board of Directors has the power to formulate the principles of and approaches to the risk management and internal control system in the Company and to set up and approve a framework for identifying and resolving internal conflicts.</td>
<td><a href="#">Not complied with</a></td>
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<td>2.1.2</td>
<td>The Board of Directors has the power to formulate the principles of and approaches to the risk management and internal control system in the Company and to set up and approve a framework for identifying and resolving internal conflicts.</td>
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<td><a href="#">Not complied with</a></td>
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### 2.2 The Board of Directors sets major long-term targets for the Company, as well as assesses and approves its key performance indicators and primary business goals, along with the Company’s strategy and business plans with regard to its core operations.

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### 2.3 The Board of Directors addresses matters related to the strategy implementation and revision, annual assessment of the Company’s financial and business plans (budget), and review of criteria and indicators (including interim ones) as regards delivering on the Company’s strategy and business plans.

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### 2.4 The Board of Directors has the power to, if necessary, make a decision that an authorized commercial agent ceases to act on behalf of the Company and to determine the terms and conditions of their contracts.

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</table>
2.2.1 Information on the performance of the Board of Directors is disclosed and provided to shareholders.

2.2.2 The Chairman of the Board of Directors is accountable to the Company’s shareholders.

2.3. The Board of Directors manages the Company in an effective and competent manner, and is able to make objective judgements and decisions in the best interests of the Company and its shareholders.

2.3.1 Elected to the Board of Directors, the Chairman of the Board of Directors and independent directors play a key role in the Company’s corporate governance practices.

2.3.2 The Company’s directors (or its Nomination Committee) assessed candidates to the Board of Directors.

2.4. The Board of Directors includes a sufficient number of independent directors.

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<tr>
<td>2.17</td>
<td>The Board of Directors oversees the Company’s corporate governance practices and plays a key role in the Company’s material corporate actions.</td>
<td>Complied with in part</td>
<td>Not complied with</td>
</tr>
<tr>
<td>2.2.1</td>
<td>Information on the performance of the Board of Directors is disclosed and provided to shareholders.</td>
<td>Complied with</td>
<td>Not complied with</td>
</tr>
<tr>
<td>2.2.2</td>
<td>The Chairman of the Board of Directors is accountable to the Company’s shareholders.</td>
<td>Complied with</td>
<td>Not complied with</td>
</tr>
<tr>
<td>2.3.1</td>
<td>Elected to the Board of Directors, the Chairman of the Board of Directors and independent directors play a key role in the Company’s corporate governance practices.</td>
<td>Complied with in part</td>
<td>Not complied with</td>
</tr>
<tr>
<td>2.3.2</td>
<td>The Company’s directors (or its Nomination Committee) assessed candidates to the Board of Directors.</td>
<td>Complied with</td>
<td>Not complied with</td>
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2.4.1 An independent director is a person with sufficient professional skills, experience and independence to form their own opinions and make objective and fair judgements not influenced by the Company’s executive bodies, certain groups of shareholders or other stakeholders. Under normal circumstances, a candidate (elected director) may not be considered independent if they are related to the Company, its substantial shareholder, its substantial competitor, or the government.

2.4.2 Candidates to the Board of Directors are assessed for compliance with the independence criteria, including by way of establishing Committees, and enables a candidate (elected director) to be elected to the Board of Directors.

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<tr>
<td>2.4.1</td>
<td>An independent director is a person with sufficient professional skills, experience and independence to form their own opinions and make objective and fair judgements not influenced by the Company’s executive bodies, certain groups of shareholders or other stakeholders. Under normal circumstances, a candidate (elected director) may not be considered independent if they are related to the Company, its substantial shareholder, its substantial competitor, or the government.</td>
<td>Complied with in part</td>
<td>Not complied with</td>
</tr>
<tr>
<td>2.4.2</td>
<td>Candidates to the Board of Directors are assessed for compliance with the independence criteria, including by way of establishing Committees, and enables a candidate (elected director) to be elected to the Board of Directors.</td>
<td>Complied with</td>
<td>Not complied with</td>
</tr>
<tr>
<td>2.4.3</td>
<td>Independent directors make up at least one third of the elected directors.</td>
<td>Complied with</td>
<td>Not complied with</td>
</tr>
<tr>
<td>2.4.4</td>
<td>Independent directors play a key role in preventing internal conflicts in the Company and taking material corporate actions by the Company.</td>
<td>Complied with</td>
<td>Not complied with</td>
</tr>
</tbody>
</table>
## 2.5. The Chairman of the Board of Directors ensures that the Board of Directors performs its functions in the most effective way.

### 2.5.1 The Chairman of the Board of Directors

1. The Chairman of the Board of Directors is an independent director, or a senior independent director has been appointed from among the elected independent directors, to coordinate their work and liaise with the Chairman of the Board of Directors.

### 2.5.2 The Chairman of the Board of Directors

1. In the reporting period, the performance of the Chairman of the Board of Directors was assessed as part of the Board of Directors’ performance assessment.

### 2.5.3 The Chairman of the Board of Directors

1. The responsibility of the Chairman of the Board of Directors to ensure timely provision to directors of materials on agenda items is specified in the Company’s regulations.

### 2.5.4 The Chairman of the Board of Directors

1. The Company’s internal regulations specify that the Chairman of the Board of Directors shall notify the Board of Directors of any conflict of interest they might have in relation to any agenda item prior to the discussion of that item at a meeting of the Board of Directors or its Committee.

### 2.5.5 The Chairman of the Board of Directors

2. The Company’s internal regulations specify that a director shall abstain from voting on any item where they have a conflict of interest.

3. The Company has established a procedure enabling the Board of Directors to get professional advice on matters within its remit at the Company’s expense.

## 2.6. Directors act reasonably and in good faith in the best interests of the Company and its shareholders, based on sufficient awareness and with due diligence and care.

### 2.6.1 Directors

2.6.1.1 Directors make decisions taking into account all available information, having no conflict of interest, ensuring equitable treatment of the Company’s shareholders and keeping within the limits of common business risks.

1. The Company’s internal regulations specify that directors shall notify the Board of Directors of any conflict of interest they might have in relation to any agenda item prior to the discussion of that item at a meeting of the Board of Directors or its Committee.

2. The Company’s internal regulations specify that a director shall abstain from voting on any item where they have a conflict of interest.

3. The Company has established a procedure enabling the Board of Directors to get professional advice on matters within its remit at the Company’s expense.

### 2.6.2 Directors’ rights and responsibilities

1. The Company has adopted and published an internal regulation clearly specifying directors’ rights and responsibilities.

### 2.6.3 Directors’ rights

1. The Company has adopted a procedure to prepare and hold meetings of the Board of Directors enabling directors to make proper preparations.

### 2.6.4 Directors’ attendance

1. All directors have equal access to the Company’s documents and information. Newly elected directors are provided with sufficient information on the Company and the Board of Directors’ activities as soon as practicable.

## 2.7. The Board of Directors establishes Committees for preliminary consideration of the most important matters related to the Company’s operations.

### 2.7.1 Meetings of the Board of Directors

1. Meetings of the Board of Directors are held at least six meetings in the reporting year.

### 2.7.2 Board of Directors’ assessment

1. The Company has approved an internal regulation setting out the procedure to prepare and hold meetings of the Board of Directors and specifying, among other things, that the notice of a meeting shall be generally given at least 5 days prior to the date of the meeting.

### 2.7.3 The format of a meeting

1. The Company’s Charter or another internal regulation specifies that the most important matters (as per the last set out in Recommendation 168 of the Code) shall be reviewed at in-person meetings of the Board of Directors.

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**Appendix 3.**

<table>
<thead>
<tr>
<th>No.</th>
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<td>2.6.3</td>
<td>Directors have sufficient time to perform their duties.</td>
<td>1. Individual attendance of meetings of the Board of Directors and Committees and the time spent to prepare for such meetings were taken into account during the Board of Directors’ assessment in the reporting period. 2. As per the Company’s internal regulations, directors shall notify the Board of Directors of their intention to join the governing bodies of other companies (excluding those controlled by or affiliated with the Company) and of the fact of such an appointment.</td>
<td>Complied with in part</td>
<td>Not complied with</td>
</tr>
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The Company specifies which of the two suggested approaches it uses and why.
### 2.8. The Board of Directors establishes Committees for preliminary consideration of the most important matters related to the Company’s operations.

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<td>2.8.1</td>
<td>For preliminary consideration of matters related to the monitoring of the Company’s financial and business operations, the Audit Committee, comprised of independent directors has been established.</td>
<td>1. The board of directors has a standing audit committee comprised entirely of independent directors. 2. The Company’s internal regulations specify the Audit Committee’s objectives, as per Recommendation 172 of the Code. 3. At least one meeting of the audit committee is held at least one meeting per quarter during the reporting period.</td>
<td>Complied with</td>
<td>Paragraph 10.5.5 of Rosneft’s Charter specifies the range of matters to be resolved by the Board of Directors by a qualified majority vote. Given the scope of Rosneft’s operations, the number of matters resolved by the Board of Directors, the composition of the Board of Directors and the economic sanctions, the company is exposed to, expanding this range to include all matters set out in Recommendation 170 of the Code may materially impair or prevent the resolution of matters material to the Company. Therefore, setting a higher quorum as recommended by the Code may result in the Board of Directors not being able to resolve a number of key matters. At the same time, the number of directors, the structure of the Board of Directors, including four independent directors, the procedure to prepare for meetings, discuss matters at them and disclose information on them guarantees the protection of rights of all shareholder groups and reflect the Company’s shareholder structure. The Company has no intention to change its approach in the medium term.</td>
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<td>2.8.2</td>
<td>For preliminary consideration of matters related to the development of an effective and transparent remuneration framework, a Remuneration Committee, comprised of independent directors and chaired by an independent director not being the Chairman of the Board of Directors has been established.</td>
<td>1. The board of directors has a standing remuneration committee comprised entirely of independent directors. 2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors. 3. The Company’s internal regulations specify the Remuneration Committee’s objectives, including, among others, those set out in Recommendation 180 of the Code.</td>
<td>Complied with</td>
<td>The principle is not complied with, as the HR and Remuneration Committee is not exclusively composed of independent directors. The HR and Remuneration Committee of the Board of Directors is mostly made up of independent directors. The elected Chairman of the HR and Remuneration Committee of the Board of Directors is an independent director. The remit of the HR and Remuneration Committee of the Board of Directors includes matters reserved for a Nomination Committee and a Remuneration Committee by the Corporate Governance Code. Taking into account: • the Company’s three standing committees (the Audit Committee, HR and Remuneration Committee, and Strategic Planning Committee), • the recommendations and restrictions set out in the Code (on the minimum number of Committee members (three), on the maximum number of Committees a director may sit on, on the minimum number of independent directors on an Audit Committee and an HR and Remuneration Committee, and on the composition of Committees based on directors’ relevant expertise), • compliance with the recommendations to have all Committees chaired by independent directors is impermissible. At the same time, the Company’s internal regulations, including the Regulations on the Board of Directors, specify procedures to prevent any conflict of interest and eliminate the risk of recommendations by the committee of the Board of Directors being affected by the controlling shareholder or executive bodies. The Company has no intention to change its approach in the medium term.</td>
</tr>
</tbody>
</table>
### Corporate Governance

#### 2.8.4 Given the scope of operations and risk levels, the company's Board of Directors has ensured that the composition of its Committees is fully in line with the company's objectives. Additional committees have been either established or found unnecessary (a Strategy Committee, a Corporate Governance Committee, an Ethics Committee, a Risk Management Committee, a Budget Committee, a Health, Safety, and Environment Committee, etc.)

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<td>2.8.4</td>
<td>During the reporting period, the company’s board of directors reviewed the relevance of its standing committees to the board’s functions and the company’s objectives. Additional committees have been either established or found unnecessary.</td>
<td>Complied with in part not complied with</td>
<td></td>
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#### 2.8.5 The composition of Committees enables comprehensive discussion of matters subject to preliminary consideration with due regard to varying opinions.

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<td>2.8.5</td>
<td>Committees of the board of directors are chaired by independent directors. The company’s internal regulations (policies) contain provisions that prohibit the non-members to attend meetings of the audit, nomination or remuneration committees, unless they are invited by the chairman of a respective committee.</td>
<td>Complied with in part not complied with</td>
<td></td>
<td></td>
</tr>
</tbody>
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*If the functions of the nomination committee are performed by another committee, the company specifies its name.*
4.1. Remuneration paid by the Company is sufficiently high to attract, motivate and retain employees with the required competence and expertise. Remuneration is paid to the Company’s directors, executive bodies and other key managers in accordance with the remuneration policy adopted by the Company.

4.1.1 Remuneration paid with the remuneration policy adopted by the Company.

4.1.2 The Company’s remuneration policy has been developed by the Remuneration Committee and approved by the Board of Directors. The Board of Directors, appointed by the Remuneration Committee, monitors the introduction and implementation of the remuneration policy in the Company, and reviews and amends it as necessary.

4.1.3 The Company’s remuneration policy provides for transparent mechanisms to determine the amount of remuneration payable to its directors, executive bodies and other key managers, and covers all types of payments, benefits and privileges provided to them.

4.1.4 The Company develops a policy on remuneration of expenses (compensation) specifying reimbursable expenses and service levels that its directors, executive bodies and other key managers are entitled to. This policy may form part of the Company’s remuneration policy.

4.2. Remuneration system for directors ensures alignment of their financial interests with the long-term financial interests of shareholders.

4.2.1 The Company pays fixed annual remuneration to its directors. The Company does not pay remuneration for participation in individual meetings of the Board of Directors or its Committees.

4.2.2 Long-term ownership of the Company’s shares ensures best alignment of directors’ financial interests with the long-term interests of shareholders. At the same time, the Company does not link the right to sell shares to achieving certain performance indicators, and directors do not participate in options plans.

4.2.3 The Company does not provide any additional payments or compensations to its directors in the event of early termination of office due to a transfer of control over the Company or any other circumstances.

4.2.4 The Company’s remuneration policy (policies) or other internal regulations specify procedures to reimburse its directors, executive bodies and other key managers for the expenses incurred.

4.2.5 The Company’s remuneration policy (policies) or other internal regulations cover all types of payments, benefits and privileges provided to them.

2.9. The Board of Directors arranges performance assessment of the Board of Directors, its Committees and directors.

2.9.1 The Board of Directors’ performance assessment is carried out on an independent basis, by an external organisation (consultant) at least once every three years.

3.1. The Company’s Corporate Secretary ensures effective day-to-day interaction with shareholders, communicates the Company’s efforts to protect shareholder rights and interests, and contributes to the Board of Directors’ efficient work.

3.1.1 The Corporate Secretary has responsibilities to protect shareholder rights and interests, and contributes to the Board of Directors’ efficient work.

3.1.2 The Corporate Secretary engages an external organisation (consultant) at least once every three years.

3.1.3 The Corporate Secretary’s responsibilities include effective day-to-day interaction with shareholders, ensuring best alignment of remuneration payable to its directors, executive bodies and other key managers, and covers all types of payments, benefits and privileges provided to them.

3.1.4 The Company’s Corporate Secretary engages an external organisation (consultant) at least once every three years.
### 4.3. Remuneration system for members of executive bodies and other key managers of the Company links their remuneration to the risk management and internal control system

#### 4.3.1 Remuneration paid to members of executive bodies and other key managers of the Company ensures a reasonable and justified balance between the fixed and variable components, with the latter depending on the Company’s performance and an employee’s personal (individual) contribution therein.

1. In the reporting period, the variable remuneration for members of executive bodies and other key managers of the Company was linked to annual performance indicators approved by the Board of Directors.
   - Complied with
   - Not complied with

2. During the latest assessment of the remuneration system for members of executive bodies and other key managers of the Company, the board of Directors (the Remuneration Committee) ensured that the Company maintained an effective balance between the fixed and variable components of remuneration.
   - Complied with
   - Not complied with

3. The Company has a procedure ensuring that bonuses wrongly received by members of its executive bodies and other key managers are returned to the Company.
   - Complied with
   - Not complied with

#### 4.3.2 The Company has introduced a long-term incentive plan for members of its executive bodies and other key managers involving its shares (options or other derivatives with its shares as underlying assets).

1. The Company has introduced a long-term incentive plan for members of its executive bodies and other key managers involving its shares (financial instruments with its shares as underlying assets).
   - Complied with
   - Not complied with

2. The long-term incentive plan for members of executive bodies and other key managers of the Company specifies that the right to sell shares and other financial instruments used in this plan may be exercised no earlier than three years after the date of granting. Moreover, the right to sell shares is subject to the achievement by the Company of certain performance indicators.
   - Complied with in part
   - Not complied with

As recommended by the HR and Remuneration Committee, the Company continues plotting a long-term incentive plan in the controlled entities. Rosneft will go back to considering the long-term incentive plan for executive bodies as soon as pilot results of controlled entities have been processed.

#### 4.3.3 The amount of severance pay (golden parachute) payable to the Company by members of its executive bodies or key managers in the event of early termination of office, provided that such termination is initiated by the Company with no misconduct on the part of the respective employee, does not exceed twice the size of the fixed component of their annual remuneration.

1. In the reporting period, the amount of severance pay (golden parachute) paid by the Company to members of its executive bodies or key managers in the event of early termination of office, provided that such termination was initiated by the Company with no misconduct on the part of the respective employee, did not exceed twice the size of the fixed component of their annual remuneration.
   - Complied with
   - Not complied with

#### 5.1 The Company has put in place an effective risk management and internal control system to provide reasonable assurance that it will achieve its goals.

**Risk management and internal control** functions of the Company’s governing bodies and divisions are clearly set out in the Company’s internal regulations / relevant policy approved by the Board of Directors.

- Complied with
- Complied with in part
- Not complied with

#### 6.1 The Company and its operations are transparent to shareholders, investors and other stakeholders.

**The Company has developed and implemented an Information Policy ensuring effective exchange of information between the Company, its shareholders, investors and other stakeholders.**

1. The Company’s Board of Directors has approved its Information Policy developed in accordance with the Code’s recommendations.
   - Complied with
   - Not complied with

2. The Board of Directors (or one of its Committees) receives matters related to the Company’s compliance with its Information Policy at least once in the reporting period.
   - Complied with
   - Not complied with

### 5.2 The Company conducts internal audits to assess the reliability and effectiveness of its Risk Management, Internal Control System and corporate governance on a regular and independent basis.

#### 5.2.1 For the internal audit purposes, the Company has established a dedicated unit or engaged an independent external organisation.

1. The Company has approved an anti-corruption policy.
   - Complied with
   - Not complied with

2. The Company has established an easily accessible channel to inform the Board of Directors or its Audit Committee about violations of law, internal procedures or the Code of Corporate Ethics.
   - Complied with
   - Not complied with

#### 5.2.2 The internal audit unit assesses the effectiveness of the internal control, risk management and corporate governance systems.

1. In the reporting period, the Board of Directors or its Audit Committee assessed the performance of the Company’s Risk Management and Internal Control Systems.
   - Complied with
   - Not complied with

2. The Company uses generally accepted approaches to internal controls and risk management.
   - Complied with
   - Not complied with

### Appendix 3.
6.2. The Company discloses complete, up-to-date and accurate information on the Company in a timely manner to ensure that its shareholders and investors are able to make informed decisions.

6.2.1 The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

1. The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

2. The Company discloses information on the composition of its executive bodies and Board of Directors, on the independence of directors and their membership in the Committees of the Board of Directors (as defined in the Code).

3. If there is a person controlling the Company, the Company publishes a memorandum on behalf of such controlling person detailing their plans as regards corporate governance in the Company.

6.2.2 The Company avoids for disclosure of material information on its compliance with the principles and recommendations of the Code.

1. The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

2. The Company discloses information on the composition of its executive bodies and Board of Directors, on the independence of directors and their membership in the Committees of the Board of Directors (as defined in the Code).

3. If there is a person controlling the Company, the Company publishes a memorandum on behalf of such controlling person detailing their plans as regards corporate governance in the Company.

6.2.3 As a key communication principle, the Company avoids for disclosure of material information on its compliance with the principles and recommendations of the Code.

1. The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

2. The Company discloses information on the composition of its executive bodies and Board of Directors, on the independence of directors and their membership in the Committees of the Board of Directors (as defined in the Code).

3. If there is a person controlling the Company, the Company publishes a memorandum on behalf of such controlling person detailing their plans as regards corporate governance in the Company.

6.3. The Company provides shareholders with equal and unhindered access to information and documents as per their request.

6.3.1 The Company provides shareholders with equal and unhindered access to information and documents as per their request.

1. The Company’s Information Policy stipulates procedures ensuring shareholders’ unhindered access to information, including information on legal entities controlled by the Company, as per their request.

2. When providing information to shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and those of the Company as it is in the Company’s best interests to keep confidential any sensitive commercial information that may have a material effect on its competitive position.

3. The Company discloses information on its capital structure, including detailed information on the key aspects of its operations.

6.3.2 When providing information to shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and those of the Company as it is in the Company’s best interests to keep confidential any sensitive commercial information that may have a material effect on its competitive position.

1. The Company’s Information Policy stipulates procedures ensuring shareholders’ unhindered access to information, including information on legal entities controlled by the Company, as per their request.

2. When providing information to shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and those of the Company as it is in the Company’s best interests to keep confidential any sensitive commercial information that may have a material effect on its competitive position.

7.1. Actions that have or may have a material effect on the Company’s shareholding structure and financial position and, consequently, on the shareholders’ position (material corporate actions) are taken on fair terms ensuring that rights and interests of the shareholders and other stakeholders are respected.

7.1.1 Material corporate actions include reorganisation of the Company, acquisition of 30% or more of the Company’s voting shares (takeover), major transactions made by the Company, increase or reduction in the Company’s charter capital, listing and delisting of the Company’s shares, and other actions that may result in a material change in the rights of shareholders or be against their interests. The Company’s Charter sets out a list (criteria) of transactions or other actions deemed to be material corporate actions and reserved to the Board of Directors.

1. The Company’s Charter sets out a list (criteria) of transactions or other actions deemed to be material corporate actions and reserved to the Board of Directors.

2. Material corporate actions specified in the Company’s Charter include, but are not limited to, the following: reorganisation of the Company, acquisition of 30% or more of the Company’s voting shares (takeover), major transactions made by the Company, increase or reduction in the Company’s charter capital, listing and delisting of the Company’s shares.

7.1.2 The Board of Directors plays a key role in making decisions or recommendations with regard to material corporate actions and relies on the opinion of the Company’s independent directors.

1. The Company has established a procedure for independent directors to express their opinions on material corporate actions before their approval.

No. Corporate governance principles Status of compliance with a corporate governance principle
6.1.2 The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

- Complied with
- Complied with in part
- Not complied with

No. Corporate governance principles Status of compliance with a corporate governance principle
6.3.1 The Company provides shareholders with equal and unhindered access to information and documents as per their request.

- Complied with
- Complied with in part
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- Complied with
- Complied with in part
- Not complied with

Explanations on the failure to meet criteria for compliance with a corporate governance principle
6.1.2 The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

1. The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

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3. If there is a person controlling the Company, the Company publishes a memorandum on behalf of such controlling person detailing their plans as regards corporate governance in the Company.

6.2. The Company discloses complete, up-to-date and accurate information on the Company in a timely manner to ensure that its shareholders and investors are able to make informed decisions.

6.2.1 The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

1. The Company discloses information on its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.

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6.2.2 The Company avoids for disclosure of material information on its compliance with the principles and recommendations of the Code.

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1. The Company’s Information Policy stipulates procedures ensuring shareholders’ unhindered access to information, including information on legal entities controlled by the Company, as per their request.

2. When providing information to shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and those of the Company as it is in the Company’s best interests to keep confidential any sensitive commercial information that may have a material effect on its competitive position.

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2. When providing information to shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and those of the Company as it is in the Company’s best interests to keep confidential any sensitive commercial information that may have a material effect on its competitive position.

7.1. Actions that have or may have a material effect on the Company’s shareholding structure and financial position and, consequently, on the shareholders’ position (material corporate actions) are taken on fair terms ensuring that rights and interests of the shareholders and other stakeholders are respected.

7.1.1 Material corporate actions include reorganisation of the Company, acquisition of 30% or more of the Company’s voting shares (takeover), major transactions made by the Company, increase or reduction in the Company’s charter capital, listing and delisting of the Company’s shares, and other actions that may result in a material change in the rights of shareholders or be against their interests. The Company’s Charter sets out a list (criteria) of transactions or other actions deemed to be material corporate actions and reserved to the Board of Directors.

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7.1.2 The Board of Directors plays a key role in making decisions or recommendations with regard to material corporate actions and relies on the opinion of the Company’s independent directors.

1. The Company has established a procedure for independent directors to express their opinions on material corporate actions before their approval.
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<td>7.1.3</td>
<td>When taking material corporate actions affecting the rights and legitimate interests of shareholders, the Company ensures equitable treatment of all of its shareholders, and, where statutory mechanisms protecting shareholder rights are insufficient, takes additional steps to protect the rights and legitimate interests of the Company’s shareholders.</td>
<td>1. Given the specific nature of the Company’s operations, its Charter sets out lower than statutory minimum criteria for classifying the Company’s transactions as material corporate actions. 2. In the reporting period, all material corporate actions were duly approved prior to their implementation.</td>
<td>Complied with</td>
<td></td>
</tr>
<tr>
<td>7.2.1</td>
<td>Information on material corporate actions is disclosed, with an explanation of the relevant reasons, conditions and consequences.</td>
<td>1. In the reporting period, the Company disclosed information on its material corporate actions in a timely and detailed manner, including their rationale and implementation timelines.</td>
<td>Complied with in part</td>
<td></td>
</tr>
<tr>
<td>7.2.2</td>
<td>Rules and procedures for taking material corporate actions are set forth in the Company’s internal regulations.</td>
<td>1. The Company’s internal regulations set out a procedure for engaging an independent appraiser to determine the value of the property to be sold or purchased in a major transaction or a related-party transaction. 2. The Company’s internal regulations set out a procedure for engaging an independent appraiser to determine the value of the Company’s shares to be purchased or bought back. 3. The Company’s internal regulations specify additional criteria for its directors and other persons stipulated by law to be recognised as related parties for the purposes of the Company’s transactions.</td>
<td>Not complied with</td>
<td>The Bank of Russia’s Corporate Governance Code was approved at the time when Article 81 of the Federal Law On Joint Stock Companies allowed joint stock companies to include in their charters additional criteria for directors and other persons to be recognised as related parties in transactions. Article 81 of the Federal Law On Joint Stock Companies effective from 1 January 2017 has an exhaustive list of related-party criteria. Therefore, compliance with the Code’s recommendation to specify additional related-party criteria is impracticable until the Russian legislation is changed accordingly.</td>
</tr>
</tbody>
</table>
Appendix 4

(INFORMATION ON COMPLIANCE WITH INSTRUCTIONS ISSUED BY THE PRESIDENT OF THE RUSSIAN FEDERATION AND THE GOVERNMENT OF THE RUSSIAN FEDERATION)
INFORMATION ON COMPLIANCE WITH INSTRUCTIONS ISSUED BY THE PRESIDENT OF THE RUSSIAN FEDERATION AND THE GOVERNMENT OF THE RUSSIAN FEDERATION

1. Non-core asset divestment

Rosneft is continuously optimizing the portfolio of assets owned by the Company and its subsidiaries. The Company has developed and is consistently implementing a non-core and non-performing asset divestment programme in accordance with the Company Policy on Corporate Property Management and the Company Standard on Non-Core and Inefficient Assets Management developed by the Company and approved by the Board of Directors. The programme outlines key principles of non-core and non-performing asset management, relevant procedures, stages and deadlines for implementation. The Company annually identifies assets conforming to the criteria of non-core and non-performing assets and performs their appraisal, technical audit, and economic and legal expert analysis. The programme is reviewed, updated and approved by the Board of Directors.

In 2020, Rosneft’s Board of Directors approved the updated registers of the non-core and non-performing asset divestment programme in accordance with the Company Policy on Corporate Property Management and the Company Standard on Non-Core and Inefficient Assets Management developed by the Company and approved by the Board of Directors. The registers of non-core and non-performing assets of Rosneft and the Group Subsidiaries are maintained and updated on a regular basis in compliance with the non-core and non-performing asset divestment programme.

In 2020, Rosneft’s Board of Directors approved the updated registers of the non-core and non-performing asset divestment programme in accordance with the Company Policy on Corporate Property Management and the Company Standard on Non-Core and Inefficient Assets Management developed by the Company and approved by the Board of Directors. The programme outlines key principles of non-core and non-performing asset management, relevant procedures, stages and deadlines for implementation. The Company annually identifies assets conforming to the criteria of non-core and non-performing assets and performs their appraisal, technical audit, and economic and legal expert analysis. The programme is reviewed, updated and approved by the Board of Directors.

Information about the divestment of non-core assets by Rosneft and Group Subsidiaries in 2020

<table>
<thead>
<tr>
<th>No.</th>
<th>Asset</th>
<th>Inventory number (where applicable)</th>
<th>Balance sheet item showing the asset as at the report date preced ing its divestment</th>
<th>Accounts (excluding analytics that show income from non-core asset disposal (91.1xx) to (91.2xx))</th>
<th>Asset book value, RUB</th>
<th>Actual sales price, RUB (net of VAT)</th>
<th>Difference between actual sales price and asset book value, RUB</th>
<th>Grounds including the difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,000,000 ordinary shares in OOO SEK</td>
<td>1170</td>
<td>9101003000/910100303/9101003000</td>
<td>1,000,000.00/1,000,000.00/0.00</td>
<td>1,000,000.00/1,000,000.00/0.00</td>
<td>1,000,000.00/1,000,000.00/0.00</td>
<td>Sales price determined during a tender</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>One third of the charter capital of DadSetCom</td>
<td>1210</td>
<td>9101001201</td>
<td>3,365.00</td>
<td>11,328.32</td>
<td>7,963.32</td>
<td>Sales price determined during a tender</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Land plot under Nizhniy Novgorod region No. 25</td>
<td>1150</td>
<td>9101001001</td>
<td>40.81</td>
<td>2,444.42</td>
<td>1,986.61</td>
<td>Sales price determined during a tender</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>0.5 V power line, 6,388 linear metres</td>
<td>INV-0001</td>
<td>1150</td>
<td>9101001000/9101001000/9101001000</td>
<td>40.81</td>
<td>2,444.42</td>
<td>1,986.61</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>5</td>
<td>Land plot</td>
<td>R-00130228</td>
<td>1150</td>
<td>9101001201</td>
<td>30.66</td>
<td>5,181.30</td>
<td>5,150.64</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>6</td>
<td>Production facility building, Polkhovskoye urban settlement, (Office)</td>
<td>9082-5</td>
<td>1150</td>
<td>9101001004</td>
<td>68.03</td>
<td>1,044.17</td>
<td>1,072.14</td>
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</tr>
<tr>
<td>7</td>
<td>Auxiliary materials warehouse</td>
<td>3000000000000084</td>
<td>1150</td>
<td>9101001201</td>
<td>38.42</td>
<td>66.194</td>
<td>62.52</td>
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</tr>
<tr>
<td>8</td>
<td>Apartment</td>
<td>1-15-0000017-1226</td>
<td>1150</td>
<td>9101001101</td>
<td>33.99</td>
<td>1,910.00</td>
<td>1,568.01</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>9</td>
<td>Non-residential building (garage for special-purpose machinery)</td>
<td>132500005888</td>
<td>1150</td>
<td>9101001201</td>
<td>20.69</td>
<td>53.76</td>
<td>51.06</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>10</td>
<td>Facilities at 4A, Voznesenskogo St., Sorochinsk</td>
<td>U8-URS 11</td>
<td>1150</td>
<td>9101001201</td>
<td>17.26</td>
<td>2,379.50</td>
<td>2,262.24</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>11</td>
<td>Administrative building</td>
<td>0100055</td>
<td>1150</td>
<td>9101001201</td>
<td>53.00</td>
<td>6,864.13</td>
<td>6,553.13</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>13</td>
<td>Non-residential building</td>
<td>106, 2478</td>
<td>1150</td>
<td>9101001201</td>
<td>9.16</td>
<td>1,958.70</td>
<td>1,868.54</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>14</td>
<td>Building structure</td>
<td>430190</td>
<td>1150</td>
<td>9101001201</td>
<td>9.816.00</td>
<td>19,447.60</td>
<td>9,631.60</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>15</td>
<td>River vessel</td>
<td>7743</td>
<td>1150</td>
<td>9101001004</td>
<td>0.00</td>
<td>3,896.45</td>
<td>3,896.45</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>16</td>
<td>Monzhansk industrial site</td>
<td>750, 1224, 729</td>
<td>1150</td>
<td>9101001201</td>
<td>918.76</td>
<td>1,425.69</td>
<td>506.93</td>
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</tr>
<tr>
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<td>3-room apartment</td>
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<td>9101001201</td>
<td>456.22</td>
<td>885.00</td>
<td>448.78</td>
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</tr>
<tr>
<td>No.</td>
<td>Asset</td>
<td>Inventory number (where applicable)</td>
<td>Balance sheet item indicating the asset's book value and expenses from asset disposal (R1x.xx)/R1.x.xx</td>
<td>Accounts (including analytics) that show income and expenses from asset disposal</td>
<td>Asset book value, RUB '000</td>
<td>Actual sales price, RUB '000 (net of VAT)</td>
<td>Difference between actual sales price and asset book value, RUB '000</td>
<td>Grounds for the difference</td>
</tr>
<tr>
<td>-----</td>
<td>-------</td>
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<td>-------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>18</td>
<td>3-room apartment</td>
<td>0000572400508085</td>
<td>1150</td>
<td>911/91.2</td>
<td>244.06</td>
<td>1,956.00</td>
<td>1,711.94</td>
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</tr>
<tr>
<td>19</td>
<td>Warehouse No. 9</td>
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<td>1153</td>
<td>910/1001/0102</td>
<td>0.00</td>
<td>1,573.99</td>
<td>1,573.99</td>
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</tr>
<tr>
<td>20</td>
<td>Filling station No. 105</td>
<td>3000006842, 30003892</td>
<td>1290</td>
<td>900/10/01</td>
<td>84.88</td>
<td>507.44</td>
<td>422.56</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>21</td>
<td>2-room apartment, Zhigulevsk urban district</td>
<td>153264</td>
<td>1150</td>
<td>910/3/9104</td>
<td>224.82</td>
<td>890.35</td>
<td>667.13</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>22</td>
<td>2-room apartment, Zhigulevsk urban district</td>
<td>153265</td>
<td>1150</td>
<td>910/3/9104</td>
<td>102.16</td>
<td>750.91</td>
<td>648.77</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>23</td>
<td>4-room apartment, Zhigulevsk urban district</td>
<td>153266</td>
<td>1150</td>
<td>910/3/9104</td>
<td>97.26</td>
<td>1,388.00</td>
<td>1,250.72</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>24</td>
<td>Training centre building, 9 Pushchakaya St., Zhigulevsk urban district</td>
<td>153093, 122889</td>
<td>1150</td>
<td>910/3/9104</td>
<td>116.37</td>
<td>1,515.08</td>
<td>1,398.72</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>25</td>
<td>Non-residential facility: materials warehouse at process machinery site of Zhigulevsk oil and gas production office, Syzran</td>
<td>153265</td>
<td>1150</td>
<td>910/3/9104</td>
<td>302.01</td>
<td>1,094.61</td>
<td>772.60</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>26</td>
<td>Culinary (ready-to-eat food) store</td>
<td>601000000107221</td>
<td>1150</td>
<td>910/9/9102</td>
<td>288.85</td>
<td>2,555.00</td>
<td>2,266.15</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>27</td>
<td>Zeleny Mys recreation centre</td>
<td>050310000263, 050310000263, 050310000263, 050310000263, 050310000263, 050310000263, 050310000263</td>
<td>1150</td>
<td>910/000/005</td>
<td>661.25</td>
<td>3,785.22</td>
<td>3,121.97</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>28</td>
<td>Communication station</td>
<td>000025</td>
<td>1150</td>
<td>910/3/1001/0102</td>
<td>231.53</td>
<td>1,801.97</td>
<td>1,570.44</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>29</td>
<td>2-room apartment</td>
<td>102826</td>
<td>1150</td>
<td>910/3/1001/0102</td>
<td>1,641.93</td>
<td>1,418.22</td>
<td>253.11</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>30</td>
<td>5-room apartment</td>
<td>408237</td>
<td>1260</td>
<td>910/1001/0102</td>
<td>228.82</td>
<td>2,740.60</td>
<td>2,511.78</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>31</td>
<td>Building of store No. 18</td>
<td>708884</td>
<td>1150</td>
<td>910/1001/0102</td>
<td>0.00</td>
<td>1,172.63</td>
<td>1,172.63</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>No.</td>
<td>Asset</td>
<td>Inventory number</td>
<td>Balance sheet item showing the asset as at the reporting date preceding its disposal</td>
<td>Accounts (including analytics that show income and expenses from valuation) (91.3xx/91.3xxs)</td>
<td>Asset book value, RUB '000</td>
<td>Actual sales price, RUB '000 (net of VAT)</td>
<td>Difference between actual sales price and asset book value, RUB '000</td>
<td>Grounds for the difference</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------------</td>
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<td>-----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
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<td>---------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>44</td>
<td>Neftyanik store</td>
<td>100002862807</td>
<td>1153</td>
<td>910101001/910201001</td>
<td>14,317.07</td>
<td>16,897.72</td>
<td>2,579.75</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>45</td>
<td>Brewery</td>
<td>7500036A, 40044A, 410041, 7500036G</td>
<td>1150</td>
<td>90 01/90 02.21</td>
<td>11,853.44</td>
<td>24,856.77</td>
<td>13,003.33</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>46</td>
<td>Filling station No. 63</td>
<td>8948, 15925</td>
<td>1150</td>
<td>90 01/90 02.21</td>
<td>310.52</td>
<td>516.41</td>
<td>205.89</td>
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</tr>
<tr>
<td>47</td>
<td>Filling station No. 173</td>
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<td>1150</td>
<td>90 01/90 02.21</td>
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<td>715.70</td>
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</tr>
<tr>
<td>48</td>
<td>Apartment</td>
<td>KEM00028087</td>
<td>1150</td>
<td>9101/9105</td>
<td>3,998.09</td>
<td>4,107.77</td>
<td>109.68</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>49</td>
<td>Production facility at 3A, Promyshlennaya St., Tomskya</td>
<td>NGT-2060, NGT-2061, NGT-2061, NGT-2063</td>
<td>1150</td>
<td>9101/9121.11</td>
<td>314.75</td>
<td>4,866.98</td>
<td>4,551.43</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>50</td>
<td>Warehouse building, Suchalok settlement</td>
<td>34758-5</td>
<td>1150</td>
<td>91010101/91020101</td>
<td>312.00</td>
<td>432.68</td>
<td>200.68</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>51</td>
<td>Building of store No. 6 on the land plot</td>
<td>504224, 603225</td>
<td>1260</td>
<td>91010100/91020100</td>
<td>773.00</td>
<td>2,274.61</td>
<td>1,497.60</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>52</td>
<td>Facilities of a diesel engine overhaul shop in Balaban</td>
<td>260225, 260272, 2602851, 860123</td>
<td>1260</td>
<td>91010101/91020100</td>
<td>1,512.73</td>
<td>15,831.34</td>
<td>14,318.61</td>
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</tr>
<tr>
<td>53</td>
<td>Carpenterly building</td>
<td>847312</td>
<td>1260</td>
<td>91010101/91020100</td>
<td>3,685.96</td>
<td>5,345.30</td>
<td>1,659.34</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>54</td>
<td>Concrete batching facility building</td>
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<td>1260</td>
<td>91010101/91020100</td>
<td>2,610.02</td>
<td>5,344.57</td>
<td>2,734.55</td>
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<tr>
<td>55</td>
<td>Apartment</td>
<td>1-15-000184 - 1317</td>
<td>1150</td>
<td>9101/9101/9121.01</td>
<td>518.27</td>
<td>2,955.51</td>
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<tr>
<td>56</td>
<td>Apartment</td>
<td>1-15-000186 - r364</td>
<td>1150</td>
<td>9101/9101/9121.01</td>
<td>485.90</td>
<td>3,136.91</td>
<td>2,650.92</td>
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<tr>
<td>57</td>
<td>Apartment, Irkut Region, Angarsky</td>
<td>6900703</td>
<td>81907</td>
<td>70066</td>
<td>1,783.00</td>
<td>1,672.65</td>
<td>-110.35</td>
<td>Sales price determined during a tender</td>
</tr>
</tbody>
</table>

**Appendix 4.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Asset</th>
<th>Inventory number</th>
<th>Balance sheet item showing the asset as at the reporting date preceding its disposal</th>
<th>Accounts (including analytics that show income and expenses from valuation) (91.3xx/91.3xxs)</th>
<th>Asset book value, RUB '000</th>
<th>Actual sales price, RUB '000 (net of VAT)</th>
<th>Difference between actual sales price and asset book value, RUB '000</th>
<th>Grounds for the difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>58</td>
<td>Filling station 82</td>
<td>Kam-514, Arp-15887</td>
<td>1150</td>
<td>9101/9101/9102/01</td>
<td>155.58</td>
<td>1,840.32</td>
<td>1,684.74</td>
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</tr>
<tr>
<td>59</td>
<td>Filling station 102</td>
<td>8000001007, Arp-13859</td>
<td>1150</td>
<td>9101/9101/9102/01</td>
<td>65.16</td>
<td>1,965.73</td>
<td>1,800.57</td>
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</tr>
<tr>
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<td>Filling station 72</td>
<td>Rub-1000251, Rub-807844</td>
<td>1150</td>
<td>9101/9101/9102/01</td>
<td>208.69</td>
<td>6,027.55</td>
<td>5,818.86</td>
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</tr>
<tr>
<td>61</td>
<td>Filling station 199</td>
<td>Zav-100584, Arp-12854</td>
<td>1150</td>
<td>9101/9101/9102/01</td>
<td>195.71</td>
<td>1,569.79</td>
<td>1,374.08</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>62</td>
<td>Store (Dinheveg, 80)</td>
<td>0370/10097</td>
<td>1150</td>
<td>9101/9101/9102/01</td>
<td>95.28</td>
<td>1,001.64</td>
<td>906.36</td>
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</tr>
<tr>
<td>63</td>
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<th>Grounds for the difference</th>
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<td>0910/0905</td>
<td>4,773.91</td>
<td>7,584.20</td>
<td>2,810.09</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>119</td>
<td>Industrial site of Kromskaya oil depot (St., Elektrozavodskaya St., Vozhovo village, Bolshikhochensky settlement, Kromskoy district, Orel Region)</td>
<td>1-98, PT-480, 005</td>
<td>1150</td>
<td>9101/9002</td>
<td>1,762.91</td>
<td>2,900.00</td>
<td>1,137.09</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>120</td>
<td>Building of a store</td>
<td>11812</td>
<td>1150</td>
<td>9101/9010</td>
<td>1,762.91</td>
<td>2,900.00</td>
<td>1,137.09</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>121</td>
<td>Apartment, residential purpose, area of 88.1 sq m, Naryan-Mar</td>
<td>10002002</td>
<td>1260</td>
<td>9101/9002</td>
<td>706.80</td>
<td>4,809.88</td>
<td>4,102.82</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>122</td>
<td>Filling station 73</td>
<td>YuOS-000137, YuOS-000137, YuOS-000144</td>
<td>1150</td>
<td>9101/9010</td>
<td>308.62</td>
<td>5,536.70</td>
<td>5,128.08</td>
<td>Sales price determined following negotiations with the buyer taking into account market valuation report</td>
</tr>
<tr>
<td>123</td>
<td>Garage</td>
<td>00010241, 00010247</td>
<td>1260</td>
<td>9101/9010</td>
<td>394.23</td>
<td>649.25</td>
<td>255.02</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>No.</td>
<td>Asset</td>
<td>Inventory number (where applicable)</td>
<td>Balance sheet item showing the asset as at the reporting date preceding its disposal/</td>
<td>Accounts (including analytics that show income from disposal and asset book value (RUB '000))</td>
<td>Asset book value, RUB '000</td>
<td>Actual sales price, RUB '000 (net of VAT)</td>
<td>Difference between asset book value and asset book value, RUB '000</td>
<td>Grounds for the difference</td>
</tr>
<tr>
<td>-----</td>
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<td>-----------------------------</td>
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<td>----------------</td>
</tr>
<tr>
<td>124</td>
<td>Water supply networks (sewer conduit in Mamontovskoe)</td>
<td>00-0000027, 0000000027, 00000000053, 00000000050</td>
<td>1150</td>
<td>9101/9102</td>
<td>37046</td>
<td>2090658</td>
<td>2053613</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>125</td>
<td>Facilities at 115 Gaya St., Buduluk</td>
<td>SDK_BLPY-233, 0000000027, SDK_BLPY-235, 0000000050</td>
<td>1150</td>
<td>9110/9102</td>
<td>34048</td>
<td>379489</td>
<td>345941</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>126</td>
<td>Non-residential building</td>
<td>SDK_BLPY-235, 0000000050</td>
<td>1150</td>
<td>9110/9102</td>
<td>307191</td>
<td>295101</td>
<td>46401</td>
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</tr>
<tr>
<td>127</td>
<td>Zalan section of the Khark shop</td>
<td>0235, 0237, 0238, 0236, 0237</td>
<td>1150</td>
<td>9110/9102</td>
<td>956000</td>
<td>240901</td>
<td>145901</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>128</td>
<td>Cat maintenance station</td>
<td>99-158, 0000000007</td>
<td>1150</td>
<td>9110/9102</td>
<td>75000</td>
<td>25333</td>
<td>16178</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>129</td>
<td>Arch warehouse</td>
<td>SD033A</td>
<td>1150</td>
<td>9111/9100/2915/9100</td>
<td>000</td>
<td>76856</td>
<td>76856</td>
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<tr>
<td>130</td>
<td>Warehouse</td>
<td>32020A</td>
<td>1150</td>
<td>9111/9100/2915/9100</td>
<td>000</td>
<td>159376</td>
<td>159376</td>
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<tr>
<td>131</td>
<td>Land plot</td>
<td>000008993</td>
<td>1150</td>
<td>9110/9112</td>
<td>4119</td>
<td>139017</td>
<td>135108</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>132</td>
<td>Canteen in Klimtov</td>
<td>000000874, IQ28</td>
<td>1150</td>
<td>9110/9102</td>
<td>45197</td>
<td>105557</td>
<td>101921</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>133</td>
<td>Nizhny Novgorod/Moscow oil depot</td>
<td>01042, 01041, 01048, 01046, 01045, 01044, 01041, 01043, 01042</td>
<td>1150</td>
<td>9110/9102</td>
<td>258820</td>
<td>265270</td>
<td>28890</td>
<td>Sales price determined during a tender</td>
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<tr>
<td>134</td>
<td>Fitting station No. 47</td>
<td>1447, 2454</td>
<td>1150</td>
<td>9110/9112</td>
<td>52631</td>
<td>38437</td>
<td>7794</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>135</td>
<td>Apartment</td>
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<td>1150</td>
<td>9110/9102</td>
<td>25644</td>
<td>201000</td>
<td>17546</td>
<td>Sales price determined following negotiations with the buyer taking into account market valuation report</td>
</tr>
<tr>
<td>136</td>
<td>Apartment</td>
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<td>1150</td>
<td>9110/9102</td>
<td>5084</td>
<td>482000</td>
<td>16806</td>
<td>Sales price determined following negotiations with the buyer taking into account market valuation report</td>
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<tr>
<td>137</td>
<td>Neftegaz-70 trans- port and towing vessel</td>
<td>840105-951003940</td>
<td>1150</td>
<td>9110/9102</td>
<td>138845</td>
<td>1098385</td>
<td>944742</td>
<td>Sales price determined during a tender</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No.</th>
<th>Asset</th>
<th>Inventory number (where applicable)</th>
<th>Balance sheet item showing the asset as at the reporting date preceding its disposal/</th>
<th>Accounts (including analytics that show income from disposal and asset book value (RUB '000))</th>
<th>Asset book value, RUB '000</th>
<th>Actual sales price, RUB '000 (net of VAT)</th>
<th>Difference between asset book value and asset book value, RUB '000</th>
<th>Grounds for the difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>138</td>
<td>Motor ship</td>
<td>0105020529</td>
<td>1150</td>
<td>9110/9110/0102</td>
<td>555195</td>
<td>209676</td>
<td>345519</td>
<td>Sales price determined during a tender The tender resulted in no bids to purchase the asset at a price not lower than the book value</td>
</tr>
<tr>
<td>139</td>
<td>Land plot</td>
<td>01000000010353-3533</td>
<td>1150</td>
<td>9110/9110/0102</td>
<td>406347</td>
<td>371664</td>
<td>346413</td>
<td>Sales price determined during a tender The tender resulted in no bids to purchase the asset at a price not lower than the book value</td>
</tr>
<tr>
<td>140</td>
<td>Facilities</td>
<td>01030000000382, 01010100000101, 010201400101</td>
<td>1150</td>
<td>9110/9110/0102</td>
<td>568812</td>
<td>27240</td>
<td>215518</td>
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</tr>
<tr>
<td>141</td>
<td>Apartment</td>
<td>010334198-1</td>
<td>1150</td>
<td>9110/9110/0102</td>
<td>220703</td>
<td>139042</td>
<td>81691</td>
<td>Sales price determined during a tender</td>
</tr>
<tr>
<td>142</td>
<td>Upgrade of the Mamontovskoye oil depot — operator station for loading light petroleum products</td>
<td>0100000035</td>
<td>1150</td>
<td>9110/9110/0102</td>
<td>88804</td>
<td>180000</td>
<td>91196</td>
<td>Sales price determined during a tender</td>
</tr>
</tbody>
</table>

TOTAL: 1,554,065.35, 1,651,442.50, 397,376.95
2. Procurement of goods, works and services

2.1. Approval of the Regulation on Procurement. Procurement transparency improvement


On 30 November 2018, Rosneft’s Board of Directors resolved to approve version No. 3 of the Company’s Regulations on the Procurement of Goods, Works and Services. The Company’s updated procurement standards are posted on the Company’s official website at http://zakupki.rosneft.com/node/459132 and in the Internal Information System at http://akpis.rosneft.ru. The Company has set out the Company’s procurement principles: information openness and transparency, equality, fairness and non-discrimination, no unwarranted restricted competition, targeted and cost-efficient expenditure, prevention of corruption or any abuse in the procurement process, designation of key elements of the procurement process targeting the procurement process. The Company’s updated procurement standards and annexes for preparing and carrying out procurements and procedures for signing and performing procurement contracts. The Company also sets out certain provisions regulating the participation of small and medium-sized enterprises (SMEs) in procurements, provides for the possibility of online procurement. In 2016, the Company developed procurement standards for goods, works and services to set price limits on, and define requirements for the quantity, consumer properties and other specifications of the said goods, works and services. The list of products regulated by the corporate standards is posted on the Company’s official website (the full version of the document is available at http://akpis.rosneft.ru). The Company also monitors the compliance of the corporate standards and annually reviews procurement results for their compliance with the standards.


2.2. Improving efficiency of procurements from small and medium-sized enterprises (SMEs), including procurement of innovative products

The Company implemented a set of measures to improve procurement efficiency. These measures include establishment of the standing Advisory Board, relevant information about the Board is posted on Rosneft’s official website (more details are available at https://www.rosneft.ru/development/consult), development and approval of the following internal documents: 1) Regulations on Procurement of Goods, Works and Services, which describes key elements of the procurement process targeting the procurement process; 2) Regulations on Procurement of Goods, Works and Services, which provides f...
3. Dividend recommendations

According to the Dividend Policy approved by the Company’s Board of Directors on 5 June 2015 (Minutes No. 10 dated 5 June 2015) as amended by Rosneft’s Board of Directors (Meeting Minutes No. 15 dated 9 December 2016, No. 29 dated 22 June 2017 and No. 5 dated 31 August 2017), the Board of Directors, when recommending a dividend to the General Shareholders Meeting, is guided by the amount of net profit as per Rosneft’s Russian Accounting Standards (RAS) financial accounts and International Financial Reporting Standards (IFRS) consolidated financial statements. Rosneft’s Board of Directors recommends a dividend based on Rosneft’s annual financial performance. The target dividend is no less than 50% of Rosneft’s net income as per IFRS, the target dividend frequency is no less than twice a year.

The history of dividend payments is available on the Company’s official website at https://www.rosneft.com/Investors/Dividends/.

4. Annual Report structure

Rosneft’s Annual Report 2020 was prepared in accordance with the annual reporting requirements of Regulations of the Bank of Russia No. 454-P dated 30 December 2014 and an annual report template for joint-stock companies in federal ownership as approved by Resolution of the Government of the Russian Federation No. 1214 dated 31 December 2014 and Directives of the Government of the Russian Federation No. 2083-r dated 12 November 2010.

5. Strategy development and update, efficiency, and long-term planning

5.1. Formulation and approval of the Innovation Development Programme

Pursuant to subparagraph b, paragraph 1 of List of Instructions of the President of the Russian Federation No. Ph-320 dated 7 February 2011, the Government Commission for Economic Modernization and Innovation Development (Minutes No. 2 dated 22 October 2018) and Rosneft’s Board of Directors approved Rosneft’s Innovation Development Programme for 2020–2024 with an outlook to 2030 (Minutes No. 18 dated 25 December 2020).

The Programme is structured to meet the requirements for innovative development programmes of state-owned joint-stock companies, state corporations and federal state unitary enterprises and the recommendations approved by resolution of the Interdepartmental Commission on Technological Development under the Government Commission for Economic Modernization and Innovation Development. Major focus areas, key performance indicators and activities of the Innovation Development Programme are integrated in the updated Long-Term Development Programme approved by Rosneft’s Board of Directors (Minutes No. 14 dated 21 December 2020).

The list of the Long-Term Development Programme KPIs and KPIs for Rosneft’s top managers, including the Chief Executive Officer, were supplemented with an integrated KPI of innovation efficiency. In 2018, the Company benchmarked its technology (innovation) level and relevant KPIs against peers (leading Russian and international companies) as recommended by the cross-department task group (Minutes No. 2 dated 19 September 2017).

The Ministry of Energy and the Ministry of Economic Development of the Russian Federation were presented with proposals for the structure and values of the integrated KPI of innovation efficiency for 2020. In 2020, the Board of Directors considered a report on the progress of Rosneft’s Innovation Development Programme in 2019 (Minutes No. 23 dated 22 April 2020). The Company met its action plan and targets for innovation efficiency KPIs as set out in Rosneft’s Innovation Development Programme for 2019. Relevant information is regularly posted on the Interdepartmental Portal.

5.2. Intellectual property rights management

Recommendations as to intellectual property rights management are fully integrated into the Company’s Regulations on Intellectual Property Rights (Inventions, Utility Models, Software, Databases and Know-How) Management (approved and enacted by Order No. 429 dated 25 July 2017) and Rosneft’s Innovation Development Programme for 2020–2024 (approved by the Company’s Board of Directors).

These Regulations establish a general procedure and requirements for the following processes: creation and identification of protectable intellectual property; assignment of intellectual property rights in Rosneft’s best interest; patent research, including patent landscaping, to plan and conduct world-class research and development and to create new and upgrade existing technologies; registration of intellectual property rights and keeping records of exploration and development rights (patents, utility models, software and know-how).

As part of the Innovation Development Programme, Rosneft adopted an intellectual property rights management programme. In 2020, Rosneft’s Board of Directors considered matters related to intellectual property rights management as required by Directives of the Government of the Russian Federation No. 917p-P13 dated 12 December 2017 and No. 7050p-P13 dated 30 August 2018. Relevant information is regularly posted on the Interdepartmental Portal.
5.3. Development and approval of the Company's strategy and Long-Term Development Programme

In 2020, Rosneft’s Board of Directors approved the Rosneft–2022 Strategy (Minutes No. 8 dated 17 December 2020) and the Long-Term Development Programme (Minutes No. 11 dated 23 December 2020). The Company’s strategy and Long-Term Development Programme were approved in order to achieve the following goals:

- Aligning the Company’s development plans with the current economic situation and the development of the global energy market;
- Ensuring the implementation of the approved Strategy and Long-Term Development Programme;
- Setting the Company’s priorities for the next five years;
- Ensuring the Company’s competitiveness and growth;
- Ensuring the Company’s continued development in line with the state’s priorities and the Russian Federation’s national goals.

The Company’s strategy and Long-Term Development Programme are regularly reviewed by Rosneft’s Board of Directors; in December 2020, the Board of Directors reviewed the progress for 2020, noting that most of the key indicators of the Rosneft–2022 Strategy for 2020 were met.

Rosneft’s Long-Term Development Programme was originally established in 2014 pursuant to an order of the President of the Russian Federation (No. 12119p-P13 dated 30 December 2014) and Directives of the Government of the Russian Federation No. 4955p-P13 dated 17 July 2015 and No. 4955p-P13 dated 12 February 2016.

5.4. Reduction of operating expenses

In 2020, annual average operating expenses were reduced by at least 2% per year through cost optimisation, energy savings, increased operational efficiency, measures to reduce fuel consumption and losses, reduction in procurement, and optimisation of employee headcount.

Information on compliance with instructions and directives of the President and the Government of the Russian Federation is regularly posted on the Interportal website.

5.5. Development of internal regulations

As required by the guidelines approved by the Government of the Russian Federation (No. 19- P1448 dated 24 June 2015), the Company developed, approved and enacted the following documents:

- Policy on Internal Audit;
- Policy on Operational and Investment Efficiency Improvement;
- Policy on Risk Management and Internal Control System;
- Policy on Onshore Oil Production;
- Policy on Offshore Hydrocarbon Exploration and Production;
- Policy on Gas Business;
- Standard on the Corporate-Wide Risk Management System.

5.6. Performance optimisation through integration

The functions of Rosneft Group Companies were centralised and merged into the Integrated Treasury supported by the Company’s financial department and JSC Russian Regional Development Bank (RDBE).

Business processes pertaining to treasury management, budgeting and acceptance of financial documents were aligned and aggregated.

Information on compliance with instructions and directives of the President and the Government of the Russian Federation is regularly posted on the Interportal website.
5.7. Alignment of corporate activities with the Bank of Russia’s Corporate Governance Code

The principle of the Bank of Russia’s Corporate Governance Code is to align its activities with the requirements of the law. The principles of corporate governance framework are set out in the Bank of Russia’s Corporate Governance Code and aligned with the best global practices.

The roadmap status was reviewed by the Board of Directors on 20 December 2017 (Minutes No. 9 dated 25 December 2017), 24 December 2018 (Minutes No. 13 dated 24 December 2018) and 15 December 2019 (Minutes No. 10 dated 15 December 2019). In 2016, all the initiatives scheduled by the roadmap were implemented in full.

5.8. Reimbursement of export credits providing for a settlement as a currency settlement

The possibility of reimbursement of export credits is provided for in most of the oil sales contracts signed by the Group Subsidiaries with buyers from the CIS countries.

5.9. Remuneration of the Company’s management and employees and KPI system development

The Company introduced a KPI-based incentive system for its management in 2009. Also enacted were the Regulatoins on Annual Bonuses for Rosneft's Top Managers and Heads of Independent Business Units.

5.10. Fulfillment of Resolution of the Government of the Russian Federation No. 232 dated 6 March 2018 with regard to the Procedure for Approval of Plans and Programmes by the Ministry for Development of the Russian Far East and Approval of Said Documents by the Ministry

On 24 December 2018, pursuant to Directives of the Government of the Russian Federation No. 886p-P13 dated 10 October 2018, Rosneft approved the Action Plan for Implementation of Resolution of the Government of the Russian Federation No. 232 dated 6 March 2018 that requires, inter alia, to conduct a procedure for approval of corporate plans and target programmes by the Ministry for Development of the Russian Far East and to have these documents approved by the said Ministry. It was noted, among other things, that the proposals initiated by Rosneft in the Russian Far East as instructed by the President of the Government of the Russian Federation are coordinated with the Ministry for Development of the Russian Far East.

Pursuant to the said directive, Rosneft and the Ministry for Development of the Russian Far East signed an agreement on 28 October 2019 to establish a procedure for confidential information exchange. In addition, Rosneft developed and approved the Regulations on the Provision of Summary Information about the Company’s Plans and Target Programmes to the Ministry for Development of the Russian Far East and enacted them from 1 January 2020. Relevant information is regularly posted on the Interdepartmental Portal.

5.11. Fulfillment of Directives to reduce crude oil production as part of compliance by the Russian Federation with the OPEC and non-OPEC ministerial decisions to that effect

In 2020, as part of compliance by the Russian Federation with the OPEC and non-OPEC ministerial decisions, Rosneft received Directives of the Government of the Russian Federation No. 403sp-P13 dated 15 May 2020 and No. 688sp-P13 dated 9 August 2020 providing for limitations on crude oil production.

In pursuance of the Directives, the Company engaged in comprehensive efforts to comply with the above limitations taking into account the changing macroeconomic environment and classification of assets by economic efficiency.

In 2020, the Company continuously monitored its compliance with the Government’s Directives on crude oil production, including where needed targeted adjustments in production at specific assets depending on delivery commitments, technical feasibility, and economic efficiency.

5.12. International cooperation and exports

In pursuance of the Directives, Rosneft analyzed its export operations and determined that the export structure already met the requirements for long-term and stable production.

The approved business plan for 2020–2021 and the resulting forecast for the period of up to 2024 provided for the export volume in this category to increase by 18% by 2024 as compared to 2017. As the target increase in exports of non-commodity non-energy products by the Company is above the level provided for in the National Project (12.6%), no measures are required to update the targets in the Company's business plans, and there is no need to update the Company’s Long-Term Development Programme or implement the Directives across the subsidiaries.

Efficiency metrics reflecting Rosneft’s export activities are already included in the Company’s Business Plan metrics. Rosneft is currently involved in implementing the roadmap for the development of the petrochemical industry in the Russian Federation through 2025 put together by the Ministry of Energy as part of the National Project. The Company’s requirements regarding the Company’s integration into the National Project have effectively been complied with.

6. Sustainable development

6.1. Adoption of professional standards

In 2020, Rosneft and Group Subsidiaries took measures to adopt professional standards in accordance with the Action Plan approved by Rosneft’s Board of Directors on 27 December 2019 (Minutes No. 12).

Rosneft’s Board of Directors was twice updated (as at 1 May 2020 and 2 November 2020) on the implementation of the Action Plan in Rosnef and the Group Subsidiaries (Minutes No. 3 dated 2 July 2020 and Minutes No. 16 dated 25 December 2020). By resolution of the Board of Directors, Rosneft approved the Action Plan for Adoption of Professional Standards at Rosneft and the Group Subsidiaries for 2021 (Minutes No. 16 dated 25 December 2020).

Relevant information is regularly posted on the Interdepartmental Portal.
6.2. Creation of professional and amateur sports organisations

Subparagraph b, paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-2179 dated 9 November 2016
Paragraph 1 of Instruction of the Government of the Russian Federation No. 15P-P13-8690 dated 26 December 2017
Letter of the Federal Agency for State Property Management No. RB-11/152020xp dated 22 January 2018

In accordance with paragraph 171, Article 65 of the Federal Law on Joint-Stock Companies, matters related to the establishment of, participation in, and withdrawal from commercial and non-commercial organisations fall within the remit of the board of directors or another executive body of a joint-stock company as is provided for in the company's charter.

Rosneft places special emphasis on the support and development of sports and considers them one of the top priorities of its social policy.

For this purpose, the Company traditionally provides finance to support and develop sports organisations, develop and promote mass and children's sports, build and upgrade ice arenas, ice rinks and recreation centres, and buy sports equipment for children's sports schools and other educational institutions.

As part of its sponsorship agenda, Rosneft also provides financial support to help organise and hold important international sports competitions. Its initiatives are aimed at supporting and developing hockey, football, biathlon, sambo, boxing, motor racing and other sports.

6.3. Advertising contracts between Rosneft and top Russian athletes

Instruction of the President of the Russian Federation No. Pr-223 dated 9 February 2018 
and Instruction of the Government of the Russian Federation No. VM-P12-1271 dated 7 March 2018

Since Rosneft promotes sports, it provides finance to support and develop sports organisations.

Rosneft is a title sponsor of the International SAMBO Federation (FIAS) and finances the official schedule of annual sambo competitions.

The Company supports motor racing and prioritises national teams and car manufacturers, while intending to cover the maximum number of regions with the races organised.

The Company also provides full financial support to the Russian ice hockey club CSKA.

Since 2017, Rosneft has been a title sponsor of the Arsenal Tula Football Club in the Russian football championship, the Avers Basketball Club, and other sports teams.

6.4. Implementation of measures to prevent the spread of COVID-19

Directives of the Government of the Russian Federation No. 2150p-P13 dated 16 March 2020

In pursuance of Directives of the Government of the Russian Federation No. 2150p-P13 dated 16 March 2020 on coronavirus, on 23 March 2020, the Company developed and approved the Plan of Priority Response Measures to Ensure Business Continuity (Minutes of the Board of Directors No. 18 dated 19 March 2020, P-2212-IS dated 23 March 2020).

To ensure business continuity amid the spread of virus infections, the Group subsidiaries were provided with a recommended template of the basic action plan to develop their own plans (letter AA-3527 dated 25 March 2020).

Information about compliance with the Directives was posted on the Interdepartmental Portal.

Rosneft’s Plan of Priority Response Measures to Ensure Business Continuity was not posted on the portal due to the confidential information that it contains.

Level of net foreign exchange assets

Directives of the Government of the Russian Federation No. 8036p-P13 dated 1 September 2020

In 2020, the Company carried out monthly calculations of its net foreign exchange assets based on its consolidated IFRS data and also of its foreign currency revenue and submitted reports to the Central Bank of the Russian Federation using the form for the calculation of the maximum permissible limit of net foreign exchange assets.

Transition to tax monitoring

Directives of the Government of the Russian Federation No. 11528p-P13 dated 15 December 2019

In pursuance of the said Directives of the Government of the Russian Federation, on 16 March 2020 Rosneft’s Board of Directors (Minutes No. 16 dated 19 March 2020) approved and coordinated with the Federal Tax Service (No. 5D-4-23/9031 dated 1 June 2020) a roadmap through 2022 to enable the transition of Rosneft and the largest Group Subsidiaries to tax monitoring.

Appendix 5

(INFORMATION ON CORE INTERNAL REGULATIONS THAT SERVE AS A BASIS FOR THE PREPARATION OF THIS ANNUAL REPORT, INCLUDING KEY INTERNAL DOCUMENTS REGULATING THE INTERNAL AUDIT FUNCTION AND THE FUNCTIONING OF THE IC&RMS)
THIS ANNUAL REPORT HAS BEEN PREPARED BASED ON THE FOLLOWING LOCAL (INTERNAL) REGULATIONS OF ROSNEFT:

CHARTER;

Rosneft's Corporate Governance Code;
Code of Business and Corporate Ethics of Rosneft;
Regulations on the General Shareholders Meeting of Rosneft;
Regulations on the Board of Directors of Rosneft;
Rosneft Regulation on the Rosneft Board of Directors Audit Committee;
Rosneft Regulations on Human Resources and Remuneration Committee of Rosneft Board of Directors;
Rosneft Regulation on the Rosneft Board of Directors Strategic Planning Committee;
Rosneft Regulation on Payment of Remuneration and Compensation of Expenses of the Members of Rosneft Board of Directors;
Rosneft Regulation Procedure for Formation and Work of Rosneft Board of Directors Committees;
Regulations on the Collective Executive Body (Management Board) of Rosneft;
Regulations on the Sole Executive Body (Chief Executive Officer) of Rosneft;
Company Standard on Payments and Compensations to Top-managers;
Regulations on the Audit Commission of Rosneft;
Rosneft Regulation on Remuneration and Compensation to Rosneft Audit Commission Members;
Rosneft Regulation on Rosneft Corporate Secretary;
Company Information Policy;
Rosneft Regulation on Provision of Information to Rosneft Shareholders;
Rosneft Regulations on Insider Information;
Rosneft Dividend Policy;
Company Policy on Combating Corporate Fraud and Involvement in Corruption Activities;
Company Policy on Internal Audit;
Company Policy on Risk Management and Internal Control System;
Company Policy on Health, Safety and Environmental Protection.
Appendix 6
(FINANCIAL STATEMENTS AND AUDITOR’S REPORT)
INDEPENDENT AUDITOR’S REPORT

To the Shareholders and Board of Directors of PJSC Rosneft Oil Company

OPINION

We have audited the financial statements of PJSC Rosneft Oil Company (the “Company”), which comprise the balance sheet as of 31 December 2020, the income statement for 2020 and appendices thereto.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2020 and its financial performance and its cash flows for 2020 in accordance with the rules on preparation of financial statements established in the Russian Federation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. Management is responsible for the other information. The Annual Report is expected to be provided to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information when it is provided to us and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules on preparation of financial statements established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Company’s financial reporting process.

Contributions to the charter capital of subsidiaries related to restructuring

In 2020, the Company made a number of new investments of shares/units of entities that the Company owns and holds on its balance sheet, to the charter capital of its other subsidiaries in order to create and spin-off management sub-holdings. As a result of these transactions, the cost of financial investments should be determined based on the fair value of assets transferred as a contribution to the charter capital.

This matter is one of the most significant in our audit as the respective transactions are significant for financial statements and the calculation of the value of the transferable financial investments requires management to make significant judgments. Information on the above-mentioned transactions is provided in Note 11 to the financial statements.

We engaged our business valuation experts to review the models prepared to determine the value of the assets transferred to the charter capital. We analyzed assumptions used in the models to verify the value of the assets. We compared discount rates and projected long-term growth rates with general market indicators and other available data. We verified arithmetic accuracy of the models and sensitivity analysis of models to changes in key assumptions. In addition, we compared the amounts in accounting postings to the respective value calculations and analyzed the approach to fair value measurement of financial investments.

Key audit matter How our audit addressed the key audit matter

- Contributions to the charter capital of subsidiaries related to restructuring
  - We engaged our business valuation experts to review the models prepared to determine the value of the assets transferred to the charter capital.
  - We analyzed assumptions used in the models to verify the value of the assets.
  - We compared discount rates and projected long-term growth rates with general market indicators and other available data.
  - We verified arithmetic accuracy of the models and sensitivity analysis of models to changes in key assumptions.
  - In addition, we compared the amounts in accounting postings to the respective value calculations and analyzed the approach to fair value measurement of financial investments.
AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures.

• Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, threat mitigation actions or related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor’s report is D. E. Lobachev.

D. E. Lobachev
Partner
Ernst & Young LLC
12 February 2021

DETAILS OF THE AUDITED ENTITY

Name: PJSC Rosneft Oil Company
Record made in the State Register of Legal Entities on 12 August 2002, State Registration Number 1027700043502.
Address: Russia 115035, Moscow, Sofiyskaya nab., 26/1.

DETAILS OF THE AUDITOR

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, building 1.

Ernst & Young LLC is a member of Self-regulated organization of auditors Association “Sodruzhestvo” (“SRO AAS”). Ernst & Young LLC is included in the controlled copy of the register of auditors and audit organizations, main registration number 12006020327.
## BALANCE SHEET
### AT 31 DECEMBER 2020

**Entity PJSC Rosneft Oil Company**

**Monetary unit: kRUB**

<table>
<thead>
<tr>
<th>Explanatory note</th>
<th>Item</th>
<th>Line code</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
</table>

### Assets

<p>| | | | | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>I. Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Intangible assets</td>
<td>110</td>
<td>42,463,967</td>
<td>44,331,957</td>
<td>44,599,332</td>
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<td>8. Research and development results</td>
<td>1120</td>
<td>10,501,685</td>
<td>8,950,122</td>
<td>6,728,122</td>
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<tr>
<td>9. Intangible exploration assets</td>
<td>1130</td>
<td>103,846,837</td>
<td>107,073,666</td>
<td>95,294,115</td>
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<tr>
<td>1. Tangible exploration assets</td>
<td>1140</td>
<td>32,202,676</td>
<td>31,940,897</td>
<td>20,222,627</td>
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<tr>
<td>3. Fixed assets</td>
<td>1150</td>
<td>1,402,928,888</td>
<td>1,325,676,684</td>
<td>1,249,250,761</td>
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<tr>
<td>10. Income-bearing investments in tangible assets</td>
<td>1160</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>2.21 Deferred tax assets</td>
<td>1180</td>
<td>201,922,448</td>
<td>198,633,694</td>
<td>94,841,893</td>
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<tr>
<td>9. Other non-current assets</td>
<td>1190</td>
<td>39,003,899</td>
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<tr>
<td><strong>Total for section I</strong></td>
<td>1100</td>
<td>7,597,203,144</td>
<td>7,502,520,379</td>
<td>7,726,342,875</td>
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</tr>
</thead>
<tbody>
<tr>
<td>II. Current assets</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>10. Inventories</td>
<td>1210</td>
<td>113,901,223</td>
<td>136,889,747</td>
<td>151,426,709</td>
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<tr>
<td>15. Value added tax on purchased assets</td>
<td>1220</td>
<td>35,670,961</td>
<td>48,810,809</td>
<td>72,778,604</td>
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<tr>
<td>15.18 Accounts receivable</td>
<td>1230</td>
<td>4,002,364,510</td>
<td>5,343,078,668</td>
<td>2,653,810,275</td>
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<tr>
<td>Including: Accounts receivable expected to be settled within 12 months after the reporting date</td>
<td>1231</td>
<td>940,645,382</td>
<td>1,419,354,476</td>
<td>1,003,017,767</td>
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<tr>
<td>Accounts receivable expected to be settled in over 12 months after the reporting date</td>
<td>1232</td>
<td>3,062,719,228</td>
<td>2,017,722,190</td>
<td>1,648,795,488</td>
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<tr>
<td>11. Financial investments (other than cash equivalents)</td>
<td>1240</td>
<td>1,423,661,785</td>
<td>985,762,573</td>
<td>1,100,833,573</td>
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<tr>
<td>12. Short-term derivative financial instruments at fair value through profit or loss</td>
<td>1241</td>
<td>–</td>
<td>2,243,018</td>
<td>–</td>
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<tr>
<td>12. Long-term derivative financial instruments at fair value through profit or loss</td>
<td>1242</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
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<tr>
<td>14. Cash and cash equivalents</td>
<td>1250</td>
<td>486,199,707</td>
<td>973,988,766</td>
<td>598,544,224</td>
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<tr>
<td>16. Other current assets</td>
<td>1260</td>
<td>5,141,816</td>
<td>4,703,765</td>
<td>5,052,038</td>
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<tr>
<td>Including: Unbilled accrued revenue under construction contracts</td>
<td>1261</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td><strong>Total for section II</strong></td>
<td>1200</td>
<td>6,077,539,986</td>
<td>4,820,977,564</td>
<td>4,582,374,944</td>
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<tr>
<td><strong>Balance</strong></td>
<td>1600</td>
<td>13,674,743,150</td>
<td>12,323,497,743</td>
<td>12,308,717,819</td>
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</tr>
</tbody>
</table>

### Liabilities

<p>| | | | | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>III. Capital and liabilities</td>
<td></td>
<td></td>
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</table>

**Explanatory note**

**Item**

<table>
<thead>
<tr>
<th>Line code</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>119</td>
<td>Charter capital (pooled capital, charter fund, partners contributions)</td>
<td>1330</td>
<td>105,082</td>
</tr>
<tr>
<td>19</td>
<td>Treasury shares</td>
<td>1320</td>
<td>–</td>
</tr>
<tr>
<td>19</td>
<td>Revaluation of non-current assets</td>
<td>1340</td>
<td>3</td>
</tr>
<tr>
<td>19</td>
<td>Additional capital (without revaluation)</td>
<td>1350</td>
<td>198,170,353</td>
</tr>
<tr>
<td>19</td>
<td>Reserve capital</td>
<td>1360</td>
<td>5,299</td>
</tr>
<tr>
<td>19</td>
<td>Other funds and reserves</td>
<td>1365</td>
<td>(105,578)</td>
</tr>
<tr>
<td>20</td>
<td>Retained earnings (uncovered loss)</td>
<td>1370</td>
<td>2,106,418,999</td>
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<tr>
<td><strong>Total for Section III</strong></td>
<td>1300</td>
<td>2,224,610,050</td>
<td>2,261,771,078</td>
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</table>

### IV. Long-term liabilities

<p>| | | | | | |</p>
<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Loans and borrowings</td>
<td>1410</td>
<td>6,420,508,876</td>
<td>5,397,760,107</td>
<td>5,792,741,747</td>
</tr>
<tr>
<td>21</td>
<td>Deferred tax liabilities</td>
<td>1420</td>
<td>120,809,294</td>
<td>106,783,347</td>
<td>91,808,512</td>
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<tr>
<td>24</td>
<td>Provisions</td>
<td>1430</td>
<td>92,409,353</td>
<td>76,836,351</td>
<td>56,345,080</td>
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<tr>
<td>12</td>
<td>Long-term derivative financial instruments at fair value through profit or loss</td>
<td>1440</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>16</td>
<td>Other liabilities</td>
<td>1450</td>
<td>1,640,610,107</td>
<td>799,325,852</td>
<td>1,134,301,419</td>
</tr>
<tr>
<td><strong>Total for section IV</strong></td>
<td>1400</td>
<td>8,074,137,640</td>
<td>6,379,898,657</td>
<td>7,075,285,758</td>
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</tbody>
</table>

### V. Short-term liabilities

<p>| | | | | | |</p>
<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Loans and borrowings</td>
<td>1510</td>
<td>787,352,521</td>
<td>946,067,618</td>
<td>817,935,056</td>
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<tr>
<td>15.18</td>
<td>Accounts payable</td>
<td>1520</td>
<td>2,012,922,448</td>
<td>2,691,900,722</td>
<td>2,333,146,921</td>
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<tr>
<td>24</td>
<td>Deferred income</td>
<td>1530</td>
<td>2,243,018</td>
<td>2,865,382</td>
<td>2,740,157</td>
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<tr>
<td>12</td>
<td>Short-term derivative financial instruments at fair value through profit or loss</td>
<td>1540</td>
<td>46,832,545</td>
<td>32,444,291</td>
<td>16,982,179</td>
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<tr>
<td>16</td>
<td>Other liabilities</td>
<td>1550</td>
<td>1,640,610,107</td>
<td>799,325,852</td>
<td>1,134,301,419</td>
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<tr>
<td><strong>Total for section V</strong></td>
<td>1500</td>
<td>5,375,955,440</td>
<td>5,681,826,008</td>
<td>5,206,991,444</td>
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<tr>
<td><strong>Balance</strong></td>
<td>1700</td>
<td>13,674,743,150</td>
<td>12,323,497,743</td>
<td>12,308,717,819</td>
<td></td>
</tr>
</tbody>
</table>

**Chief Executive Officer of Rosneft Oil Company**

I.I. Sechin

**Chief Accountant of PJSC Rosneft Oil Company**

D.B. Torba

12 February 2021
# STATEMENT OF INCOME
## AT 31 DECEMBER 2020

Entity PJSC Rosneft Oil Company  
Monetary unit: kRUB

<table>
<thead>
<tr>
<th>Explanatory note</th>
<th>Item</th>
<th>Line code</th>
<th>January-December 2020</th>
<th>January-December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Revenue</td>
<td>2110</td>
<td>4,835,091,105</td>
<td>6,827,526,407</td>
</tr>
<tr>
<td>2019</td>
<td>Cost of sales</td>
<td>2120</td>
<td>(3,641,355,413)</td>
<td>(4,782,222,071)</td>
</tr>
<tr>
<td>20</td>
<td>Oil and gas reserves exploration and estimation expenses</td>
<td>2130</td>
<td>(7,543,407)</td>
<td>(6,559,819)</td>
</tr>
<tr>
<td>2100</td>
<td>Gross income (loss)</td>
<td>2100</td>
<td>1,186,192,285</td>
<td>2,038,744,517</td>
</tr>
<tr>
<td>2200</td>
<td>Income (loss) from sales</td>
<td>2200</td>
<td>322,543,867</td>
<td>758,626,178</td>
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<tr>
<td>2210</td>
<td>Selling expenses</td>
<td>2210</td>
<td>(772,860,114)</td>
<td>(1,196,815,437)</td>
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<tr>
<td>16.20</td>
<td>Interest receivable</td>
<td>2520</td>
<td>148,757,678</td>
<td>176,844,160</td>
</tr>
<tr>
<td>2320</td>
<td>Interest payable</td>
<td>2330</td>
<td>(360,174,908)</td>
<td>(445,059,171)</td>
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<tr>
<td>2233</td>
<td>Gains from changes in the fair value of derivative financial instruments</td>
<td>2233</td>
<td>–</td>
<td>55,301,062</td>
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<tr>
<td>2234</td>
<td>Losses from changes in the fair value of derivative financial instruments</td>
<td>2234</td>
<td>(14,734,626)</td>
<td>–</td>
</tr>
<tr>
<td>2340</td>
<td>Other income</td>
<td>2340</td>
<td>190,992,361</td>
<td>124,722,952</td>
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<td>2350</td>
<td>Other expenses</td>
<td>2350</td>
<td>(217,629,746)</td>
<td>(302,893,537)</td>
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<tr>
<td>2300</td>
<td>Income (loss) before tax</td>
<td>2300</td>
<td>69,554,626</td>
<td>347,541,644</td>
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<td>2410</td>
<td>Income tax</td>
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<td>83,547,847</td>
<td>48,185,409</td>
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<td>2411</td>
<td>Current income tax</td>
<td>2411</td>
<td>15,271,514</td>
<td>9,648,441</td>
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<td>2412</td>
<td>Deferred income tax</td>
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<td>68,276,333</td>
<td>38,536,968</td>
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<td>2460</td>
<td>Other</td>
<td>2460</td>
<td>2,708,693</td>
<td>799,156</td>
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<tr>
<td>2461</td>
<td>Tax on prior year income</td>
<td>2461</td>
<td>(6,805)</td>
<td>703,325</td>
</tr>
<tr>
<td>2464</td>
<td>Imputed income tax</td>
<td>2464</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2465</td>
<td>Income tax re-distribution within consolidated taxpayer</td>
<td>2465</td>
<td>2,715,498</td>
<td>95,831</td>
</tr>
<tr>
<td>22</td>
<td>Net income (loss)</td>
<td>2400</td>
<td>155,811,166</td>
<td>396,526,209</td>
</tr>
<tr>
<td>2510</td>
<td>Result of revaluation of non-current assets not included in net income (loss) for the period</td>
<td>2510</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2520</td>
<td>Result from other operations not included in net income (loss) for the period</td>
<td>2520</td>
<td>(1,897,370)</td>
<td>145,563,364</td>
</tr>
</tbody>
</table>

**Explanatory note**

13.21 Income tax on operations whose result is not included in net income (loss) for the period  
2530 379,474 (29,113,002)

**Cumulative financial result for the period**  
2500 154,293,270 512,976,571

**For reference**

22 Basic earnings (loss) per share, RUB per share  
2900 14.70 37.41

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Chief Executive Officer of Rosneft Oil Company  
I.I. Sechin

Chief Accountant of PJSC Rosneft Oil Company  
D.B. Torba

12 February 2021
# STATEMENT OF CHANGES IN EQUITY
## AT 31 DECEMBER 2020

### 1. CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Item</th>
<th>Line code</th>
<th>Charter capital</th>
<th>Treasury shares</th>
<th>Additional capital</th>
<th>Reserve capital</th>
<th>Other funds and reserves</th>
<th>Retained earnings (uncovered loss)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity at 31 December 2018</td>
<td>3100</td>
<td>105,982</td>
<td>–</td>
<td>–</td>
<td>111,270,895</td>
<td>5,299</td>
<td>(115,062,581)</td>
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<tr>
<td>For 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total increase in equity:</td>
<td>3210</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,891,328</td>
<td>–</td>
<td>116,452,008</td>
<td>396,613,701</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>3211</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>396,526,209</td>
</tr>
<tr>
<td>Revaluation of property</td>
<td>3212</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Earnings directly increasing equity</td>
<td>3213</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>4,891,328</td>
<td>x</td>
<td>116,452,008</td>
<td>87,492</td>
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<tr>
<td>Additional issue of shares</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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</tr>
<tr>
<td>Increase in the par value of shares</td>
<td>3215</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Legal entity reorganization</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total decrease in equity:</td>
<td>3220</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2,974)</td>
<td>–</td>
<td>–</td>
<td>(282,653,402)</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Loss</td>
<td>3221</td>
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<td>x</td>
<td>–</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>–</td>
</tr>
<tr>
<td>Revaluation of property</td>
<td>3222</td>
<td>x</td>
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<td>–</td>
<td>x</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td>Expenses directly decreasing equity</td>
<td>3223</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>(2,974)</td>
<td>x</td>
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<tr>
<td>Decrease in the par value of shares</td>
<td>3224</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>x</td>
<td>–</td>
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<td>Decrease in the number of shares</td>
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<td>–</td>
<td>–</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td>Legal entity reorganization</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividends</td>
<td>3227</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>x</td>
<td>x</td>
<td>x</td>
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<td>x</td>
<td>–</td>
<td>(2)</td>
<td>x</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Changes in reserve capital</td>
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<td>x</td>
<td>–</td>
<td>–</td>
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<td>–</td>
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</tr>
<tr>
<td>Equity at 31 December 2019</td>
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<td>1,389,427</td>
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<td>2,261,771,078</td>
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<tr>
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<td>Charter capital</td>
<td>Treasury shares</td>
<td>Additional capital</td>
<td>Reserve capital</td>
<td>Other funds and reserves</td>
<td>Retained earnings (uncovered loss)</td>
<td>Total</td>
</tr>
<tr>
<td>------</td>
<td>-----------</td>
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<td>-----------------</td>
<td>-------------------</td>
<td>----------------</td>
<td>------------------------</td>
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<td><strong>For 2020</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total increase in equity:</td>
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<td>–</td>
<td>7,532</td>
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<td>–</td>
<td>155,865,941</td>
<td>155,873,473</td>
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<td></td>
</tr>
<tr>
<td>Net income</td>
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<td>x</td>
<td>–</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>155,811,166</td>
</tr>
<tr>
<td>Revaluation of property</td>
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<td>x</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td>Earnings directly increasing equity</td>
<td>3313</td>
<td>x</td>
<td>x</td>
<td>7,532</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>54,775</td>
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<td>Additional issue of shares</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td>Legal entity reorganization</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total increase in equity:</strong></td>
<td>3320</td>
<td>–</td>
<td>–</td>
<td>(5,423)</td>
<td>–</td>
<td>–</td>
<td>(1,520,005)</td>
<td>(191,509,073)</td>
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<tr>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Loss</td>
<td>3321</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>–</td>
</tr>
<tr>
<td>Revaluation of property</td>
<td>3322</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td>Expenses directly decreasing equity</td>
<td>3323</td>
<td>x</td>
<td>x</td>
<td>(5,423)</td>
<td>x</td>
<td>(1,520,005)</td>
<td>–</td>
<td>(1,525,428)</td>
</tr>
<tr>
<td>Decrease in the par value of shares</td>
<td>3324</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Decrease in the number of shares</td>
<td>3325</td>
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<td>–</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td>Legal entity reorganization</td>
<td>3326</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividends</td>
<td>3327</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>(191,509,073)</td>
</tr>
<tr>
<td>Changes in additional capital</td>
<td>3330</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td>Changes in reserve capital</td>
<td>3340</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>–</td>
<td>x</td>
<td>–</td>
<td>x</td>
</tr>
<tr>
<td><strong>Equity at 31 December 2020</strong></td>
<td>3300</td>
<td>105,982</td>
<td>–</td>
<td>118,170,356</td>
<td>5,299</td>
<td>(150,578)</td>
<td>2,106,438,991</td>
<td>2,224,610,050</td>
</tr>
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</table>
2. ADJUSTMENTS DUE TO CHANGES IN THE ACCOUNTING POLICY AND CORRECTION OF ERRORS

<table>
<thead>
<tr>
<th>Item</th>
<th>Line code</th>
<th>31 December 2018</th>
<th>Change in equity for 2019</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Through net income (loss)</td>
<td>Due to other factors</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Total equity</th>
<th>Before adjustments</th>
<th>2,026,470,417</th>
<th>396,526,209</th>
<th>(161,225,548)</th>
<th>2,261,771,078</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustment due to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the accounting policy</td>
<td>3410</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Correction of errors</td>
<td>3420</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>After adjustments</td>
<td>3500</td>
<td>2,026,470,417</td>
<td>396,526,209</td>
<td>(161,225,548)</td>
<td>2,261,771,078</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings (loss):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before adjustments</td>
<td>3400</td>
<td>2,028,141,822</td>
<td>396,526,209</td>
<td>(282,565,908)</td>
<td>2,142,102,123</td>
</tr>
<tr>
<td>Adjustment due to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the accounting policy</td>
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<td>–</td>
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</tr>
<tr>
<td>Correction of errors</td>
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<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>After adjustments</td>
<td>3501</td>
<td>2,028,141,822</td>
<td>396,526,209</td>
<td>(282,565,908)</td>
<td>2,142,102,123</td>
</tr>
<tr>
<td>Other equity items that have been adjusted (by item):</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before adjustments</td>
<td>3402</td>
<td>(1,671,405)</td>
<td>–</td>
<td>121,340,360</td>
<td>119,668,955</td>
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<td>Adjustment due to:</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the accounting policy</td>
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<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Correction of errors</td>
<td>3422</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>After adjustments</td>
<td>3502</td>
<td>(1,671,405)</td>
<td>–</td>
<td>121,340,360</td>
<td>119,668,955</td>
</tr>
</tbody>
</table>

3. NET ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>Line code</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
</table>

| Net assets | 3600 | 2,224,670,050 | 2,261,771,078 | 2,026,470,417 |

40

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2020

<table>
<thead>
<tr>
<th>Item</th>
<th>Line code</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total proceeds</td>
<td>4110</td>
<td>5,208,284,345</td>
<td>6,179,070,239</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From sale of products, goods, work and services</td>
<td>4111</td>
<td>4,847,679,688</td>
<td>5,498,967,982</td>
</tr>
<tr>
<td>Lease payments, license payments, royalties, commissions and other similar payments</td>
<td>4112</td>
<td>132,354,641</td>
<td>150,978,861</td>
</tr>
<tr>
<td>From resale of financial investments</td>
<td>4113</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other proceeds</td>
<td>4119</td>
<td>221,250,014</td>
<td>520,024,065</td>
</tr>
<tr>
<td>Total cash disbursements</td>
<td>4120</td>
<td>(5,743,175,260)</td>
<td>(6,771,972,637)</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers (contractors) for raw materials, work and services</td>
<td>4121</td>
<td>(1,785,103,585)</td>
<td>(4,708,441,513)</td>
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<td>Payroll-related payments</td>
<td>4122</td>
<td>(39,215,160)</td>
<td>(41,823,560)</td>
</tr>
<tr>
<td>Interest on debt obligations</td>
<td>4123</td>
<td>(313,359,981)</td>
<td>(372,322,046)</td>
</tr>
<tr>
<td>Income tax</td>
<td>4124</td>
<td>(15,070,756)</td>
<td>(10,844,177)</td>
</tr>
<tr>
<td>Other taxes and levies</td>
<td>4125</td>
<td>(679,649,562)</td>
<td>(895,868,770)</td>
</tr>
<tr>
<td>Exploration costs</td>
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<td>(5,206,029)</td>
<td>(6,582,553)</td>
</tr>
<tr>
<td>Other payments</td>
<td>4129</td>
<td>(921,537,187)</td>
<td>(716,949,786)</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>4100</td>
<td>(5,545,890,917)</td>
<td>(592,002,398)</td>
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<tr>
<td>Cash flows from investing activities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total proceeds</td>
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<td>2,743,100,312</td>
<td>1,304,175,862</td>
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<td>Including:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>From sale of non-current assets (except for financial investments)</td>
<td>4221</td>
<td>14,951,674</td>
<td>10,762,256</td>
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<tr>
<td>From sale of shares (interests) in other entities</td>
<td>4222</td>
<td>12,720,096</td>
<td>23,311,096</td>
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<tr>
<td>From repayment of loans issued and sale of debt securities (receivables from other parties)</td>
<td>4223</td>
<td>(1,718,543,918)</td>
<td>886,756,460</td>
</tr>
<tr>
<td>Dividends, interest on debt financial instruments and similar proceeds from equity participation in other entities</td>
<td>4224</td>
<td>930,871,022</td>
<td>368,210,520</td>
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<tr>
<td>Other proceeds</td>
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<td>6,010,004</td>
<td>98,761,260</td>
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<tr>
<td>Total cash disbursements</td>
<td>4230</td>
<td>(2,124,802,834)</td>
<td>(681,287,612)</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase, creation, upgrading, reconstruction and preparation for use of non-current assets</td>
<td>4231</td>
<td>(195,084,120)</td>
<td>(186,557,677)</td>
</tr>
</tbody>
</table>
### Item Line code For 2020 For 2019
---
Purchase of shares (interests) in other entities 4222 (1,644,586,244) (374,023,314)
Purchase of debt securities (receivables from other parties), issue of loans to other parties 4223 (1,676,290,753) (207,069,417)
Interest on debt obligations included in the value of the investment asset 4224 – –
Explanation assets 4228 (28,357,906) (23,773,804)
Other payments 4229 (39,383,614) (37,863,106)
Net cash flows from investing activities 4200 618,497,678 472,888,250

### Cash flows from financing activities
Total proceeds 4310 9,062,370,952 3,502,514,309
Including:
- Loans and borrowings received 4311 8,213,620,911 3,417,634,273
- Cash contributions of shareholders (participants) 4312 – 4,890,000
- Issue of shares, increase of interest 4313 – –
- Issue of bonds, promissory notes and other debt securities, etc. 4314 848,750,041 79,990,036
Other proceeds 4319 – –
Total payments 4320 (8,753,746,773) (3,832,591,338)
Including:
- Payments to shareholders (participants) due to the buyback of shares (interest) in the entity or due to their withdrawal 4321 – –
- Dividends and other distributions of income among shareholders (participants) 4322 (791,469,498) (282,632,588)
- Repayment (redemption) of promissory notes and other debt securities, repayment of loans and borrowings 4323 (6,862,253,355) (5,549,958,750)
Other payments 4329 – –
Net cash flows from financing activities 4300 308,624,179 (350,077,029)
Net cash flows for the reporting period 4400 390,230,940 (450,091,177)
Balance of cash and cash equivalents at the beginning of the reporting period 4450 97,938,766 598,541,224
Balance of cash and cash equivalents at the end of the reporting period 4500 498,199,797 97,938,766
Effect of changes in the exchange rate of foreign currency to ruble 4490 8,570,291 (51,051,281)

### EXPLANATORY NOTES TO THE BALANCE SHEET AND THE INCOME STATEMENT OF PJSC ROSNEFT OIL COMPANY FOR 2020

These Explanatory Notes to the balance sheet and the income statement constitute an integral part of the financial statements of PJSC Rosneft Oil Company for the 2020 reporting year prepared in accordance with the applicable legislation of the Russian Federation.

The reporting date of these financial statements, as of which they are prepared, is 31 December 2020.

### 1. ENTITY AND TYPES OF ACTIVITY

#### 1.1 COMPANY DESCRIPTION

Public joint-stock company Rosneft Oil Company (the “Company,” “Rosneft Oil Company”) was established in accordance with Decree No. 327 of the President of the Russian Federation, On Priority Measures for Improving the Activities of Oil Companies, dated 1 April 1995 and pursuant to Resolution No. 971 of the Government of the Russian Federation, On the Transformation of State Enterprise Rosneft into Open Joint-Stock Company Rosneft Oil Company, dated 29 September 1995. On 8 July 2016, the Company was transformed into public joint-stock company.

Address of the Company specified in the Unified State Register of Legal Entities:
26/1 Sofiyskaya nab., Moscow, Russian Federation, 115035.

The address of the place for holding the General Shareholders’ Meeting is determined by the Company’s Board of Directors.

The annual General Shareholders’ Meeting is held not earlier than two months and not later than six months after the end of the financial year.

The General Shareholders’ Meeting is chaired by the Chairman of the Company’s Board of Directors or, in his absence, a member of the Board of Directors selected by the decision of the Board of Directors.

#### 1.2 EXECUTIVE AND SUPERVISORY BODIES OF THE COMPANY

**General Shareholders’ Meeting of the Company**

The General Shareholders’ Meeting is the supreme governing body of the Company. The scope of authority of the General Shareholders’ Meeting of the Company, the procedure for convening and holding it and its proceedings are determined in accordance with federal laws, the Charter of the Company and the Regulation on the General Shareholders’ Meeting of the Company.

**Board of Directors of the Company**

The Company’s Board of Directors is responsible for the general management of the Company’s activities, except for the matters...
In accordance with clause 2 of Article 64 of the Federal Law, On Joint-stock companies, and the Regulation On Payment of Remuneration and Compensation for Expenses to the Members of the Board of Directors of PJSC Rosneft Oil Company, remuneration to the members of the Board of Directors during the period when they perform their duties is paid on the basis of a decision of the General Shareholders’ Meeting.

On 2 June 2020, the annual General Shareholders’ Meeting (Minutes w/n dated 5 June 2020) approved remuneration to the following members of the Board of Directors of the Company for the period during which they performed their duties:

- Gerhard Schroeder – USD600,000
- Hamad Rashid Al-Mohannadi – USD530,000
- Faisal Alouwadi – USD530,000
- Matthias Warnig – USD580,000
- Oleg Vycheslavovich Vyiugin – USD560,000
- Hans-Georg Rudolf – USD580,000

In addition, on 2 June 2020, the annual General Shareholders’ Meeting (Minutes w/n dated 5 June 2020) approved remuneration for all expenses, and costs incurred by members of the Board of Directors of Rosneft Oil Company when performing their duties.

As of 31 December 2020, the Board of Directors of Rosneft Oil Company comprised:

- Oleg Vycheslavovich Vyiugin – USD560,000
- Matthias Warnig – USD580,000
- Robert Warren Dudley – USD530,000
- Faisal Alouwadi – USD530,000
- Gerhard Schroeder – USD580,000

The Board of Directors of Rosneft Oil Company made the following decisions with respect to the Management Board of the Company:

- On appointment of Yury Igorevich Kunlin, Vice President – Chief Staff of the Company, as a member of the Management Board of Rosneft Oil Company for three (3) years from 5 April 2020 (Minutes No 19 dated 3 April 2020)
- On termination of powers as members of the Management Board of Rosneft Oil Company of Gennady Ivanovich Bukaev, Elena Vladimirivna Zavaleeva, Yury Igorevich Kunlin, Petr Ivanovich Lazarev, Ural Alfretovitch Latypov, Evgeny Maurice Liron, and Andrey Nikolaevich Shishkin from 29 September 2020 (Minutes No 7 dated 2 October 2020)
- On appointment of Didier Casimir, First Vice President; Zeljko Runje, First Vice President for Oil, Gas, and Offshore Business Development; Ilgam Gaffarevich Kuchukov, General Director of the Management Board of Rosneft Oil Company; for performing their duties as members of the Board of Directors of Rosneft Oil Company.

Collegial executive body of the Company

Pursuant to the Charter, the Management Board is the collegial executive body of the Company.

As of 31 December 2020, members of the Management Board of the Company included:

- Oleg Vycheslavovich Vyiugin
- Matthias Warnig
- Robert Warren Dudley
- Faisal Alouwadi
- Gerhard Schroeder

Notes:

1. Resigned from the Board of Directors of Rosneft Oil Company pursuant to the decision of the annual General Shareholders’ Meeting dated 2 June 2020 (Minutes w/n dated 5 June 2020)
Control of the Company’s financial and business operations

Control of the Company’s financial and business operations is exercised by the Audit Commission. The Audit Commission’s operating procedure is specified in the Regulation on the Audit Commission of the Company, as approved by the General Shareholders’ Meeting of the Company.

The Audit Commission of the Company comprises five (5) members, who are elected by the General Shareholders’ Meeting to serve until the next annual General Shareholders’ Meeting.

As of 31 December 2020, the Audit Commission of the Company comprised:

- Olga Anatolyevna Andrianova – Chief Accountant – Head of Finance and Economics Service of JSC ROSNEFTEGAZ, General Director of LLC Vostokgazinvest.
- Tatiana Valentinovna Zobkova – Deputy Director of the Department of the Ministry of Energy of the Russian Federation.
- Sergey Ivanovich Poma – Vice-President of the National Association of Securities Market Participants (NAUFOR).
- Pavel Gennadyevich Shumov – Acting Deputy Director of the Department for State Regulation of Tariffs and Infrastructure Reforms, Ministry of Economic Development of the Russian Federation.

Chairman of the Audit Commission:

1. Zakhar Borisovich Sabantsev

Audit Commission members:

2. Olga Anatolyevna Andrianova
3. Tatiana Valentinovna Zobkova
4. Sergey Ivanovich Poma
5. Pavel Gennadyevich Shumov

On 2 June 2020, the annual General Shareholders’ Meeting (Minutes w/n dated 5 June 2020) approved remuneration to the members of the Audit Commission of the Company for the period during which they performed their duties:

- Olga Anatolyevna Andrianova – RUB220,000
- Sergey Ivanovich Poma – RUB220,000

As of 31 December 2020, the Company fulfilled its obligation to pay the remuneration.

1.3 STRUCTURE OF THE COMPANY’S CHARTER CAPITAL

Information about the shareholders of Rosneft Oil Company as of 31 December 2020 is presented below:

### Table 4. Shareholders

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of legal entity or individual</th>
<th>Number of common (voting) shares</th>
<th>Percentage of the total number of common shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>JSC ROSNEFTEGAZ</td>
<td>4,281,663,840</td>
<td>40.40%</td>
</tr>
<tr>
<td>2</td>
<td>BP Russian Investments Limited</td>
<td>2,092,900,007</td>
<td>19.75%</td>
</tr>
<tr>
<td>3</td>
<td>QH Oil Investments LLC</td>
<td>1,818,988,178</td>
<td>16.53%</td>
</tr>
<tr>
<td>4</td>
<td>Non-banking Credit Organization Joint Stock Company National Settlement Depository (nominal holder central depository)</td>
<td>1,263,403,644</td>
<td>11.63%</td>
</tr>
<tr>
<td>5</td>
<td>RN-Net Kapitalinvest LLC</td>
<td>1,071,425,070</td>
<td>9.82%</td>
</tr>
<tr>
<td>6</td>
<td>RN-Capital LLC</td>
<td>80,975,983</td>
<td>0.76%</td>
</tr>
<tr>
<td>7</td>
<td>Russian Federation acting through the Agency for State Property Management</td>
<td>1 common share representing 0.000000009%</td>
<td>0.00%</td>
</tr>
<tr>
<td>8</td>
<td>Other minority investors (incl. individuals, other legal entities, etc.)</td>
<td>35,910,804 common shares</td>
<td>0.34%</td>
</tr>
</tbody>
</table>

* Information is based on the data of Rosneft shareholders’ register.

1.4 DESCRIPTION OF THE COMPANY’S ACTIVITIES

In accordance with clause 3.4 of Article 3 of Rosneft Oil Company’s Charter (revised version) approved by the annual General Shareholders’ Meeting of the Company on 27 June 2014 (Minutes w/h), amendments approved by the General Shareholders’ Meeting of the Company on 15 June 2016 (Minutes w/h), amendments approved by the General Shareholders’ Meeting of the Company on 22 June 2017 (Minutes w/h), amendments approved by the General Shareholders’ Meeting of the Company on 29 September 2017 (Minutes w/h), the Company prospects, explores, extracts, and processes oil, gas and gas condensate, sells oil, gas, and gas condensate, and oil and gas products to customers in and outside the Russian Federation, conducts any related activities, and works with precious metals and precious stones. The Company is engaged, in particular, in the following principal activities:

- Geological prospecting and exploration to find the deposits of oil, gas, coal, and other minerals; extraction, transportation and processing of oil, gas, coal, and other minerals, and timber; production of oil products, petrochemicals and other products, including liquefied natural gas, gas products and gas chemicals, electric power, wood products, consumer goods, and provision of services to the public; storage and sale (including domestic and export sales) of oil, liquefied and gaseous gas, oil products, gas products and gas chemicals, coal, electric power, wood products, and other products from hydrocarbons and other raw materials.
- Investing, including transactions with securities.
- Managing the fulfilment of orders placed by the federal government and regional consumers of the products made by the Company and its subsidiaries, including deliveries of oil, gas and oil products.
- Investment management, construction, engineering, technological and other services for upstream and downstream projects, and research.
- Ceramics, iron, steel, and other products, including iron ore, sand and gravel, cement, and other materials.
- Investment management, construction, engineering, and other research.
- Regulating the commodity and services markets, and the securities market, conducting sociological and other research.
- Regulating and coordinating the activities of subsidiaries.
2. BASIS OF PREPARATION
The accounting records are maintained in accordance with Federal Law No. 402-FZ, On Accounting, dated 6 December 2010, and the Statute, On Accounting and Reporting in the Russian Federation, approved by Order No. 341 of the Russian Ministry of Finance dated 29 July 1998 (including Information No. FZ-10/2012 of the Russian Ministry of Finance), as well as applicable Accounting Statements. The Company’s financial statements for the 2020 reporting year were prepared in accordance with the Law, the Statute and the Accounting Statements.

3. CHANGES IN OPENING BALANCES IN THE FINANCIAL STATEMENTS FOR THE 2020 REPORTING YEAR
In accordance with changes in Accounting Statement 18/02, Accounting for Income Tax of Organizations, introduced by Order No. 236n of the Russian Ministry of Finance dated 19 April 2019, On Introduction of Amendments to Order No. 61n of the Russian Ministry of Finance dated 20 November 2018, and Order No. 236n of the Russian Ministry of Finance dated 19 April 2019, On Introduction of Amendments to Order No. 61n of the Russian Ministry of Finance dated 2 July 2010 “On the Forms of Financial Statements,” the comparability of amounts in the 2019 financial statements was ensured as follows:
- The sum of lines 2411 “Current income tax” and 2412 “Deferred income tax” is presented in line 2410 “Income tax”.
- Line 2412 “Deferred income tax” is defined as the cumulative change of deferred tax liabilities and deferred tax assets for the period (lines 2430 and 2450 of the 2019 income statement, respectively) and also includes line 2466 “Tax effect of the results of other operations not included in net profit (loss) for the period”.
- Line 2530 “Income tax on operations whose result is not included in net profit (loss) for the period” includes the amount of the tax effect of the results of other operations not included in net profit (loss) for the period recorded in line 2520 “Result from other operations not included in net profit (loss) for the period” in the 2019 income statement.
- Line 2421 “Including permanent tax assets (liabilities)” is excluded from the income statement.

Table 5.1. Changes in the amounts of the income statement, (kRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>Line</th>
<th>Amounts for 2019</th>
<th>Changes</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (loss) before tax</td>
<td>2500</td>
<td>347,545,644</td>
<td>347,545,644</td>
<td>=</td>
</tr>
<tr>
<td>Current income tax</td>
<td>2410</td>
<td>-</td>
<td>9,648,441</td>
<td>9,648,441</td>
</tr>
<tr>
<td>Including permanent tax assets (liabilities)</td>
<td>2421</td>
<td>-</td>
<td>89,179,905</td>
<td>(89,179,905)</td>
</tr>
<tr>
<td>Income tax</td>
<td>2410</td>
<td>48,185,409</td>
<td>-</td>
<td>48,185,409</td>
</tr>
<tr>
<td>Including current income tax</td>
<td>2411</td>
<td>9,648,441</td>
<td>-</td>
<td>9,648,441</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>2412</td>
<td>38,536,968</td>
<td>-</td>
<td>38,536,968</td>
</tr>
<tr>
<td>Change in deferred tax liabilities</td>
<td>2430</td>
<td>-</td>
<td>(14,367,835)</td>
<td>(14,367,835)</td>
</tr>
<tr>
<td>Change in deferred tax assets</td>
<td>2450</td>
<td>-</td>
<td>23,791,801</td>
<td>(23,791,801)</td>
</tr>
<tr>
<td>Other</td>
<td>2460</td>
<td>79,316</td>
<td>20,982,108</td>
<td>(22,771,022)</td>
</tr>
<tr>
<td>Tax effect of the results of other operations not included in net profit (loss) for the period</td>
<td>2466</td>
<td>-</td>
<td>29,113,002</td>
<td>(29,113,002)</td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>2400</td>
<td>396,526,209</td>
<td>396,526,209</td>
<td>=</td>
</tr>
<tr>
<td>Result from other operations not included in net profit (loss) for the period</td>
<td>2520</td>
<td>145,516,364</td>
<td>116,454,162</td>
<td>29,113,002</td>
</tr>
<tr>
<td>Income tax on operations whose result is not included in net profit (loss) for the period</td>
<td>2530</td>
<td>(29,113,002)</td>
<td>-</td>
<td>(29,113,002)</td>
</tr>
<tr>
<td>Comprehensive financial result for the period</td>
<td>2500</td>
<td>512,976,571</td>
<td>512,976,571</td>
<td>=</td>
</tr>
</tbody>
</table>

Corrections were made to the Explanatory Notes to the balance sheet and the income statement for the 2020 reporting year in line with the above information to ensure data comparability. In 2020, the approach to the presentation of information in the statement of cash flows was changed: dividend payments (other distribution of earnings to owners [participants]) are recorded including tax in the “Cash flows from financing activities” section. To ensure the comparability of the financial statements (paragraph 10 of Accounting Statement 4/99), the data in the 2019 statement of cash flows were adjusted as follows.
The Russian Classifier of Fixed plots and natural resources. Fixed assets also include land fixtures and fittings, etc. computers, vehicles, tools, measuring and control structures, machinery, equipment, Fixed assets include buildings, are accounted for as fixed assets. needs over their useful lives of services, or for administrative performance of work and provision in the manufacturing of products, 5. FIXED ASSETS AND CAPITAL CONSTRUCTION IN PROGRESS • October 2008: Ministry of Finance dated 6 by Oder No. 106n of the Russian of an Organization, approved 1/2008, Accounting Policies by Accounting Statement with the principles established The Company developed its 4. INFORMATION ABOUT THE ACCOUNTING POLICY The Company developed its accounting policy in accordance with the principles established by Accounting Statement 1/2008, Accounting Policies of an Organization, approved by Order No. 106n of the Russian Ministry of Finance dated 6 October 2008:
- Economic entity assumption according to which the Company's assets and liabilities are accounted for separately from the assets and liabilities of other legal entities and individuals. • Going concern assumption according to which the Company will continue its business in the foreseeable future and it neither intends nor has to liquidate or significantly curtail its activities, and, therefore, its liabilities will be duly discharged. • Consistency assumption according to which the Company will consistently apply the adopted accounting policy in its activities. • Time period assumption Material accounting methods provided for by the Company’s accounting policy in 2020 are reflected below in the respective Explanatory Notes to the balance sheet and the income statement for the 2020 reporting year. Assets that meet the fixed assets recognition criteria and have a value of not more than kRUB40 per unit are recognized in financial statements of the company as inventories. To ensure the safety of the assets during production or operation, the Company makes arrangements to control their movements. Fixed assets include the following assets (irrespective of their value):
- Assets held for leasing
- Land plots
- Buildings
- Structures
- Transfer devices
- Downhole equipment
- Vehicles
- Assets held as joint shared property or joint property
Fixed assets are reported in the balance sheet at their net book value. at the depreciation rates calculated based on the useful lives set by Resolution No. 1 of the Government of the Russian Federation, dated 1 January 2002 as well as based on useful lives indicated in the technical documentation, manufacturers' recommendations, or based on other relevant information that determines the period, during, which an item of fixed assets is expected to generate economic benefits.

<table>
<thead>
<tr>
<th>Item</th>
<th>Line</th>
<th>Amounts for 2019</th>
<th>Changes</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>4120</td>
<td>(6,777,972,637)</td>
<td>8,561,048</td>
<td></td>
</tr>
<tr>
<td>Including settlements of other taxes and levies</td>
<td>4020</td>
<td>(805,868,710)</td>
<td>8,307,048</td>
<td></td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>4100</td>
<td>(592,902,398)</td>
<td>8,561,048</td>
<td></td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>4320</td>
<td>(5,832,591,558)</td>
<td>8,561,048</td>
<td></td>
</tr>
<tr>
<td>Including dividends on other distribution of earnings to owners (participants)</td>
<td>4212</td>
<td>(382,632,586)</td>
<td>(274,265,542)</td>
<td>8,307,048</td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>4500</td>
<td>(500,077,029)</td>
<td>(221,709,981)</td>
<td>8,307,048</td>
</tr>
</tbody>
</table>

4. INFORMATION ABOUT THE ACCOUNTING POLICY

5. FIXED ASSETS AND CAPITAL CONSTRUCTION IN PROGRESS

Assets intended for use in the manufacturing of products, performance of work and provision of services, or for administrative needs over their useful lives of more than 12 months are accounted for as fixed assets.

Fixed assets include buildings, structures, machinery, equipment, measuring and control instruments and devices, computers, vehicles, tools, fixtures and fittings, etc. Fixed assets also include land plots and natural resources. The Russian Classifier of Fixed Assets approved by Order No. 2018 – st of the Federal Agency on Technical Regulation and Metrology (Rosstandart) dated 12 December 2014 is used to determine the structure and grouping of fixed assets.

Fixed assets are recognized at historical cost. The historical cost of fixed assets acquired for consideration is the total cost of acquisition, construction or production, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law) at the depreciation rates calculated based on the useful lives set by Resolution No. 1072 of the Council of Ministers of the USSR dated 22 October 1990

Fixed assets are not revalued following the completion of the mandatory revaluation of fixed assets in accordance with the Resolutions of the Russian Government.

Assets that meet the fixed assets recognition criteria and have a value of not more than kRUB40 per unit are recognized in financial statements of the company as inventories. To ensure the safety of the assets during production or operation, the Company makes arrangements to control their movements. Fixed assets include the following assets (irrespective of their value):

- Assets held for leasing
- Land plots
- Buildings
- Structures
- Transfer devices
- Downhole equipment
- Vehicles
- Assets held as joint shared property or joint property

Fixed assets are reported in the balance sheet at their net book value.

The main groups of fixed assets have the following useful lives:

<table>
<thead>
<tr>
<th>Group</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>30 to 100 years</td>
</tr>
<tr>
<td>Structures</td>
<td>10 to 50 years</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>5 to 20 years</td>
</tr>
<tr>
<td>Other types of fixed assets</td>
<td>5 to 30 years</td>
</tr>
</tbody>
</table>

The presentation of information in the statement of cash flows was changed: dividend payments (other distribution of earnings to owners (participants)) are recorded including tax in the "Cash flows from financing activities" section.
### Table 6. Information on fixed assets, (kRUB)

<table>
<thead>
<tr>
<th>Group of fixed assets</th>
<th>Period</th>
<th>At the beginning of the period</th>
<th>Changes for the period</th>
<th>At the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Historical cost</td>
<td>Accumulated depreciation</td>
<td>Additions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total fixed assets</td>
<td>2020</td>
<td>1,559,273,962</td>
<td>(291,405,446)</td>
<td>172,208,366</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>1,364,017,755</td>
<td>(162,772,908)</td>
<td>150,833,935</td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>2020</td>
<td>1,569,277,220</td>
<td>(831,688,149)</td>
<td>103,591,869</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>1,386,721,220</td>
<td>(831,688,149)</td>
<td>103,591,869</td>
</tr>
<tr>
<td>Machinery, equipment and structures</td>
<td>2020</td>
<td>183,980,481</td>
<td>(179,197,099)</td>
<td>88,422,165</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>183,980,481</td>
<td>(179,197,099)</td>
<td>88,422,165</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>2020</td>
<td>5,105,235</td>
<td>(175,362)</td>
<td>45,437</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>5,105,235</td>
<td>(175,362)</td>
<td>45,437</td>
</tr>
<tr>
<td>Including fixed assets that are not depreciated</td>
<td>2020</td>
<td>3,209,846</td>
<td>x</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>3,209,846</td>
<td>x</td>
<td>–</td>
</tr>
</tbody>
</table>

### Table 7. Information on fixed assets requiring state registration, (kRUB)

<table>
<thead>
<tr>
<th>Real estate whose title has not yet been registered</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>Change for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate whose title has not yet been...</td>
<td>231,026,157</td>
<td>212,947,158</td>
<td>18,079,002</td>
</tr>
</tbody>
</table>

### Table 8. Information on the use of fixed assets, (kRUB)

<table>
<thead>
<tr>
<th>Total assets leased out (historical cost), including</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>1,530,980,456</td>
<td>1,557,316,383</td>
<td>1,425,671,402</td>
</tr>
<tr>
<td>Structures</td>
<td>48,462,925</td>
<td>48,838,617</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,579,443,381</td>
<td>1,606,155,000</td>
<td>1,474,509,019</td>
</tr>
<tr>
<td>Mothballed fixed assets (historical cost)</td>
<td>63,030,567</td>
<td>60,412,857</td>
<td>52,526,131</td>
</tr>
<tr>
<td>Total fixed assets leased (contract or cadastral value), including</td>
<td>126,778,668</td>
<td>100,983,400</td>
<td>84,246,854</td>
</tr>
<tr>
<td>Land plots</td>
<td>69,523,766</td>
<td>74,304,766</td>
<td></td>
</tr>
<tr>
<td>Change in the value of fixed assets as a result of supplementary construction, retrofitting, refreshment, modernization or partial liquidation</td>
<td>18,180,882</td>
<td>21,277,842</td>
<td>22,425,172</td>
</tr>
</tbody>
</table>

### Table 9. Information on capital investments in progress, (kRUB)

<table>
<thead>
<tr>
<th>Capital investments in progress by type of asset</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment for installation</td>
<td>15,177,000</td>
<td>15,897,000</td>
<td>15,451,500</td>
</tr>
<tr>
<td>Construction in progress, including</td>
<td>728,065,887</td>
<td>634,103,049</td>
<td>615,815,168</td>
</tr>
<tr>
<td>Advances issued for construction, acquisition, manufacturing of fixed assets (net of VAT)</td>
<td>49,078,543</td>
<td>50,198,284</td>
<td>45,491,528</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,563,410</td>
<td>2,358,994</td>
<td>2,160,351</td>
</tr>
<tr>
<td>Total</td>
<td>745,827,217</td>
<td>652,359,464</td>
<td>631,393,239</td>
</tr>
</tbody>
</table>

In 2020, the value of work performed under capital construction projects amounted to kRUB 214,842,579 (net of VAT). Investments in the purchase of equipment, both requiring and not requiring installation, fixed assets and land plots, and in appraisal and exploration drilling amounted to kRUB 5,048,109 (net of VAT).

Advances issued for construction, acquisition and manufacturing of fixed assets include the share of advances paid to purchase fixed assets with a value of up to kRUB40 per unit included in inventories. It is impossible to determine the final value of assets before the completion of the work performed to render them fit for use. Therefore, as of the reporting date, advances for acquisition are recognized within capital expenditures.

### 6. Intangible Assets

Intangible assets include:
- Exclusive right of a patent holder to an invention, industrial design or utility model
- Exclusive right to computer software and databases
- Exclusive right to integrated circuit topologies
- Exclusive right to a trademark, service mark, or appellation of origin
- Exclusive right to selection achievements
- Exclusive right to trade secrets (know-how)
- Licenses for exploration and production of mineral resources
- Exclusive subsoil use rights when entering into international agreements that give the right to implement the mineral resources exploration and production projects in a foreign jurisdiction or in the Russian Federation (licenses, concession agreements, subsoil use contracts, agreements on the provision of a participating interest, etc.)
- Geological exploration and production (licenses (combined licenses), provided that the production of mineral resources in the license area is commercially viable; such licenses are accounted for in the same way as costs arising in connection with the exploration and appraisal of fields until it is confirmed that production is commercially viable
- Other mineral licenses (for the construction of underground gas storage facilities, the production of commonly occurring mineral resources and the abstraction of underground water)
- Deliverables of 3D and 4D seismic surveys (including designing, field works, supervising, processing, interpretation, lease of forest plot) in support of the development at commercially recoverable oil and gas fields
- Information received as a result of drilling successful onshore appraisal/exploration wells abandoned due to technological reasons at commercially recoverable fields
- Digital and electronic maps, as well as other spatial data
- Complex items comprising several protected intellectual properties (including those combining exclusive and non-exclusive rights)
- Multimedia product
- Audiovisual works (cinematic works or works involving media similar to those used in cinema (TV movies, videos, etc.))
- Website, etc.
- Other intangible assets
The Company creates the following intangible assets in the reporting period:

- Exclusive right to computer software and databases with a historical cost of RUB497,816.
- Exclusive rights to an invention with a historical cost of RUB559,298.

The actual (historical) cost of an intangible asset acquired under a contract providing for non-monetary compensation (settlement) is determined on the basis of the cost of assets transferred or transferable by the Company. The cost of assets transferred or transferable by the Company is determined on the basis of the price it would normally use to determine the cost of similar assets under comparable circumstances.

Where it is impossible to determine the cost of assets transferred or transferable by the Company under such contracts, the cost of an intangible asset received by the Company is determined on the basis of the price at which similar intangible assets are purchased under comparable circumstances.

Intangible assets are amortized using the straight-line method or the unit-of-production method.

- Exclusive right to a patent holder to an invention, industrial design or utility model: straight-line method.
- Exclusive right to computer software and databases: straight-line method.
- Exclusive right to integrated circuit topologies: straight-line method.
- Exclusive right to a trademark, service mark, or appellation of origin: straight-line method.
- Oil and gas production licenses: unit-of-production method.
- Exclusive subsoil use rights when entering into international agreements that give the right to implement oil and gas exploration and production projects in a foreign jurisdiction or in the Russian Federation (licenses, concession agreements, subsoil use contracts, agreements on the provision of a participating interest, etc.): unit-of-production method.
- Geological exploration and production licenses (combined licenses), provided that the production of mineral resources in the license area is commercially viable: unit-of-production method.
- Proved oil and gas reserves data prepared by DeGolyer and MacNaughton, independent reservoir engineers.
- Other mineral licenses (for the construction of underground gas storage facilities, etc.)
- Geological exploration and mining licenses (combined license)
- Other mineral licenses (for the abstraction of underground water, construction of subsurface gas storage facilities, etc.)

The Company determines the useful life of an intangible asset upon its recognition.

The useful life of an intangible asset is determined on the basis of:

- The term of the Company’s rights to intellectual property or means of individualization,
- And the period of control over the asset.

The period during which the Company is expected to use the asset and receive economic benefits.

The Company annually reviews the useful life of an intangible asset in order to determine whether or not it should be revised. In the event of a significant change in the period, during which the company expects to use the asset, the asset’s useful life should be revised. The resulting adjustments are recorded and reported as changes in estimates.

**The main groups of intangible assets have the following useful lives:**

- Trademarks: 5 to 10 years
- Exclusive rights to an invention, utility model or industrial design: 5 to 25 years
- Exclusive rights to computer software and databases: 11 to 15 years
- Exploration and mining licenses: 5 to 163 years
- Survey, exploration and mining licenses (combined license): 10 to 166 years
- Other mineral licenses (for the abstraction of underground water, construction of subsurface gas storage facilities, etc.): 7 to 29 years
-其他无形资产的有用寿命：

Intangible assets are not amortized if their useful lives cannot be determined.

The Company annually reviews the amortization method for an intangible asset during inventory counts in order to determine if it should be revised.

If the calculation of the expected flow of future economic benefits from an intangible asset has changed significantly, the amortization method for that asset is also changed.

The resulting adjustments are recorded and reported as changes in estimates.

The Company has determined useful lives for all intangible assets.

Intangible assets are reported in the balance sheet at their net book value.
### Table 10. Information on intangible assets, (kRUB)

<table>
<thead>
<tr>
<th>Group of intangible assets</th>
<th>Period</th>
<th>At the beginning of the period</th>
<th>Changes for the period</th>
<th>At the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Historical cost</td>
<td>Accumulated amortization</td>
<td>Additions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Historical cost</td>
</tr>
<tr>
<td>Total intangible assets:</td>
<td>2020</td>
<td>49,636,646</td>
<td>(9,047,270)</td>
<td>2,128,810</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>47,040,031</td>
<td>(7,471,211)</td>
<td>1,704,071</td>
</tr>
<tr>
<td>Trademarks</td>
<td>2020</td>
<td>23,967</td>
<td>(13,123)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>21,306</td>
<td>(11,374)</td>
<td>2,661</td>
</tr>
<tr>
<td>Exclusive rights to an invention, utility model or industrial design</td>
<td>2020</td>
<td>750,705</td>
<td>(352,283)</td>
<td>559,298</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2,568,396</td>
<td>(1,560,236)</td>
<td>497,816</td>
</tr>
<tr>
<td>Mineral licenses (including combined exploration and production licenses issued after commercial viability is confirmed)</td>
<td>2020</td>
<td>42,838,732</td>
<td>(6,583,337)</td>
<td>90,522</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>42,735,552</td>
<td>(5,527,300)</td>
<td>60,180</td>
</tr>
<tr>
<td>Other licenses</td>
<td>2020</td>
<td>307</td>
<td>(205)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>914</td>
<td>(163)</td>
<td>−</td>
</tr>
<tr>
<td>Information received as a result of drilling successful onshore appraisal/ exploration wells abandoned due to technological reasons</td>
<td>2020</td>
<td>550,770</td>
<td>(21,623)</td>
<td>98,174</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>550,770</td>
<td>(8,663)</td>
<td>−</td>
</tr>
<tr>
<td>Results of 3D and 4D seismic surveys at sites after commercial viability is confirmed</td>
<td>2020</td>
<td>2,689,091</td>
<td>(10,013)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2,689,091</td>
<td>(91,032)</td>
<td>1,021,358</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>2020</td>
<td>224,733</td>
<td>(201,515)</td>
<td>−</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>210,052</td>
<td>(192,104)</td>
<td>10,801</td>
</tr>
</tbody>
</table>
### Table 11. Information on intangible assets created by the Company, (kRUB)

<table>
<thead>
<tr>
<th>Historical cost by group of intangible assets</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total, including</strong></td>
<td>4,596,448</td>
<td>3,942,467</td>
<td>3,235,544</td>
</tr>
<tr>
<td>Exclusive rights to computer software and databases</td>
<td>3,048,179</td>
<td>2,566,396</td>
<td>2,272,299</td>
</tr>
<tr>
<td>Other</td>
<td>1,310,356</td>
<td>793,236</td>
<td>144,914</td>
</tr>
<tr>
<td>Other</td>
<td>224,733</td>
<td>224,733</td>
<td>213,932</td>
</tr>
</tbody>
</table>

**Table 12. Information on investments in progress made to create intangible assets, (kRUB)**

<table>
<thead>
<tr>
<th>Investments in progress</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total investments in creation of individual intangible assets, including by type:</strong></td>
<td>5,349,232</td>
<td>5,742,681</td>
<td>4,120,712</td>
</tr>
<tr>
<td>Exclusive rights to computer software and databases</td>
<td>4,937,470</td>
<td>4,740,399</td>
<td>2,808,228</td>
</tr>
<tr>
<td>3D and 4D seismic surveys</td>
<td>670,752</td>
<td>234,231</td>
<td>1,354,163</td>
</tr>
<tr>
<td>Trademarks</td>
<td>5,415</td>
<td>2,947</td>
<td>5,833</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>173</td>
<td>12,381</td>
<td>12,225</td>
</tr>
</tbody>
</table>

Intangible assets received for use are recorded off the balance sheet and are measured on the basis of the amount of remuneration specified in the contract.

### Table 13. Information on intangible assets received by the Company for use, (kRUB)

<table>
<thead>
<tr>
<th>Cost by group of intangible assets</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total, including</strong></td>
<td>11,670,018</td>
<td>9,201,500</td>
<td>8,870,210</td>
</tr>
<tr>
<td>Non-exclusive rights to software programs, rights of access to information resources</td>
<td>11,670,018</td>
<td>9,201,500</td>
<td>8,870,210</td>
</tr>
</tbody>
</table>

### Table 14. Information on fully amortized intangible assets, (kRUB)

<table>
<thead>
<tr>
<th>Intangible assets</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total, including</strong></td>
<td>1,680,676</td>
<td>1,522,953</td>
<td>1,266,602</td>
</tr>
<tr>
<td>Exclusive rights to computer software and databases</td>
<td>1,922,914</td>
<td>1,054,651</td>
<td>1,071,023</td>
</tr>
<tr>
<td>Exclusive rights to an invention, utility model or industrial design</td>
<td>353,785</td>
<td>70,025</td>
<td>12,775</td>
</tr>
<tr>
<td>Oil and gas production licenses</td>
<td>5,439</td>
<td>5,485</td>
<td>5,373</td>
</tr>
<tr>
<td>Trademarks</td>
<td>9,015</td>
<td>7,920</td>
<td>6,187</td>
</tr>
<tr>
<td>Other licenses</td>
<td>21</td>
<td>21</td>
<td>81</td>
</tr>
<tr>
<td>Other</td>
<td>189,511</td>
<td>171,497</td>
<td>172,007</td>
</tr>
</tbody>
</table>

7. **OIL AND GAS RESERVES EXPLORATION AND ESTIMATION COSTS**

Oil and gas reserves exploration and estimation costs are recognized using the successful efforts method of accounting, according to which only those costs are capitalized that are directly incurred in the discovery of new fields that will result in future economic benefits, while exploration costs (both direct and indirect), including geological and geophysical costs, are charged to expenses as incurred.

The following oil and gas reserves exploration and estimation costs should be capitalized:

- Costs related to acquiring of subsoil use rights for oil and gas reserves (geological prospecting and exploration licenses, geological exploration and production licenses)
- Costs related to the construction of appraisal/exploration wells
- Information on the results of drilling successful abandoned appraisal/exploration wells
- Capitalized exploration and estimation costs lead to the creation of exploration assets:
  - Appraisal/exploration wells – tangible exploration assets
  - Licenses, information on the results of drilling successful abandoned appraisal/exploration wells – intangible exploration assets

Expenses related to the construction of successful abandoned appraisal/exploration wells in the license areas that didn't prove to be commercially viable to recover oil and gas are capitalized as follows:

- Expenses related to the construction of appraisal/exploration wells are initially recognized as tangible exploration assets and then transferred to intangible exploration assets in the event that the discovery of hydrocarbon reserves is confirmed and there is a possibility that these reserves will be approved by the State Committee on Reserves both with regard to the well (current reserves estimation) and the subsurface area (reserves estimation based on geological results of the well)
- Until the decision on commercial viability has been reached, expenses related to the construction of successful abandoned appraisal/exploration wells are recognized as intangible exploration assets in the form of information received as the result of drilling the offshore appraisal/exploration wells

As of the reporting date, the Company annually tests exploration assets for any indication of impairment when making the decision on the commercial viability of oil and gas production in a licensed area. Impairment testing is performed by field (licensed area). Where there is evidence of impairment, the Company writes down the exploration assets by the amount of the carrying amount of the licenses, wells and 3D seismic surveys during the stage of exploration and prospecting at a field (licensed area) or, in the event of the recoverability of exploration assets, to the realizable value.

Once the commercial viability of the subsurface area has been established, exploration assets in this area are subject to reclassification:
- Exploration and production licenses, as well as information on the results of drilling successful abandoned appraisal/exploration wells become intangible assets
- Appraisal/exploration wells become fixed assets (development wells construction in progress)

If production proves to be impractical, exploration assets are subject to impairment and are subsequently written off to other expenses of the Company.

Exploration assets are not depreciated.

The following costs are not capitalized in the value of assets and are taken to current-period expenses as oil and gas exploration and estimation costs:

- Costs incurred at the regional stage
- Exploration costs not related to drilling of appraisal/exploration wells or 3D and 4D seismic surveys at commercially recoverable oil and gas fields, including costs for the follow-up exploration of fields which have been put on stream and considered commercially developed
- Costs related to the maintenance of subsurface areas where exploration is being carried out and of fields which are not commercially operated
- Costs related to the preparation of project technical documentation for developing fields which are not commercially operated

The Company derecognizes exploration assets at the respective subsurface area if it proves to be commercially viable or if production is considered impractical.
8. RESEARCH AND DEVELOPMENT RESULTS

Research and development results include costs incurred during the stage of development of R&D work in progress (recorded as investments in non-current assets) and completed (recognized as intangible assets/R&D).

The Company’s costs are recognized in the accounts as R&D in progress if all of the following conditions are met:

• R&D contracts indicate that in the course of work new scientific knowledge is expected to be produced and/or used (information, which is unknown, given the current level of technology).

• It is assumed that the positive result of R&D activities will create an opportunity for future economic benefits.

The costs related to the development of such R&D projects are recognized in the accounts when the following conditions are met:

• The technical feasibility of developing such R&D projects

• Its intention and ability to develop and use an R&D project

• How the R&D project is likely to generate economic benefits

• The availability of sufficient technical, financial and other resources to complete the development of and use the R&D projects

• The ability to reliably measure costs related to the development of the R&D project

R&D projects developed in-house include:

- R&D projects developed by Company employees in the course of performing their job duties.
- R&D projects resulting from contractor work under contracts in respect of which the Company bears the risk of negative results.
- R&D costs incurred at the research stage are not capitalized and are recognized as expenses relating to ordinary activities or other expenses depending on the purpose of the research.
- R&D costs are written off to expenses relating to ordinary activities on the first day of the month following the month in which the actual use of the obtained results began.
- Upon the completion of R&D activities, in the event of a positive result, the costs related to R&D in progress form the value of R&D project. In the event of a negative result, R&D costs are written off to other expenses.

Changes in the R&D value in the amount of kRUB368,792 in 2020 and kRUB7,000 in 2019 were made in the course of R&D reclassifying to intangible assets at cost upon receipt of protection documents.

<table>
<thead>
<tr>
<th>Group of licenses</th>
<th>Period</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
<th>Additions</th>
<th>Disposals</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>20,170,757</td>
<td>–</td>
<td>9,604,440</td>
<td>(344,342)</td>
<td>–</td>
<td>29,230,855</td>
</tr>
<tr>
<td>Intangible exploration assets</td>
<td>2020</td>
<td>107,173,674</td>
<td>(8)</td>
<td>20,797,895</td>
<td>(24,703,735)</td>
<td>8</td>
<td>103,846,837</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>95,314,265</td>
<td>(8)</td>
<td>8,975,984</td>
<td>(1,016,575)</td>
<td>142</td>
<td>107,173,674</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Licence to use subsurface resources with the right of extraction</th>
<th>Period</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
<th>Additions</th>
<th>Disposals</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>63,057,243</td>
<td>–</td>
<td>1,364,659</td>
<td>(22,912,979)</td>
<td>–</td>
<td>41,508,923</td>
<td>–</td>
</tr>
<tr>
<td>2019</td>
<td>56,623,639</td>
<td>–</td>
<td>7,471,552</td>
<td>(1,003,948)</td>
<td>–</td>
<td>63,057,243</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Information on the results of drilling successful abandoned appraisal/exploration wells</th>
<th>Period</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
<th>Additions</th>
<th>Disposals</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>43,021,612</td>
<td>–</td>
<td>19,120,460</td>
<td>–</td>
<td>–</td>
<td>62,142,072</td>
<td>–</td>
</tr>
<tr>
<td>2019</td>
<td>42,548,639</td>
<td>–</td>
<td>472,973</td>
<td>–</td>
<td>–</td>
<td>43,021,612</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Costs related to acquiring of subsurface rights for oil and gas reserves</th>
<th>Period</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
<th>Additions</th>
<th>Disposals</th>
<th>Historical cost</th>
<th>Accumulated impairment losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>1,008,051</td>
<td>–</td>
<td>489,146</td>
<td>(1,593,701)</td>
<td>–</td>
<td>106,496</td>
<td>–</td>
</tr>
<tr>
<td>2019</td>
<td>39,566</td>
<td>–</td>
<td>980,939</td>
<td>(12,454)</td>
<td>–</td>
<td>1,008,051</td>
<td>–</td>
</tr>
</tbody>
</table>

8. RESEARCH AND DEVELOPMENT RESULTS

Research and development results include costs incurred during the stage of development of R&D work in progress (recorded as investments in non-current assets) and completed (recognized as intangible assets/R&D).

The Company’s costs are recognized in the accounts as R&D in progress if all of the following conditions are met:

• R&D contracts indicate that in the course of work new scientific knowledge is expected to be produced and/or used (information, which is unknown, given the current level of technology).

• It is assumed that the positive result of R&D activities will create an opportunity for future economic benefits.

When R&D projects are developed in-house, the related costs are capitalized from the beginning of the project stage if the Company is able to demonstrate:

• The technical feasibility of developing such R&D projects

• Its intention and ability to develop and use an R&D project

• How the R&D project is likely to generate economic benefits

• The availability of sufficient technical, financial and other resources to complete the development of and use the R&D projects

• The ability to reliably measure costs related to the development of the R&D project

R&D projects developed in-house include:

- R&D projects developed by Company employees in the course of performing their job duties.
- R&D projects resulting from contractor work under contracts in respect of which the Company bears the risk of negative results.
- R&D costs incurred at the research stage are not capitalized and are recognized as expenses relating to ordinary activities or other expenses depending on the purpose of the research.
- R&D costs are written off to expenses relating to ordinary activities on the first day of the month following the month in which the actual use of the obtained results began.
- Upon the completion of R&D activities, in the event of a positive result, the costs related to R&D in progress form the value of R&D project. In the event of a negative result, R&D costs are written off to other expenses.

Changes in the R&D value in the amount of kRUB368,792 in 2020 and kRUB7,000 in 2019 were made in the course of R&D reclassifying to intangible assets at cost upon receipt of protection documents.

<table>
<thead>
<tr>
<th>R&amp;D type</th>
<th>Period</th>
<th>Historical cost</th>
<th>Part of the value written off to expenses</th>
<th>Additions</th>
<th>Disposals</th>
<th>Part of the value written off to expenses</th>
<th>At the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>2020</td>
<td>1,079,758</td>
<td>(538,192)</td>
<td>455,732</td>
<td>(368,792)</td>
<td>(150,562)</td>
<td>1,166,698 (688,754)</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>550,847</td>
<td>(360,890)</td>
<td>535,911</td>
<td>(7,000)</td>
<td>(177,302)</td>
<td>1,079,758 (538,192)</td>
</tr>
</tbody>
</table>
Table 17. R&D in progress and pending registration, (kRUB)

<table>
<thead>
<tr>
<th>R&amp;D type</th>
<th>Period</th>
<th>At the beginning</th>
<th>Change for the reporting period</th>
<th>At the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Costs for the period</td>
<td>Costs expensed as unsuccessful</td>
<td>Recognized as intangible assets, R&amp;D or fixed assets</td>
</tr>
<tr>
<td>Costs of R&amp;D in progress</td>
<td>2020</td>
<td>8,408,856</td>
<td>2,816,700</td>
<td>(1,781)</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>6,568,156</td>
<td>2,406,101</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 18. Information on other non-current assets, (kRUB)

<table>
<thead>
<tr>
<th>Other non-current assets by type</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid expenses with the write-off period exceeding 12 months</td>
<td>79,440,293</td>
<td>12,357,493</td>
<td>9,812,024</td>
</tr>
<tr>
<td>Including by type: software</td>
<td>79,440,293</td>
<td>12,357,493</td>
<td>9,812,024</td>
</tr>
<tr>
<td>ARO asset</td>
<td>79,440,293</td>
<td>12,357,493</td>
<td>9,812,024</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>435,167</td>
<td>332,667</td>
<td>324,919</td>
</tr>
</tbody>
</table>

9. OTHER NON-CURRENT ASSETS

Other non-current assets include assets which are assumed to produce economic benefits over a period exceeding 12 months. This line includes prepaid expenses, fixed assets and tangible exploration assets retirement obligations (discounted) (hereinafter, the “ARO asset”), and other assets.

Other non-current assets are valued based on actual costs, except for ARO assets that are subject to accounting estimates.

Prepaid expenses relating to several periods are written off using the straight-line method.

The amount of the ARO assets (with regard to sites or facilities which, when abandoned, require disposal, of materials and/or remediation of a land plot) is determined based on the estimated costs at the reporting date, which the Company is expected to incur when dismantling fixed assets and remediating natural resources on occupied land plots.

The ARO asset is depreciated on a monthly basis using the unit of production method. Proved developed oil and gas reserves are defined in accordance with Petroleum Resources Management System (PRMS).

The purposes of evaluation of the reserves as of 31 December 2020, the Company used proved oil and gas reserves data prepared by DeGolyer and MacNaughton, independent reservoir engineers.

The rate is applied to the book value at the beginning of the reporting month and reserves in denominator are adjusted to production volume from the beginning of the year to the beginning of the reporting month.

The ARO asset related to the retirement of tangible exploration assets at the fields where it is not confirmed that the production is commercially viable is not depreciated.

10. INVENTORIES, VALUE ADDED TAX, EXCISE DUTIES ON SELF-PRODUCED OIL PRODUCTS

Inventories are accounted for at their actual cost calculated based on the amount of actual acquisition/production costs, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

Upon disposal, inventories are depreciated using the following methods:

- Oil, construction materials, equipment, spare parts, fuel, packaging, fixtures and fittings, instruments and tools, other inventories – by the cost of every inventory unit (inventory unit is a consignment).
- Oil products – by the average cost of production broken down by refinery.
- In-house semi-finished products – by the average cost of production broken down by refinery.
- In-house oil and gas – by the average cost of production broken down by operator.

Special protective clothes handed over for use are accounted for as materials. The value of special protective clothes with the service life of more than 12 months is depreciated using the straight-line method over the specified period of its use. The value of special protective clothes with the service life of less than 12 months is written off when the clothes are handed over for use.

Materials, fuel, spare parts and other material resources are recorded at their actual acquisition cost.

Work in progress and finished products are recorded at their actual cost, goods are recorded at their acquisition cost.

Shipped finished products and shipped goods, the title to which is not yet transferred to the buyer, are recorded within inventories.

Inventories also comprise transportation and procurement costs attributable to the balance of goods at the warehouse and shipped but unsold goods.

Costs to sell (transportation costs, storage costs, intermediary service costs, customs duties etc.) are recorded within inventories where it is possible to relate them to certain consignments of finished products and goods recognized in accounting records before the sale of consignments to which they relate.

The amounts of VAT related to the acquired goods, work, services and property rights to be deducted and not included in the cost of the assets acquired, or in expenses, are recorded in line 1220 of the balance sheet.

This line also includes the excise duty assessed by the Company upon accounting for straight-run gasoline, benzene, medium distillate, orthoxylene, para-xylene subject to appropriate certificate and deductible during their refining/disposal.

If there is any indication of impairment, the Company recognizes the decrease in value of inventories in the financial statements.

In accordance with the requirement of prudence, the Company accounts for the impairment of inventories using the method of provisioning.

Allowances for impairment of inventories are made for similar or related inventory items, in respect of which there was one of the following circumstances in the reporting year that caused the decrease of their current (market) value:

- Drop in market prices for the respective inventories
- Inventories becoming obsolete
- Inventories becoming partially or fully damaged

The amount of the impairment allowance is calculated as the difference between current market value and actual cost of inventories.

The cost of inventories at the end of the reporting year is recorded in the balance sheet less total allowances for impairment of inventories accrued.

The information on allowances for impairment of inventories accrued and reversed in the reporting year is recorded net in line 2340. Other income, or line 2350. Other expenses, of the income statement.
11. FINANCIAL INVESTMENTS

Financial investments are initially recognized at their actual acquisition cost. Subsequently, financial investments whose market value can be determined are remeasured at market value, and financial investments whose market value cannot be determined are not remeasured, but tested for impairment. When a sustained material decline in the value of financial investments is supported by impairment tests, the Company creates (adjusts) an allowance for impairment of such financial investments as of the last day of the quarter (last day of the reporting year).

The valuation of financial investments whose market value can be determined is adjusted to the current market value on a quarterly basis. Long-term shares and short-term bonds include investments whose market value can be determined. The difference between current market value as of the reporting date, 31 December 2020, and previous valuation of long-term financial investments whose market value can be determined as of 31 December 2019 is RUB239,016 (income), for the previous year: RUB1,078,147 (income). The amount of adjustment was taken to the financial result and recorded as other income.

In general, the current market value may be determined if the relevant quotations are available in the securities market. In this case, the current market value of financial investments is their market value determined as appropriate by an organizer of the trade in the securities market.

Financial investments in the form of shares of PJSC Bashneft (“Bashneft”) quoted in the securities market are accounted for following the procedure provided for financial investments, for which the current market value is not determined. It is due to the fact that quotes in the securities market do not represent a market price (control premium). The volume of shares available for free circulation in the market is insignificant and their sales are not representative for appraising the value of the majority shareholding since they are easily manipulated by stock players.

The historical cost of debt securities whose current market value cannot be determined is not adjusted for the difference between the historical cost and nominal value.

Where it is impossible to determine the cost of assets transferred or transferable by the Company, the value of financial investments received by the Company under contracts providing for non-monetary compensation (settlement) is based on the price at which the Company normally purchases similar financial investments under comparable circumstances.

Debt securities and loans issued are not measured at present value. At disposal of assets recognized as financial investments, for which the current market value is determined, the value of such assets is based on their most recent valuation.

Financial investments whose current market value cannot be determined are measured at historical cost of each unit disposed.

Deposits with the maturity period not exceeding 91 days are not considered to be financial investments and are recorded within cash in the financial statements.

Short-term debt related to financial investments is reclassified to long-term debt in cases when the payment terms envisaged by the agreement are revised and increased to exceed 365 days after the reporting date.

Long-term debt related to financial investments is reclassified to short-term debt when the term to maturity under the agreement remains 365 days or less after the reporting date.

The value of all financial investments previously reclassified at market value is recorded at the current market value as of the reporting date. The Company did not record any financial investments measured at market value with undetermined market value at the reporting date.

The Company did not record financial investments pledged or transferred to third parties (except for sale).

Contributions to assets and other investments to improve the financial position of the Group’s entities (financial aid, free of charge transfer of assets, etc.) are subject to capitalization in the cost of the financial investments in the entities, in which additional investments are made.

Table 19. Information on VAT and excise duties, (kRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>Period</th>
<th>Allowance at the beginning of the period</th>
<th>Change in the allowance over the reporting period</th>
<th>Allowance at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Accrued, +</td>
<td>Reversed (adjusted), –</td>
<td></td>
</tr>
<tr>
<td>Total allowance</td>
<td>2020</td>
<td>57,001</td>
<td>38,039</td>
<td>9,441</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>57,001</td>
<td>20,330</td>
<td>(974)</td>
</tr>
</tbody>
</table>

Table 20. Information on inventories, (kRUB)

<table>
<thead>
<tr>
<th>Inventories by type</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Allowance for impairment</td>
<td>Cost</td>
</tr>
<tr>
<td>Total inventories</td>
<td>113,966,622</td>
<td>(8,259)</td>
<td>138,946,748</td>
</tr>
<tr>
<td>Raw and other materials</td>
<td>14,610,458</td>
<td>(83,414)</td>
<td>15,838,148</td>
</tr>
<tr>
<td>Costs related to work in progress</td>
<td>9,955,929</td>
<td>x</td>
<td>11,722,717</td>
</tr>
<tr>
<td>Finished products and goods</td>
<td>85,420,235</td>
<td>(2,185)</td>
<td>113,885,863</td>
</tr>
</tbody>
</table>

Change in the cost of inventories is related to the change in oil, prices and, therefore, to the change in tax rates included in the cost of products. In addition, the carrying amount of inventories was affected by the change in production volumes. In 2018–20, inventories were not pledged.

Table 21. Information on the movements in allowances for impairment of inventories, (kRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total allowance</td>
<td>57,001</td>
<td>20,330</td>
</tr>
</tbody>
</table>

Table 22. Information on financial investments, (kRUB)

<table>
<thead>
<tr>
<th>Financial investments by type</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7,187,984,529</td>
<td>6,818,923,238</td>
<td>7,260,408,278</td>
</tr>
<tr>
<td>Total long-term investments</td>
<td>5,764,322,744</td>
<td>5,833,160,665</td>
<td>6,159,574,705</td>
</tr>
<tr>
<td>Units and shares (interests), including</td>
<td>4,630,155,324</td>
<td>4,405,568,894</td>
<td>3,946,083,553</td>
</tr>
<tr>
<td>Shares (interests) in subsidiaries and associates</td>
<td>4,625,149,342</td>
<td>4,405,720,303</td>
<td>3,942,186,509</td>
</tr>
<tr>
<td>Long-term loans issued</td>
<td>1,208,162,802</td>
<td>1,220,410,862</td>
<td>1,954,261,188</td>
</tr>
<tr>
<td>Other long-term financial investments</td>
<td>126,024,618</td>
<td>203,180,863</td>
<td>258,129,964</td>
</tr>
<tr>
<td>Total short-term investments</td>
<td>1,432,001,785</td>
<td>985,762,573</td>
<td>1,106,835,573</td>
</tr>
<tr>
<td>Short-term loans issued</td>
<td>466,107,240</td>
<td>712,060,867</td>
<td>855,165,832</td>
</tr>
<tr>
<td>Deposits</td>
<td>436,110,717</td>
<td>55,864,592</td>
<td>216,368,210</td>
</tr>
<tr>
<td>Promissory notes and bonds received</td>
<td>124,115,954</td>
<td>119,019,389</td>
<td>130,282,140</td>
</tr>
<tr>
<td>Accounts receivable acquired under assignment agreements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other short-term financial investments</td>
<td>217,223,744</td>
<td>99,035,035</td>
<td>99,018,035</td>
</tr>
</tbody>
</table>
12. DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives are financial instruments that simultaneously meet the following criteria:

- The value of a financial instrument is changed in line with the changes in the applied interest rate, security rate, price of goods, foreign currency exchange rate, price or interest rate index, credit rating or credit index or other "basic" variables.
- The acquisition of a financial instrument does not require any investments or requires initial net investments but in amounts lower than for other instruments, the price of which has a similar response to market factor changes, and other types of contracts that are expected to have a similar response to market factor changes.
- Financial instrument calculations are performed subsequently.

In managing foreign currency and interest rate risks, the Company entered into a cross-currency and interest rate swap and a deliverable cross-currency swap to sell US dollars and euro that help match the currency of revenue and the currency of liabilities, and in 2020, the Company also entered into a series of options that helped to reduce the interest rates for the debt financing raised.

Derivative financial instruments are measured at fair value.

The method for determining the fair value of transactions is based on the assessment of the present discounted value of future cash flows using the consensus projections of foreign exchange rates and interest rates. The consensus projections comprise forecasts of term transactions, performed in the amount of net monetary proceeds in foreign currency.

Table 23. Information on movements in allowance for impairment of financial investments, (KRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>Period</th>
<th>Allowance at the beginning of the period</th>
<th>Movements in allowance over the reporting period</th>
<th>Allowance at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Accrued, +</td>
<td>Recognised in other income (reversed)</td>
<td>Used (upon disposal of the financial investment)</td>
</tr>
<tr>
<td>2020</td>
<td>44,802,708</td>
<td>6,710,881</td>
<td>(4,022,080)</td>
<td>(3)</td>
</tr>
<tr>
<td>2019</td>
<td>48,629,313</td>
<td>3,988,634</td>
<td>(2,526,606)</td>
<td>(3,102,763)</td>
</tr>
</tbody>
</table>

In 2020, change in the value of long-term financial investments from KRUB833,160,665 to KRUB764,322,744 was primarily due to the decrease in loans issued of KRUB721,248,060, including due to the repayment, revaluation and reclassification of debt; decrease in other financial investments of KRUB77,156,243, including due to reclassification and revaluation of credit notes, placement and revaluation of long-term deposits; increase in interests and investments in charter capitals of subsidiaries of KRUB255,743,155; decrease in interests and investments in charter capitals of affiliates in the amount of KRUB34,314,296.

In 2020, change in the value of short-term financial investments from KRUB985,762,573 to KRUB1,423,661,785 was primarily due to the placement and reclassification of short-term deposits, increase in other short-term investments; due to the reclassification and revaluation of credit notes, repayment and reclassification of short-term loans, acquisition and revaluation of short-term bonds, repayment and revaluation of short-term promissory notes.

As of the reporting date, short-term liabilities on derivative financial instruments include liabilities arising from the cross currency and interest rate swap and the deliverable cross-currency swap.

Transactions with derivative financial instruments are presented below:

Table 24. Information on transactions with derivative financial instruments

<table>
<thead>
<tr>
<th>Financial instrument</th>
<th>Period</th>
<th>Nominal amount at 31 December 2020</th>
<th>Interest rate type</th>
<th>Fair value of asset (liability) at 31 December (KRUB)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Issue</td>
<td>Repayment</td>
<td>kEUR / kUSD</td>
<td>kRUB*</td>
</tr>
<tr>
<td>Swaps 2014</td>
<td>2019</td>
<td>-</td>
<td>-</td>
<td>Floating</td>
</tr>
<tr>
<td>Swaps 2019</td>
<td>2020</td>
<td>98,718,894</td>
<td>89,387,274</td>
<td>Floating</td>
</tr>
<tr>
<td>Swaps 2020</td>
<td>2021</td>
<td>1,000,000</td>
<td>90,682,400</td>
<td>Fixed</td>
</tr>
</tbody>
</table>

In 2019, the Company completed transactions with derivative financial instruments entered into in 2014 in the nominal amount of kUSD1,000,000, kEUR1,000,000, kRUB255,743,155.

13. INFORMATION ON HEDGING TRANSACTIONS

MANAGING CURRENCY RISK RELATED TO CHANGES IN CASH FLOWS FROM FUTURE PROCEEDS IN FOREIGN CURRENCY

Hedging transactions are operations (set of operations) with term financial instruments (including those of different types), performed to minimize (compensate for) adverse effects, fully or partially, caused by the loss incurred, income deficiency, decrease in revenue, decrease in market value of the property, including property rights (rights of claim), increase in the Company’s liabilities due to change in price, interest rate, currency exchange rate, including the rate of a foreign currency to the rate of the currency of the Russian Federation, or another indicator (set of indicators) of a hedged item (items).

The Company designated part of its USD-denominated borrowings as a hedging instrument for export revenue which is likely to be received.

A portion of the future monthly export revenue expected to be received in US dollars was designated as a hedged item. The nominal amounts of the hedged item and the hedging instrument are equal.

To the extent that a change in the foreign currency rate impacts the hedging instrument, the effects were recorded in other funds and reserved in accordance with the Company’s accounting policy, subsequently these effects should be transferred into profit or loss for the period, in which the hedged revenue is recognized.

According to the strategy for managing foreign currency risk related to cash flows from future proceeds in foreign currency, export revenue should be hedged in the amount of net monetary position denominated in US dollars. The Company regularly aligns the nominal amount of hedging and net monetary position in US dollars.

As of 31 December 2020 and 31 December 2019, there were no designated hedging instruments.

Appendix 6.
Table 25. Information on amounts recognized in other funds and reserves on hedging transactions, (kRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognized in other funds and reserves at the beginning of the year</td>
<td>1,589,427</td>
<td>(115,063,581)</td>
<td>(231,748,689)</td>
</tr>
<tr>
<td>Foreign exchange differences on cash flow hedges before tax</td>
<td>–</td>
<td>–</td>
<td>333,796</td>
</tr>
<tr>
<td>Reclassified to profit or loss</td>
<td>(1,006,007)</td>
<td>145,563,010</td>
<td>145,524,439</td>
</tr>
<tr>
<td>Difference between the accounting profit (loss) and the taxable profit (loss) of the reporting period resulting from recognition of hedging transactions**</td>
<td>380,002</td>
<td>(29,113,022)</td>
<td>(29,171,527)</td>
</tr>
<tr>
<td>Recognized in other funds and reserves at the end of the year</td>
<td>(150,578)</td>
<td>1,589,427</td>
<td>(115,063,581)</td>
</tr>
</tbody>
</table>

The forecast of reclassification of amounts from the revaluation of hedges accumulated in other funds and reserves into profit or loss as of 31 December 2020 is presented below:

Table 26. Forecast of revaluations reclassified to profit or loss, (kRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reclassifications</td>
<td>(150,578)</td>
</tr>
<tr>
<td>Income tax</td>
<td>52,644</td>
</tr>
<tr>
<td>Total net of income tax</td>
<td>(150,578)</td>
</tr>
</tbody>
</table>

15. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE, OTHER CURRENT ASSETS

Accounts receivable and payable are accounted for and recorded in financial statements in accordance with the respective existing agreements. Net profit is recognized in the financial statements if there are advances issued/received and accrued accounts receivable/payable under the same agreement.

Accounts receivable from suppliers and contractors include advances issued that are recorded in the balance sheet less VAT deductible or deducted at the reporting date in accordance with the Tax Code of the Russian Federation. VAT on advances (deductible but not claimed for deduction at the reporting date) is recorded in the balance sheet within other current assets.

Accounts payable to suppliers and contractors include advances received that are recorded in the balance sheet less VAT on advances received.

Accounts receivable include non-income-bearing financial investments within Rosneft Oil Company Group. The Company receives no government financing.

Allowance for impairment of accounts receivable is made on the basis of settlements with other organizations and individuals for products, goods, work and services, advances issued and other accounts receivable, and is recorded in the income statement as other expenses.

From 2018, allowances are created for trade accounts receivable in accordance with the expected credit losses concept pursuant to IFRS 9, Financial Instruments. Allowance for impairment of doubtful accounts receivable is created for accounts receivable not covered by IFRS 9, Financial Instruments. No allowance is created for accounts receivable of Rosneft Oil Company Group.

Table 28. Information on accounts receivable, (kRUB)

<table>
<thead>
<tr>
<th>Accounts receivable by type</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accounts receivable</td>
<td>4,002,964,504</td>
<td>3,543,076,666</td>
<td>2,653,603,215</td>
</tr>
<tr>
<td>Long-term accounts receivable</td>
<td>3,062,501,222</td>
<td>2,131,722,190</td>
<td>1,646,785,448</td>
</tr>
<tr>
<td>Including trade accounts receivable</td>
<td>46,474</td>
<td>63,543</td>
<td>53,330</td>
</tr>
<tr>
<td>Advances paid</td>
<td>832,457</td>
<td>571,607</td>
<td>592,718</td>
</tr>
<tr>
<td>Other debtors, including</td>
<td>3,061,430,291</td>
<td>2,131,087,040</td>
<td>1,648,355,400</td>
</tr>
<tr>
<td>Loans issued to the companies within Rosneft Oil Company Group</td>
<td>2,788,145,043</td>
<td>1,869,506,975</td>
<td>1,330,769,489</td>
</tr>
<tr>
<td>Interest on long-term loans, promissory notes</td>
<td>270,705,745</td>
<td>254,637,280</td>
<td>288,968,440</td>
</tr>
<tr>
<td>Short-term accounts receivable</td>
<td>940,655,282</td>
<td>1,415,354,476</td>
<td>1,005,017,787</td>
</tr>
<tr>
<td>Including trade accounts receivable</td>
<td>380,332,405</td>
<td>452,983,557</td>
<td>490,499,629</td>
</tr>
<tr>
<td>Advances paid</td>
<td>107,665,207</td>
<td>42,524,293</td>
<td>37,655,998</td>
</tr>
<tr>
<td>Other debtors, including</td>
<td>472,657,670</td>
<td>915,646,626</td>
<td>476,992,140</td>
</tr>
</tbody>
</table>

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the Company’s amounts with banks and credit institutions, in operational and other offices, as well as deposits and other cash equivalents with the maturity period not exceeding 91 days.

For the purposes of the statement of cash flows, cash flows are classified based on the criteria specified in clauses 9–11 of Accounting Statement 23/2011. Cash flows that cannot be reliably classified are recognized as cash flows from operating activities. Foreign currency cash flows are translated into Russian rubles at the official rate of the foreign currency to Russian ruble set by the Central Bank of the Russian Federation at the date of payment or receipt. The average exchange rate is not applied to translate cash flows. There is no cash unavailable for use by the Company.

Table 27. Information on cash and cash equivalents, (kRUB)

<table>
<thead>
<tr>
<th>Cash</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>403,333,540</td>
<td>46,484,256</td>
<td>504,196,733</td>
</tr>
<tr>
<td>Including restricted cash**</td>
<td>1,300,173</td>
<td>2,333,436</td>
<td>3,364,005</td>
</tr>
<tr>
<td>Deposits with the maturity period not exceeding 91 days and other cash equivalents</td>
<td>76,867,857</td>
<td>50,970,010</td>
<td>94,422,491</td>
</tr>
</tbody>
</table>

** Recognized in line 2423. Deferred income tax.

** Information on cash at the exchange and on accounts open with the territorial bodies of the Federal Treasury.

** Information on cash at the exchange and on accounts open with the territorial bodies of the Federal Treasury.
Receivables from the budget and state non-budgetary funds 88,722,094 112,173,919 98,014,921
Loans and promissory notes issued to the companies within Rosneft Oil Company Group 68,396,541 102,716,914 104,168,244
Interest (discount) on deposits, loans, promissory notes 189,805,746 240,049,474 128,544,234
Settlements under commission agreements, other debtors 57,628,725 90,030,833 86,463,919

Table 29. Information on movements in allowance for impairment of accounts receivable, (kRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>Period</th>
<th>Allowance at the beginning of the period</th>
<th>Movements in allowance over the reporting period</th>
<th>Allowance at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Accrued, +</td>
<td>Recognized in other income (reversed)</td>
<td>Used upon disposal of accounts receivable</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>54,377,152</td>
<td>12,296,667</td>
<td>(14,820,737)</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>30,518,051</td>
<td>28,611,345</td>
<td>(1,824,700)</td>
</tr>
</tbody>
</table>

As of 31 December 2020, the Company’s accounts receivable amounted to kRUB402,964,504, including the allowance for impairment of accounts receivable of kRUB459,887,838. The increase in accounts receivable was primarily attributed to the increase in amounts due from companies within Rosneft Oil Company Group or interest-free long-term loans to finance operating activities.

Table 30. Information on accounts payable, (kRUB)

<table>
<thead>
<tr>
<th>Accounts payable by type</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>2,525,807,379</td>
<td>2,699,900,722</td>
<td>2,333,146,921</td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>1,758,451,553</td>
<td>1,867,264,817</td>
<td>1,526,096,089</td>
</tr>
<tr>
<td>Payables to the Company’s employees</td>
<td>32,927</td>
<td>34,712</td>
<td>35,661</td>
</tr>
<tr>
<td>Payables to the budget and non-budgetary funds</td>
<td>80,441,063</td>
<td>100,730,066</td>
<td>72,371,917</td>
</tr>
<tr>
<td>Advances received</td>
<td>426,474,708</td>
<td>384,794,432</td>
<td>394,999,901</td>
</tr>
<tr>
<td>Settlements under commission agreements, other payables</td>
<td>57,628,725</td>
<td>90,030,833</td>
<td>86,463,919</td>
</tr>
</tbody>
</table>

In 2020, accounts payable decreased by kRUB74,093,343 year-on-year, and as of 31 December 2020, amounted to kRUB2,525,807,379. The decrease in accounts payable was primarily attributed to settlements with the companies within Rosneft Oil Company Group for purchased products and services relating to production and processing.

16. LOANS AND BORROWINGS, OTHER LIABILITIES AND COLLATERAL PLEDGED

Loans and borrowings payable are accounted for and recorded in financial statements in accordance with the respective existing agreements.

The Company reclassifies short-term loans and borrowings payable into long-term payables if the repayment period under the existing agreement is revised and increased to exceed 365 days. The Company reclassifies long-term payables into short-term payables where the outstanding period to maturity becomes 365 days or less.

The interest amounts payable under loans and borrowings received are accrued on a straight-line basis regardless of the conditions of loans (borrowings). Additional expenses for loans (borrowings), other than commissions on loans (borrowings) raised, such as bank commissions for using loan funds, originating a loan, obtaining and maintaining a line of credit, and other bank commissions (fees) related to raising loans (borrowings) are recorded as a lump sum in other expenses.

Where commissions on loans (borrowings) are material, they are included in other expenses on a straight-line basis over the loan (borrowing) maturity period.

The commissions on loans (borrowings) that are not written off as of the reporting date are shown on the balance sheet as other non-current assets or other current assets depending on their remaining period of recognition as expenses (more than 12 months or less than 12 months, respectively).

For the purposes of capitalizing interest on loans and borrowings into the cost of acquired assets, such investment assets shall comprise those assets that take a substantial period of time (over 12 months) and significant expenses on acquisition, construction or production to get ready for their intended use.

Investment assets consist of items of non-current assets, work-in-progress and construction-in-progress which will subsequently be accounted for by the borrower and/or customer (investor, buyer) as fixed assets (including land), intangible assets, exploration and evaluation costs or other non-current assets.

In 2020, the Company raised loans from Russian banks at floating and fixed rates to replenish working capital. Loans were repaid under relevant agreements both early and in accordance with the schedule.

Loans payable recorded in the financial statements as of the reporting date include the accrued interest.

Borrowing costs included in other expenses amounted to kRUB165,913.

Total interest accrued on the Company’s loans for the reporting period amounted to kRUB76,799,677.

Interest payable decreased by kRUB85,025,780 year-on-year.

Interest capitalized in the cost of investment assets created (acquired) was kRUB15,086,851, including the capitalized interest on loans received for purposes other than acquisition, construction and/or production of the investment asset in the amount of kRUB15,077,508.
Table 31. Information on long-term and short-term loans and borrowings, (kRUB)

<table>
<thead>
<tr>
<th>Loans and borrowings by type</th>
<th>Balance at 31 December 2019</th>
<th>Change for the reporting period</th>
<th>Balance at 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Received (accrued)</td>
<td>Repaid (paid)</td>
<td>Reclassified</td>
</tr>
<tr>
<td>Long-term loans and borrowings</td>
<td>5,397,760,107</td>
<td>5,944,240,540</td>
<td>(4,354,940,710)</td>
</tr>
<tr>
<td>Including</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Long-term loans</td>
<td>905,750,857</td>
<td>832,620,783</td>
<td>(30,000,000)</td>
</tr>
<tr>
<td>• Long-term borrowings</td>
<td>1,745,174,492</td>
<td>4,218,091,114</td>
<td>(4,318,786,687)</td>
</tr>
<tr>
<td>• Long-term interest accrued under loan and borrowing agreements</td>
<td>171,780,471</td>
<td>26,638,165</td>
<td>(13,070,473)</td>
</tr>
<tr>
<td>• Long-term promissory notes issued</td>
<td>1,265,666</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Long-term interest accrued on promissory notes</td>
<td>1,920,814</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Short-term loans issued</td>
<td>2,571,847,976</td>
<td>846,765,181</td>
<td>-</td>
</tr>
<tr>
<td>Short-term loans and borrowings</td>
<td>946,067,618</td>
<td>3,797,654,293</td>
<td>(4,523,120,991)</td>
</tr>
<tr>
<td>Including</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Short-term loans</td>
<td>80,000,000</td>
<td>841,770,250</td>
<td>(831,770,250)</td>
</tr>
<tr>
<td>• Short-term borrowings</td>
<td>187,271,659</td>
<td>2,644,550,917</td>
<td>(2,756,858,353)</td>
</tr>
<tr>
<td>• Current portion of long-term loans and borrowings</td>
<td>219,291,370</td>
<td>13,089,827</td>
<td>(231,991,981)</td>
</tr>
<tr>
<td>• Current portion of long-term interest accrued under loan and borrowing agreements</td>
<td>1,262,729</td>
<td>68,631,786</td>
<td>(68,537,287)</td>
</tr>
<tr>
<td>• Short-term interest accrued under loan and borrowing agreements</td>
<td>11,660,682</td>
<td>20,102,313</td>
<td>(2,138,574)</td>
</tr>
<tr>
<td>• Current portion of long-term bonds issued</td>
<td>400,000,000</td>
<td>(400,000,000)</td>
<td>(455,016,720)</td>
</tr>
<tr>
<td>• Short-term interest accrued on bonds (coupon income)</td>
<td>35,248,893</td>
<td>2,041,412,102</td>
<td>(21,697,958)</td>
</tr>
<tr>
<td>• Short-term promissory notes issued</td>
<td>1,097,608</td>
<td>-</td>
<td>(1,097,608)</td>
</tr>
<tr>
<td>• Short-term interest accrued on promissory notes</td>
<td>754,877</td>
<td>97,048</td>
<td>(77,820)</td>
</tr>
</tbody>
</table>

Information on RUB-denominated interest-bearing non-convertible bearer bonds issued as of 31 December is provided below:

Table 32. Information on RUB-denominated interest-bearing non-convertible bearer bonds, (kRUB)

<table>
<thead>
<tr>
<th>Type of bonds</th>
<th>Series number</th>
<th>Issue date</th>
<th>Total nominal value</th>
<th>Coupon rate (%)</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>04, 05</td>
<td>October 2012</td>
<td>20,000,000</td>
<td>70%</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>07, 08</td>
<td>March 2013</td>
<td>30,000,000</td>
<td>70%</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>06, 09, 10*</td>
<td>June 2013</td>
<td>40,000,000</td>
<td>70%</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>BO-05, BO-06</td>
<td>December 2015</td>
<td>40,000,000</td>
<td>65%</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>BO-01, BO-07</td>
<td>February 2014</td>
<td>35,000,000</td>
<td>80%</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>BO-02, BO-03, BO-04, BO-08, BO-09, BO-10, BO-11, BO-12, BO-13, BO-14</td>
<td>December 2014</td>
<td>225,000,000</td>
<td>94%</td>
<td>225,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>BO-15, BO-16, BO-17, BO-24*</td>
<td>December 2014</td>
<td>400,000,000</td>
<td>78%</td>
<td>-</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>BO-18, BO-19, BO-20, BO-21, BO-22, BO-23, BO-25, BO-26</td>
<td>January 2016</td>
<td>400,000,000</td>
<td>63%</td>
<td>400,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01R-01</td>
<td>December 2016</td>
<td>600,000,000</td>
<td>4.35%</td>
<td>600,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01R-02</td>
<td>December 2016</td>
<td>1,600,000,000</td>
<td>4.35%</td>
<td>1,600,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01R-03</td>
<td>December 2016</td>
<td>20,000,000</td>
<td>9.50%</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01R-04</td>
<td>May 2017</td>
<td>40,000,000</td>
<td>8.65%</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01R-05</td>
<td>May 2017</td>
<td>15,000,000</td>
<td>8.60%</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01R-06</td>
<td>July 2017</td>
<td>90,000,000</td>
<td>8.50%</td>
<td>90,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01P-07</td>
<td>July 2017</td>
<td>176,000,000</td>
<td>8.50%</td>
<td>176,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O01P-08</td>
<td>October 2017</td>
<td>100,000,000</td>
<td>4.35%</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O02P-01</td>
<td>December 2017</td>
<td>300,000,000</td>
<td>4.35%</td>
<td>300,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O02P-02</td>
<td>December 2017</td>
<td>300,000,000</td>
<td>4.35%</td>
<td>300,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O02P-03</td>
<td>December 2017</td>
<td>30,000,000</td>
<td>77%</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O02P-04</td>
<td>February 2018</td>
<td>50,000,000</td>
<td>75%</td>
<td>50,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O02P-05</td>
<td>March 2018</td>
<td>20,000,000</td>
<td>73%</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O02P-06</td>
<td>April 2019</td>
<td>10,000,000</td>
<td>8.70%</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Exchange-traded bonds</td>
<td>O02P-07</td>
<td>April 2019</td>
<td>20,000,000</td>
<td>8.70%</td>
<td>20,000,000</td>
</tr>
</tbody>
</table>

The table includes information on exchange-traded bonds issued as of 31 December 2020.
68,747,667 and included collateral by the Company totaled kRUB as of 31 December 2020, by crude oil export contracts. Loans are partially secured by crude oil export contracts.

Table 33. Information on items pledged as collateral by type of pledge

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>587,412,180</td>
</tr>
<tr>
<td>2022</td>
<td>570,412,420</td>
</tr>
<tr>
<td>2023</td>
<td>1,102,580,741</td>
</tr>
<tr>
<td>2024</td>
<td>617,072,904</td>
</tr>
<tr>
<td>2025 and after</td>
<td>3,927,390,733</td>
</tr>
<tr>
<td>Total long-term loans and borrowings</td>
<td>6,814,668,978</td>
</tr>
</tbody>
</table>

In the course of operating activities, the Company follows the unconditional, unlimited and indefinite guarantee (surety) provided to the government of Norway and Norwegian government authorities in 2013, which fully covers the contingent obligations of RN Nordic Oil AS that this company may incur as a result of its operations on the Norwegian continental shelf. Provision by the parent company of a guarantee to cover RN Nordic Oil AS obligations arising from environmental risks is an imperative requirement of Norwegian legislation and is a prerequisite for RN Nordic OIL AS to be granted a license for operating on the Norwegian continental shelf jointly with Equinor (before July 2018 – Statoil ASA). The cooperation between the Company, Eni S.p.A and Equinor (before July 2018 – Statoil ASA) related to the projects on the Russian continental shelf is governed by mutual unlimited, unconditional and indefinite guarantees provided in 2013.

Table 36. Information on other long-term liabilities, (kRUB)

<table>
<thead>
<tr>
<th>Other long-term liabilities, including:</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sales of oil and products</td>
<td>799,125,852</td>
<td>1,003,295,311</td>
</tr>
<tr>
<td>Other long-term liabilities to</td>
<td>1,003,295,311</td>
<td>(363,815,046)</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,440,610,117</td>
<td></td>
</tr>
</tbody>
</table>

In 2013 and 2014, the Company signed a number of long-term oil and oil product supply contracts that provide for receipt of a prepayment. The total minimum amount of future supplies under these contracts is around 400 million tons. The contracts include the following main terms:
- Prepayment shall not exceed 30% of the cost of the total contracted amount of crude oil.
- The oil price shall be based on current market quotes.
- Prepayment is settled through physical deliveries of crude oil.

From 1 January 2015, scheduled oil supplies started under the long-term contracts that provide for prepayments. In 2020, offset of prepayments under these contracts amounted to RUB281 billion (USD6 billion and EUR33 million at the exchange rate at the dates of prepayments, not subject to revaluation at the current exchange rate).

The cooperation between the Company and Equinor (before July 2018 – Statoil ASA) to develop tight oil and gas reserves is governed by mutual liability guarantees provided by affiliates of the parties in 2015. The guarantees are unlimited, unconditional and indefinite.

Table 35. Information on other long-term liabilities by type

<table>
<thead>
<tr>
<th>Items pledged as collateral</th>
<th>Share in the total collateral amount, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sales of oil and products</td>
<td>31.89</td>
</tr>
<tr>
<td>Sureties</td>
<td>68.11</td>
</tr>
</tbody>
</table>

In the course of operating activities, the Company follows the unconditional, unlimited and indefinite guarantee (surety) provided to the government of Norway and Norwegian government authorities in 2013, which fully covers the contingent obligations of RN Nordic Oil AS that this company may incur as a result of its operations on the Norwegian continental shelf. Provision by the parent company of a guarantee to cover RN Nordic Oil AS obligations arising from environmental risks is an imperative requirement of Norwegian legislation and is a prerequisite for RN Nordic OIL AS to be granted a license for operating on the Norwegian continental shelf jointly with Equinor (before July 2018 – Statoil ASA). The cooperation between the Company, Eni S.p.A and Equinor (before July 2018 – Statoil ASA) related to the projects on the Russian continental shelf is governed by mutual unlimited, unconditional and indefinite guarantees provided in 2013.

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<table>
<thead>
<tr>
<th>Other long-term liabilities, including:</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
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<td>Revenue from sales of oil and products</td>
<td>799,125,852</td>
<td>1,003,295,311</td>
</tr>
<tr>
<td>Other long-term liabilities to</td>
<td>1,003,295,311</td>
<td>(363,815,046)</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,440,610,117</td>
<td></td>
</tr>
</tbody>
</table>

In 2013 and 2014, the Company signed a number of long-term oil and oil product supply contracts that provide for receipt of a prepayment. The total minimum amount of future supplies under these contracts is around 400 million tons. The contracts include the following main terms:
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From 1 January 2015, scheduled oil supplies started under the long-term contracts that provide for prepayments. In 2020, offset of prepayments under these contracts amounted to RUB281 billion (USD6 billion and EUR33 million at the exchange rate at the dates of prepayments, not subject to revaluation at the current exchange rate).

The cooperation between the Company and Equinor (before July 2018 – Statoil ASA) to develop tight oil and gas reserves is governed by mutual liability guarantees provided by affiliates of the parties in 2015. The guarantees are unlimited, unconditional and indefinite.

Table 35. Information on other long-term liabilities by type

<table>
<thead>
<tr>
<th>Items pledged as collateral</th>
<th>Share in the total collateral amount, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sales of oil and products</td>
<td>31.89</td>
</tr>
<tr>
<td>Sureties</td>
<td>68.11</td>
</tr>
</tbody>
</table>

In the course of operating activities, the Company follows the unconditional, unlimited and indefinite guarantee (surety) provided to the government of Norway and Norwegian government authorities in 2013, which fully covers the contingent obligations of RN Nordic Oil AS that this company may incur as a result of its operations on the Norwegian continental shelf. Provision by the parent company of a guarantee to cover RN Nordic Oil AS obligations arising from environmental risks is an imperative requirement of Norwegian legislation and is a prerequisite for RN Nordic OIL AS to be granted a license for operating on the Norwegian continental shelf jointly with Equinor (before July 2018 – Statoil ASA). The cooperation between the Company, Eni S.p.A and Equinor (before July 2018 – Statoil ASA) related to the projects on the Russian continental shelf is governed by mutual unlimited, unconditional and indefinite guarantees provided in 2013.

Table 36. Information on other long-term liabilities, (kRUB)

<table>
<thead>
<tr>
<th>Other long-term liabilities, including:</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sales of oil and products</td>
<td>799,125,852</td>
<td>1,003,295,311</td>
</tr>
<tr>
<td>Other long-term liabilities to</td>
<td>1,003,295,311</td>
<td>(363,815,046)</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,440,610,117</td>
<td></td>
</tr>
</tbody>
</table>

In 2013 and 2014, the Company signed a number of long-term oil and oil product supply contracts that provide for receipt of a prepayment. The total minimum amount of future supplies under these contracts is around 400 million tons. The contracts include the following main terms:
- Prepayment shall not exceed 30% of the cost of the total contracted amount of crude oil.
- The oil price shall be based on current market quotes.
- Prepayment is settled through physical deliveries of crude oil.

From 1 January 2015, scheduled oil supplies started under the long-term contracts that provide for prepayments. In 2020, offset of prepayments under these contracts amounted to RUB281 billion (USD6 billion and EUR33 million at the exchange rate at the dates of prepayments, not subject to revaluation at the current exchange rate).

The cooperation between the Company and Equinor (before July 2018 – Statoil ASA) to develop tight oil and gas reserves is governed by mutual liability guarantees provided by affiliates of the parties in 2015. The guarantees are unlimited, unconditional and indefinite.
17. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Changes in foreign exchange rates, particularly in US dollar rates, have a significant effect on the Company’s financial and business performance.

### Table 37. Information on changes in RUB/USD and RUB/EUR exchange rates

<table>
<thead>
<tr>
<th>31 December</th>
<th>Exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US dollar</td>
</tr>
<tr>
<td>2020</td>
<td>73.88</td>
</tr>
<tr>
<td>2019</td>
<td>61.91</td>
</tr>
<tr>
<td>2018</td>
<td>69.47</td>
</tr>
</tbody>
</table>

For financial reporting purposes, foreign exchange differences are all operations to translate the value of assets and liabilities denominated in foreign currency to be recorded as other income or other expenses. In the reporting period, total (net) amount of all operations to translate the value of assets and liabilities denominated in foreign currencies was RUB 86,121,561 and was recorded as other income of the Company.

### Table 38. Income and expenses from dealing in foreign currency, (kRUB)

<table>
<thead>
<tr>
<th>Income/Expenses</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>14,604,422</td>
<td>7,650,755</td>
</tr>
<tr>
<td>Expenses</td>
<td>(6,904,949)</td>
<td>(3,446,086)</td>
</tr>
</tbody>
</table>

18. TAXES AND LEVIES, CUSTOMS DUTIES

The Company’s tax liabilities are recorded in accounting using the periodicity convention.

In 2020, statutory rates of the main taxes were as follows:

- **Income tax**: 20%
- **Value added tax**: 20%

Since 1 January 2012, Rosneft Oil Company and its 21 subsidiaries were combined into the consolidated taxpayer group Rosneft Oil Company was appointed responsible participant of the consolidated taxpayer group.

Currently, in accordance with the provisions of the agreement, the number of participants of the consolidated taxpayer group increased to 64 entities. The mineral extraction tax to be included in the cost of products, goods, work and services sold amounted to RUB 312,441,314 in 2020 (2019: RUB 851,463,520).

In 2020, the accrued export duty amounted to RUB 105,981,778.17 and is divided into 10,998,177,871 common shares with a par value of RUB 100 per each. There were no changes in the charter capital as compared to 31 December 2019 and 2018.

### Table 39. Settlements with the budget and state non-budgetary funds, (kRUB)

<table>
<thead>
<tr>
<th>Settlements with the budget and state non-budgetary funds</th>
<th>At 31 December 2020</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total receivables from the budget and state non-budgetary funds</td>
<td>86,722,094</td>
<td>110,212,119</td>
<td>96,014,921</td>
</tr>
<tr>
<td>Mineral extraction tax (MET)</td>
<td>55,865,140</td>
<td>70,443,836</td>
<td>65,315,239</td>
</tr>
<tr>
<td>Tax on additional income from extraction of hydrocarbons (additional income tax, AIT)</td>
<td>16,639,568</td>
<td>21,752,473</td>
<td>–</td>
</tr>
<tr>
<td>Income tax</td>
<td>151,866</td>
<td>952,179</td>
<td></td>
</tr>
<tr>
<td>Excise duty</td>
<td>4,126,607</td>
<td>3,341,026</td>
<td>4,015,943</td>
</tr>
<tr>
<td>Payables to state non-budgetary funds</td>
<td>37,663</td>
<td>3,044,624</td>
<td>1,280</td>
</tr>
<tr>
<td>Taxes and levies payable</td>
<td>151,866 − 952,179</td>
<td>4,126,607 − 3,341,026</td>
<td>37,663 − 3,044,624</td>
</tr>
</tbody>
</table>

Taxes and levies payable decreased by RUB 2,495,225 from 31 December 2019 primarily due to the decrease in the amount of VAT recoverable from the budget as of the end of the fourth quarter of 2020 year on year and due to the decrease in the excise duty applied to its refined crude oil (reverse excise duty) in relation to the change in macroeconomic indicators.

Taxes and levies payable decreased by RUB 2,289,003 from 31 December 2019 primarily due to the decrease in MET by RUB 14,480,696 and the decrease in AIT by RUB 112,905. The decrease in MET and AIT results from the decline in world prices of Urals oil and drop in production volumes due to the compliance with restrictions pursuant to the OPEC+ agreement.

According to provisions of the Russian Tax Code, desktop and field tax audits may cover three calendar years preceding the year in which a decision to hold the tax audit is taken. The Company’s management believes that the results of tax audits will not have a material impact on the Company’s financial position because tax liabilities are determined in accordance with requirements of the tax legislation.

19. EQUITY

### CHARTER CAPITAL

As of 31 December 2020, the Company’s charter capital amounts to RUB 105,981,778.17 and is divided into 10,998,177,871 common shares with a par value of RUB 100 per each. The Company’s reserve capital represents reserve capital formed in accordance with constituent documents and is equal to 5% of the charter capital.

### RESERVE AND ADDITIONAL CAPITAL

The Company’s equity also includes reserve and additional capital.

As of 31 December 2020, the reserve and additional capital is fully formed and amounts to RUB 299. There were no changes in the reserve and additional capital as compared to 31 December 2019 and 2018.
**TREASURY SHARES**

In August 2019, the Board of Directors of Rosneft Oil Company approved the features and commenced the implementation of the program for purchasing shares of Rosneft Oil Company in the open market, including in the form of global Depository receipts, which certify rights to such shares, in the maximum amount of USD2 billion (hereinafter, the “Program”). The Program will be implemented from the date of approval by the Board of Directors of Rosneft Oil Company through 31 December 2021. From 1 January 2019, the Company’s net assets amounted to kRUB2,224,610,050, and kRUB2,266,717,078, and kRUB2,266,740,417, respectively. The net assets decreased by kRUB37,610,028 or 16 % compared with the prior reporting date. As of 31 December 2020, the Company’s net assets exceed its charter capital by kRUB2,224,504,068.

**NET ASSETS**

As of 31 December 2020, 2019, and 2018, the Company’s net assets amounted to kRUB2,224,610,050, kRUB2,266,717,078, and kRUB2,266,740,417, respectively. The maximum number of shares and global Depository receipts that may be purchased under the Program is 340,000,000 units.

Shares and GDRs purchased under the Program will be recorded on the balance sheet of Rosneft Oil Company Group.

**20. INCOME AND EXPENSES, RETAINED EARNINGS**

Revenue from sales of goods, work and services is recognized as and when the goods are shipped, work is performed and services are rendered, and settlement documents are presented to customers (clients). To ensure timely reflection of business events, if necessary, the Company uses the accrual method in accordance with Accounting Statement 9/99. Revenues of an Organization, provided that the criteria for revenue recognition are met. In this case, revenue is recognized based on updates provided by Company’s business units.

The Company applies a method that involves calculating incomplete cost of goods (direct costing), and therefore general and administrative expenses are fully debited to the “Sales” account, i.e. are fully recognized in the reporting period without allocating them to balances of work in progress and finished goods (except for general expenses directly related to acquisition, construction and production of assets, which are included in the cost of assets).

From 1 January 2019, the Company realizes its right to refund the excise duty applied to its locally refined crude oil (reverse excise duty). This excise duty is recorded in the line, Cost of sales, in the income statement, increasing and decreasing the line amount depending on the macroeconomic indicators. In 2020, the excise duty applied to crude oil amounted to kRUB64,794,749 and was paid thus increasing the cost of sales in 2019, the excise duty amounted to kRUB45,899,744 and the Company paid this excise duty out of budget thus reducing the cost of sales.

From 1 January 2019, tax on additional income from the extraction of hydrocarbons was introduced with respect to certain license areas of the Company and is subject to recognition within costs included in the cost of sales, without inclusion to the unit cost of finished goods.

Selling expenses are allocated between sold goods and goods that were shipped but not sold, including finished goods at the warehouse. The Company’s total advertising expenses (not broken down by type of goods) are recognized in selling expenses.

The Company’s total advertising expenses related to measures imposed to contain the spread of the coronavirus infection in line with the requirements of Rospatrebnadzor and other executive bodies of the Russian Federation, are classified as other expenses arising as a result of extraordinary economic circumstances (pandemic).

The use of profit is accounted in recording accounts and financial statements in the year following the reporting years pursuant to the decision of the shareholders’ meeting. A portion of the profit that was not paid out as dividends pursuant to the decision of the shareholders’ meeting. A portion of the profit that was not paid out as dividends pursuant to the decision of the shareholders’ meeting. A portion of the profit that was not paid out as dividends to the shareholders is recognized in the financial statements in retained earnings (uncovered loss). If this profit is used for capital investments, the total balance of the retained earnings (uncovered loss) is not decreased.

As of 31 December 2020, 2019, and 2018, retained earnings of prior years amounted to kRUB3,950,647,825, kRUB3,962,162,123 and kRUB3,962,028,141,822, respectively.

Changes in the profit of prior years resulted mainly from accrued dividends in the amount of kRUB1,509,073.

The following income and expenses affected the retained earnings for the reporting year:

**Table 40. The Company’s income and expenses, (kRUB)**

<table>
<thead>
<tr>
<th>Item</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (net) from the sale of goods, work, services (net of value added tax)</td>
<td>4,835,091,105</td>
<td>6,827,528,407</td>
</tr>
<tr>
<td>Including: sales related to principal activities</td>
<td>3,103,515,772</td>
<td>4,335,124,655</td>
</tr>
<tr>
<td>Trading and procurement</td>
<td>1,199,726,357</td>
<td>1,954,957,644</td>
</tr>
<tr>
<td>Gains from shareholding in other entities</td>
<td>528,570,288</td>
<td>116,311,675</td>
</tr>
<tr>
<td>Intermediation</td>
<td>2,280,698</td>
<td>5,009,265</td>
</tr>
<tr>
<td>Cost of goods, products, work and services sold</td>
<td>(5,841,355,415)</td>
<td>(4,762,222,073)</td>
</tr>
<tr>
<td>Including: related to principal activities</td>
<td>(2,579,590,446)</td>
<td>(3,233,653,508)</td>
</tr>
<tr>
<td>Trading and procurement</td>
<td>(1,065,755,967)</td>
<td>(1,551,568,563)</td>
</tr>
<tr>
<td>Oil and gas reserves exploration and estimation expenses</td>
<td>(2,545,407)</td>
<td>(6,558,819)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,186,192,285</td>
<td>2,036,744,517</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>(772,860,154)</td>
<td>(1,186,815,437)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(90,988,304)</td>
<td>(85,503,903)</td>
</tr>
<tr>
<td>Profit (loss) from the sale of goods, work and services</td>
<td>322,243,877</td>
<td>758,026,158</td>
</tr>
<tr>
<td>Profit (loss) from other income and expenses</td>
<td>(292,789,241)</td>
<td>(411,084,534)</td>
</tr>
<tr>
<td>Including: interest receivable</td>
<td>148,755,618</td>
<td>176,844,160</td>
</tr>
<tr>
<td>Interest payable</td>
<td>(181,714,308)</td>
<td>(445,079,771)</td>
</tr>
<tr>
<td>Including: expenses on unwindings of the ARO asset discount</td>
<td>(4,030,228)</td>
<td>(4,913,039)</td>
</tr>
<tr>
<td>Gains from change in the fair value of derivative financial instruments</td>
<td>-</td>
<td>36,301,682</td>
</tr>
<tr>
<td>Losses from changes in the fair value of derivative financial instruments</td>
<td>(14,754,626)</td>
<td>-</td>
</tr>
<tr>
<td>Gains from the sale and disposal of other property</td>
<td>31,828,628</td>
<td>5,607,645</td>
</tr>
<tr>
<td>Including: gains from the sale of fixed assets and capital construction in progress</td>
<td>21,715,547</td>
<td>2,970,818</td>
</tr>
<tr>
<td>Gains from the sale of long-term securities</td>
<td>9,806,628</td>
<td>2,255</td>
</tr>
<tr>
<td>Losses from the sale and other disposal of other property</td>
<td>(77,831,900)</td>
<td>(9,565,251)</td>
</tr>
<tr>
<td>Including: losses from the sale of long-term securities</td>
<td>(35,784,360)</td>
<td>(1,246,251)</td>
</tr>
<tr>
<td>Losses from write-off of exploration assets</td>
<td>(22,962,934)</td>
<td>(1,006,321)</td>
</tr>
<tr>
<td>Losses from the sale of fixed assets and capital construction in progress</td>
<td>(14,897,590)</td>
<td>(1,985,202)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>17,616,735</td>
<td>18,915,307</td>
</tr>
<tr>
<td>Including difference between the carrying amount, transferred financial investments of shares (interests) as a contribution to the charter capital and then market value</td>
<td>63,942,359</td>
<td>88,083,562</td>
</tr>
<tr>
<td>Refund of the excise duty</td>
<td>6,882,665</td>
<td>6,484,455</td>
</tr>
<tr>
<td>Recognition of the deferred effect of hedging within other income</td>
<td>1,600,507</td>
<td>-</td>
</tr>
<tr>
<td>Translation differences</td>
<td>(35,121,507)</td>
<td>(41,636,090)</td>
</tr>
<tr>
<td>Dividend income tax</td>
<td>(1,625,913)</td>
<td>(370,537)</td>
</tr>
<tr>
<td>Other expenses directly related to the pandemic</td>
<td>(224,038)</td>
<td>-</td>
</tr>
</tbody>
</table>
Permanent and temporary differences between the accounting profit and the taxable profit for the reporting period are recognized in the accounting records. Temporary and permanent differences, which are calculated by comparing financial and tax accounting data on income and expenses, result in permanent tax income and expenses and deferred tax liabilities and assets.

Current income tax is determined in the accounting records through recognizing the following indicators:
- Nominal expense (income)
- Permanent tax income
- Deferred tax asset
- Deferred tax liability

The Company prepares indicators representing the accounting for income tax settlements on a monthly basis. The Company recognizes deferred income tax assets and liabilities resulting in an adjustment to the theoretical income tax expense, which are provided in the tables below.

Deferred income tax for 2020 and 2019 amounted to 68,276,333 krRUB and 38,536,968 krRUB, respectively.

Movement in deferred taxes for the reporting period recorded in line 2412. Deferred income tax, includes deferred taxes written off and/or accrued due to filing updated tax returns, deferred tax liabilities and assets written off, which will never be reversed.

The deferred tax asset includes the Company’s losses carried forward, which are not used to reduce income tax in the reporting (tax) period, but which will be recognized for taxation purposes in subsequent reporting (tax) periods.

The relationship between the theoretical income tax expense calculated as the accounting profit before tax multiplied by the 20% tax rate and the income tax expense is provided in the table below.

### Table 41. Allocation of the Company’s expenses recognized in the income statement by type, (krRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>41,903,455</td>
<td>37,051,887</td>
</tr>
<tr>
<td>Social charges</td>
<td>7,599,228</td>
<td>6,832,450</td>
</tr>
<tr>
<td>Depreciation and amortization*</td>
<td>132,704,626</td>
<td>149,355,651</td>
</tr>
<tr>
<td>Other costs*, including reverse excise duty, AIT, MET and oil and gas reserves exploration and estimation expenses</td>
<td>690,770,789</td>
<td>812,733,525</td>
</tr>
</tbody>
</table>

**Total for types of expenses**
- 4,512,747,238
- 6,068,900,229

* Recalculation of the effect of the revised estimates:
- For the ARO asset (fixed assets retirement obligation) the total amount is included in depreciation and amortization, for the ARO asset (tangible exploration assets retirement obligation) – in other costs (oil and gas reserves exploration and estimation expenses).
- For the HSE that due to their nature were recognized:
  - In expenses related to ordinary activities – the total amount is included in the expenses for the period in other costs (cost of sales), in exploration costs – in other costs (oil and gas reserves exploration and estimation expenses).
  - In the cost of finished products (sand) – the total amount is included in the expenses for the period in material costs (cost of sales)
  - In fixed assets and tangible exploration assets – the total amount is included in expenses for the period in depreciation and amortization or in other costs (oil and gas reserves exploration and estimation expenses) respectively.

* (Including general and administrative expenses, selling expenses and oil and gas reserves exploration and estimation expenses)

### Table 42. Permanent and temporary differences that gave rise to income tax, (krRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible temporary differences</td>
<td>404,841,595</td>
<td>286,913,282</td>
</tr>
<tr>
<td>Taxable temporary differences</td>
<td>173,590,425</td>
<td>100,226,090</td>
</tr>
<tr>
<td>Positive permanent differences</td>
<td>52,466,295</td>
<td>x</td>
</tr>
<tr>
<td>Negative permanent differences</td>
<td>60,843,755</td>
<td>x</td>
</tr>
</tbody>
</table>

### Table 43. Deferred taxes and permanent tax expenses and income, (krRUB)

<table>
<thead>
<tr>
<th>Item</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferral income tax (line 2410) = line 2411 + line 2412</td>
<td>83,547,847</td>
<td>48,185,409</td>
</tr>
<tr>
<td>Deferred income tax (line 2412)</td>
<td>68,276,333</td>
<td>38,536,968</td>
</tr>
</tbody>
</table>

### Table 44. Indicators affecting the income tax expense, (krRUB)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (loss) before tax</td>
<td>69,554,626</td>
<td>34,541,644</td>
</tr>
<tr>
<td>Current income tax (line 2411), including:</td>
<td>15,271,314</td>
<td>9,648,441</td>
</tr>
<tr>
<td>Nominal income tax expense (income)</td>
<td>15,271,314</td>
<td>9,648,441</td>
</tr>
<tr>
<td>Change in deferred tax assets</td>
<td>81,424,958</td>
<td>25,637,682</td>
</tr>
<tr>
<td>Change in deferred tax liabilities</td>
<td>(3,952,431)</td>
<td>(15,633,038)</td>
</tr>
<tr>
<td>Permanent tax expense</td>
<td>81,095,529</td>
<td>42,998,646</td>
</tr>
<tr>
<td>Permanent tax income</td>
<td>(229,368,755)</td>
<td>(105,388,074)</td>
</tr>
<tr>
<td>Tax on the income in the form of profits of controlled foreign companies</td>
<td>(105,388,074)</td>
<td>(19,566)</td>
</tr>
<tr>
<td>Deferred income tax (line 2412)</td>
<td>66,276,333</td>
<td>38,655,964</td>
</tr>
<tr>
<td>Income tax (line 2410) = line 2411 + line 2412</td>
<td>83,543,847</td>
<td>40,185,409</td>
</tr>
</tbody>
</table>

The difference between the amount of the current income tax calculated by a participant (including the responsible participant) of the consolidated group of taxpayers to be included in the consolidated tax base of the consolidated group of taxpayers and the amount of cash owed by a participant (due to a participant) under the agreement on the establishment of a consolidated group of taxpayers is disclosed in the income statement separately and is referred to as income tax re-distribution within the consolidated group of taxpayers.

* Current income tax on the tax loss is a positive amount (it is recorded without parentheses in the income statement).
22. DIVIDENDS DISTRIBUTION

NUMBER OF SHARES AND THEIR PAR VALUE

According to constituent documents, charter capital represents the Company's capital. The holders of common shares are entitled to one vote per share at shareholders' meetings. The Company issued 10,598,177,817 common shares with a par value at shareholders’ meetings.

In the first half of 2021, the Board of Directors will provide recommendations to the General Shareholders’ Meeting on the amount of dividends on the Company's shares for 2020. Based on the Company's results for 2019, the annual General Shareholders’ Meeting that was held on 2 June 2020 (Minutes w/n dated 5 June 2020) decided that dividends should be paid on Rosneft Oil Company’s common shares in the amount of RUB105,981,778.17.

AMOUNT OF DIVIDENDS

In 2020, the Company’s net income amounted to kRUB15,811,66 and basic earnings per share amounted to RUB14.70. In 2019, it was kRUB396,526,209 and RUB3741 per share, respectively.

23. SUBSEQUENT EVENTS

There were no economic events after 31 December 2020 that had a material effect on the financial position, cash flows or operating results of the Company.

24. PROVISIONS. CONTINGENCIES

The Company is involved in litigations, which arise from time to time in the course of its business activities. Management of the Company believes that the ultimate result of those litigations will not materially affect the performance or financial position of the Company.

Due to the pollution of oil in the 'Druzhba' trunk-oil pipeline in April 2019, a number of claims from the customers were submitted to the Company, stating that the supplied oil substantially exceeded the maximum permitted levels of organochlorine compounds (compared to the levels determined by the relevant technical regulations and standards). However, the Company delivered oil to the system of oil trunk pipelines of PJSC Transneft in compliance with the requirements of technical regulations and standards.

In addition, the Company received claims from customers that did not receive the contracted amounts of oil due to the oil pumping interruption in the 'Druzhba' trunk-oil pipeline resulting from the pollution. Currently, the Company is in the process of settling claims with foreign customers and PJSC Transneft. The calculation of losses incurred by the Company can be finalized after completing the comprehensive assessment of the impact of the incident on the Company’s activities (including the forced reduction in oil production due to the reduced oil intake into the system of PJSC Transneft), obtaining complete and legally supported claims from all counterparties and their re-submission to PJSC Transneft for compensation.

A provision is an obligation of the Company with an indefinite amount and/or time of settlement. A provision may arise:

• From laws and other regulations, court rulings or agreements

A provision is recognized in accounting records when all of the following criteria are met:

• The Company has an obligation resulting from its past business operations that cannot be avoided.

In case of doubt concerning such liability, the Company shall recognize an estimated liability if, based on the results of analysis of all circumstances and conditions, including expert opinions, it is more likely than not that a liability exists.

• It is likely that settling the provision will result in an outflow of the Company’s economic benefits (the likelihood is > 50%).

• The amount of the provision can be reliably estimated.

Provisions, contingencies and commitments are not absolute legal obligations of Rosneft Oil Company.

Pursuant to Accounting Statement 8 (2010), Provisions, Contingent Liabilities and Contingent Assets (effective from the date of issue of the financial statements in 2011), the Company has environmental provisions.

An environmental provision arises from the environmental impact resulting from the Company’s operations.

The amount of the environmental provision is determined based on the estimated expenditures (planned expenditures) of the Company that are expected to be incurred for settling the provision during restoration of the impacted lands and water bodies as of the reporting date. The estimation is performed based on the Company’s internal (management) reports that form the system of environmental information.

The information about the Company’s provisions is presented in the table below.

Table 45. Provisions, (krub)

<table>
<thead>
<tr>
<th>Provision</th>
<th>Description</th>
<th>Period</th>
<th>Balance at the beginning of the period</th>
<th>Recognized (accrued) for the reporting period</th>
<th>Written off (repair) against costs or accounts payable recognized</th>
<th>Increase (+)/decrease (−) of provision, when expenses/ income is recognized/reversed upon the change in provisions</th>
<th>Balance at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for annual year-end bonuses</td>
<td>Planned amount of annual year-end bonuses to employees, with insurance contributions at effective interest rate</td>
<td>2019</td>
<td>11,108,332</td>
<td>15,443,422 (8,273,062)</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Provision for future vacation payments</td>
<td>The Company’s obligation for vacation payments based on the number of unused vacation days at the end of the reporting period, with insurance contributions at effective interest rate</td>
<td>2019</td>
<td>2,450,521 (2,821,660) (2,914,341) (3,285,480)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>2,450,521</td>
</tr>
<tr>
<td>Environmental provisions</td>
<td>Formed on all environmental obligations. The estimation is made by place of occurrence Recognized at present value</td>
<td>2019</td>
<td>1,488,550 (8,183,110) (630,764) (1,398,469) (234,025) (249,349) (244,071)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>7,451,071</td>
</tr>
</tbody>
</table>
25. TRANSACTIONS WITH RELATED PARTIES

In the normal course of its business, the Company enters into transactions with entities which are related parties in accordance with Russian law.

The list of related parties was developed based on the relationships between the entities, taking into account the substance over form requirement.

The Company’s related parties also include entities that are not affiliates according to Russian law but meet the definition of an affiliate in accordance with IFRS 24, Related Parties Disclosures.

The total amounts of transactions and balances with related parties are disclosed separately for the following groups of related parties that have different relationships with the Company:

- Subsidiaries (entities consolidated by the Company as subsidiaries)
- Associates (legal entities consolidated by the Company using the equity method and proportionate consolidation method)
- Principal owners (shareholders holding more than 10% of the voting shares, or having significant impact based on other reasons) and state-controlled entities
- Joint venture participants (that are not a legal entity and proportionately consolidated)
- Other related parties

The Cash flows section of the Table discloses information in the event of significant cash flows by group of related parties (more than 10% of any item of the cash flow statement).

25.1 SUBSIDIARIES

This section discloses information concerning transactions with those subsidiaries in which the Company holds, directly or through other entities, more than 50% of the common voting shares, or which are controlled by other means.

Table 46. Information on transactions with subsidiaries, (kRUB)

<table>
<thead>
<tr>
<th>Transactions</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue and other income</td>
<td>2,001,748,939</td>
<td>3,223,100,840</td>
</tr>
<tr>
<td>Oil and gas sales</td>
<td>378,849,970</td>
<td>1,036,105,402</td>
</tr>
<tr>
<td>Petroleum products and petrochemicals sales</td>
<td>884,048,805</td>
<td>1,420,121,764</td>
</tr>
<tr>
<td>Income from leasing out property</td>
<td>136,007,310</td>
<td>149,611,241</td>
</tr>
<tr>
<td>Income from shareholding in other entities</td>
<td>526,843,795</td>
<td>514,872,977</td>
</tr>
<tr>
<td>Other income</td>
<td>75,999,259</td>
<td>102,819,152</td>
</tr>
<tr>
<td>Costs and expenses</td>
<td>2,254,499,902</td>
<td>3,090,283,729</td>
</tr>
<tr>
<td>Oil and gas purchases</td>
<td>1,532,555,941</td>
<td>2,357,618,751</td>
</tr>
<tr>
<td>Petroleum products and petrochemicals purchases</td>
<td>4,946,680</td>
<td>5,516,750</td>
</tr>
<tr>
<td>Logistics and transportation</td>
<td>134,960,618</td>
<td>146,469,209</td>
</tr>
<tr>
<td>Oil and gas production services</td>
<td>340,147,344</td>
<td>346,734,644</td>
</tr>
<tr>
<td>Cost of processing</td>
<td>518,482,919</td>
<td>496,077,371</td>
</tr>
<tr>
<td>Leases of assets</td>
<td>404,482</td>
<td>655,039</td>
</tr>
<tr>
<td>Other expenses</td>
<td>65,424,528</td>
<td>67,010,958</td>
</tr>
<tr>
<td>Other transactions</td>
<td>58,213</td>
<td>11,250</td>
</tr>
</tbody>
</table>

Appendix 6.
Cash flows

Cash flows from operating activities

Proceeds:
- From sale of products, goods, work and services: 1,322,217,389
- From lease payments, license payments, royalties, commissions and other similar payments: 151,188,103
- Other proceeds: 42,891,731
- Total proceeds: 1,516,297,223

Payments:
- To suppliers (contractors) for raw materials, other materials, work and services: (2,424,042,134)
- Exploration costs: (4,998,154)
- Other payments: (809,380,724)
- Total payments: (3,238,420,031)

Net cash flow from operating activities: (1,722,122,778)

Cash flows from investing activities

Proceeds:
- From sale of non-current assets (other than financial investments): 4,823,994
- From repayment of loans issued, receivables from other parties, etc.: 714,872,671
- From dividends, interest on debt financial investments and similar proceeds from equity participation in other entities: 355,362,963
- Total proceeds: 1,090,059,528

Payments:
- To purchase, create, upgrade, reconstruct and prepare non-current assets for use: (179,692,790)
- To purchase shares (interests) in other entities: (184,353,841)
- To issue loans to other parties: (1,322,552,799)
- Exploration assets: (13,330,314)
- Total payments: (1,669,820,234)

Net cash flow from investing activities: (579,760,706)

Cash flows from financing activities

Proceeds:
- From loans and borrowings received: 6,329,715,861
- Other proceeds: 5,163,637
- Total proceeds: 6,334,879,498

Payments:
- Repayment of loans and borrowings issued: 1,914,619
- Long-term loans and borrowings received: 318,755
- Interest receivable: 1,501,229
- Interest payable: 7,524,678
- Total payments: 9,868,121

Net cash flow from financing activities: (9,833,242,323)

Net cash flow for the year: (17,223,001,857)

Table 47. Assets and liabilities under transactions with subsidiaries, (kRUB)

<table>
<thead>
<tr>
<th>Assets and liabilities</th>
<th>Balance at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Assets</td>
<td>9,800,230,062</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>38,044,521</td>
</tr>
<tr>
<td>Accounts receivable, including</td>
<td>3,452,469,680</td>
</tr>
<tr>
<td>- Long-term accounts receivable</td>
<td>3,051,182,593</td>
</tr>
<tr>
<td>- Advances issued for capital construction and equipment for installation</td>
<td>13,784,619</td>
</tr>
<tr>
<td>- Short-term advances issued</td>
<td>9,326,746</td>
</tr>
<tr>
<td>- Allowance for impairment of accounts receivable</td>
<td>1,600,959</td>
</tr>
<tr>
<td>Short-term and long-term financial investments,</td>
<td>6,329,715,861</td>
</tr>
<tr>
<td>- Including long-term</td>
<td>5,610,909,967</td>
</tr>
<tr>
<td>Liabilities</td>
<td>3,559,531,771</td>
</tr>
</tbody>
</table>

Table 48. Information on transactions with associates, (kRUB)

<table>
<thead>
<tr>
<th>Transactions</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue and other income</td>
<td>254,888,270</td>
<td>215,758,355</td>
</tr>
<tr>
<td>Oil and gas sales</td>
<td>8,008,936</td>
<td>9,824,798</td>
</tr>
<tr>
<td>Petroleum products and petrochemicals sales</td>
<td>225,775,549</td>
<td>200,590,041</td>
</tr>
<tr>
<td>Income from leasing out property</td>
<td>578,151</td>
<td>339,993</td>
</tr>
<tr>
<td>Gains from shareholding in other entities</td>
<td>1,544,033</td>
<td>1,247,139</td>
</tr>
<tr>
<td>Other income</td>
<td>16,985,541</td>
<td>1,756,420</td>
</tr>
<tr>
<td>Costs and expenses</td>
<td>235,685,783</td>
<td>420,043,491</td>
</tr>
<tr>
<td>Oil and gas purchases</td>
<td>206,798,509</td>
<td>370,590,472</td>
</tr>
<tr>
<td>Logistics and transportation</td>
<td>32,762,292</td>
<td>32,384,201</td>
</tr>
<tr>
<td>Leases of assets</td>
<td>241,743</td>
<td>279,032</td>
</tr>
<tr>
<td>Cost of processing</td>
<td>14,509,633</td>
<td>15,352,240</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,426,688</td>
<td>1,169,546</td>
</tr>
<tr>
<td>Other transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings issued</td>
<td>5,163,637</td>
<td>4,610,069</td>
</tr>
<tr>
<td>Repayment of loans and borrowings issued</td>
<td>(1,914,619)</td>
<td>(2,197,300)</td>
</tr>
<tr>
<td>Short-term loans and borrowings received</td>
<td>160,641,978</td>
<td>26,311,821</td>
</tr>
<tr>
<td>Repayment of short-term loans and borrowings</td>
<td>161,235,770</td>
<td>25,275,622</td>
</tr>
<tr>
<td>Long-term loans and borrowings received</td>
<td>3,881,048</td>
<td>33,577,913</td>
</tr>
<tr>
<td>Repayment of long-term loans and borrowings</td>
<td>318,755</td>
<td>671,959</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,501,229</td>
<td>2,109,869</td>
</tr>
<tr>
<td>Interest payable</td>
<td>7,524,678</td>
<td>5,577,670</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds</td>
<td></td>
<td>82,076,522</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of non-current assets (except for financial investments)</td>
<td>10,058,393</td>
<td>64,335</td>
</tr>
</tbody>
</table>
Table 49. Assets and liabilities under transactions with associates, (kRUB)

<table>
<thead>
<tr>
<th>Assets and liabilities</th>
<th>Balance at 31 December</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>490</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable, including</td>
<td></td>
<td>45,603,262</td>
<td>34,347,960</td>
<td>33,863,180</td>
</tr>
<tr>
<td>- Long-term accounts receivable</td>
<td></td>
<td>2,053,515</td>
<td>1,190,904</td>
<td>4,148,305</td>
</tr>
<tr>
<td>- Advances issued for capital construction and equipment for installation</td>
<td></td>
<td>573</td>
<td>153</td>
<td>4,979</td>
</tr>
<tr>
<td>- Short-term advances issued</td>
<td></td>
<td>2,756,341</td>
<td>1,900,177</td>
<td>1,470,657</td>
</tr>
<tr>
<td>- Allowance for impairment of accounts receivable</td>
<td></td>
<td>10,519,909</td>
<td>9,390,197</td>
<td>9,473,083</td>
</tr>
<tr>
<td>Short-term and long-term financial investments, including long-term</td>
<td></td>
<td>6,425,626</td>
<td>51,214,855</td>
<td>48,984,585</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td></td>
<td>234,752,591</td>
<td>330,970,899</td>
<td>317,267,080</td>
</tr>
<tr>
<td>Short-term and long-term loans and borrowings (including interest)</td>
<td></td>
<td>59,946,766</td>
<td>50,271,297</td>
<td>15,405,438</td>
</tr>
<tr>
<td>- Long-term loans and borrowings</td>
<td></td>
<td>43,074,750</td>
<td>33,414,515</td>
<td>15,394,669</td>
</tr>
<tr>
<td>Other transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td></td>
<td>7,090</td>
<td>165,254</td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings issued</td>
<td></td>
<td>2,082,408</td>
<td>4,572,586</td>
<td></td>
</tr>
<tr>
<td>Repayment of loans and borrowings issued</td>
<td></td>
<td>2,209,915</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Repayment of short-term loans and borrowings</td>
<td></td>
<td>543,275,300</td>
<td>252,000,000</td>
<td></td>
</tr>
<tr>
<td>Long-term loans and borrowings received</td>
<td></td>
<td>546,246,360</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Repayment of long-term loans and borrowings</td>
<td></td>
<td>-</td>
<td>112,500,000</td>
<td></td>
</tr>
<tr>
<td>Deposits placed</td>
<td></td>
<td>1,581,044,163</td>
<td>3,046,277,335</td>
<td></td>
</tr>
<tr>
<td>Deposits repaid</td>
<td></td>
<td>1,460,771,305</td>
<td>3,114,766,129</td>
<td></td>
</tr>
<tr>
<td>Interest payable</td>
<td></td>
<td>32,876,541</td>
<td>34,313,321</td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td></td>
<td>6,446,437</td>
<td>9,756,564</td>
<td></td>
</tr>
</tbody>
</table>

25.4 PRINCIPAL OWNERS AND ENTITIES CONTROLLED BY PRINCIPAL OWNERS

This section discloses the information about transactions with principal owners (legal entities and individuals) that hold more than 10% of the total number of votes that relate to voting shares, and entities controlled by principal owners, including state-controlled entities.

25.5 INFORMATION ON COMPENSATION PAID TO KEY MANAGEMENT PERSONNEL

For information disclosure purposes, key management personnel include members of the Management Board and members of the Board of Directors of Rosneft Oil Company.

In 2020 and 2019, short-term compensation to the members of the Management Board taking in account the rotation of the management staff, including salary and bonuses and considering personal income tax, amounted to KURUB3,531,264 and KURUB3,570,285, respectively (social insurance contributions paid to the budget of the Russian Federation under the law, which are not income of the members of the Management Board, amounted to KURUB19,685 and KURUB19,919, respectively). The amount of short-term compensation to members of the Management Board and members of the Board of Directors for 2020 is disclosed in accordance with the Russian legal requirements for disclosure of information by issuers of securities.

Table 50. Information on transactions with principal owners and entities controlled by principal owners, (kRUB)

<table>
<thead>
<tr>
<th>Transactions</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue and other income</td>
<td>372,038,417</td>
<td>399,684,893</td>
</tr>
<tr>
<td>Oil and gas sales</td>
<td>158,560,483</td>
<td>264,279,112</td>
</tr>
<tr>
<td>Petroleum products and petrochemicals sales</td>
<td>184,331,314</td>
<td>134,202,571</td>
</tr>
<tr>
<td>Income from transactions involving term transaction financial instruments</td>
<td>815,304</td>
<td>729,950</td>
</tr>
<tr>
<td>Income from shareholding in other entities</td>
<td>18,459</td>
<td>21,618</td>
</tr>
<tr>
<td>Other income</td>
<td>4,149,030</td>
<td>321,792</td>
</tr>
</tbody>
</table>

Table 51. Assets and liabilities under transactions with principal owners and entities controlled by principal owners, (kRUB)

<table>
<thead>
<tr>
<th>Assets and liabilities</th>
<th>Balance at 31 December</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>391,204,769</td>
<td>33,562,366</td>
<td>475,694,965</td>
</tr>
<tr>
<td>Accounts receivable, including</td>
<td></td>
<td>111,378,331</td>
<td>126,154,406</td>
<td>97,499,791</td>
</tr>
<tr>
<td>- Long-term accounts receivable</td>
<td></td>
<td>5,913,677</td>
<td>4,937,200</td>
<td>5,152,184</td>
</tr>
<tr>
<td>- Advances issued for capital construction and equipment for installation</td>
<td></td>
<td>33,809,648</td>
<td>32,809,682</td>
<td>28,272,046</td>
</tr>
</tbody>
</table>
Company Group as a whole. Given the fact that the business of the Company as a legal entity is an integral part of the Group management, management decision-making and resource allocation is performed by the duly authorized persons at the level of Rosneft Oil Company Group; certain management reports reflecting financial performance, the amount of assets and liabilities by segment, which refer only to the Company's operations and are not related to the Group in general, are not prepared for business lines. Therefore, segment information is fully disclosed in the consolidated financial statements of Rosneft Oil Company Group.

Information on revenue broken down by segment is presented in the explanatory notes below, as this data is provided to the Company's authorized representatives on a regular basis. Segment information was prepared taking into account the economic, foreign currency, credit and price risks the Company may be exposed to.

### Table 54. Information on sales revenue by segment, (kRUB)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net revenue for the reporting year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>For 2020</td>
</tr>
<tr>
<td>Oil</td>
<td>2,014,057,411</td>
</tr>
<tr>
<td>Gas</td>
<td>165,251,269</td>
</tr>
<tr>
<td>Oil products and petrochemicals</td>
<td>1,982,814,798</td>
</tr>
<tr>
<td>Other sales</td>
<td>672,987,627</td>
</tr>
<tr>
<td>Total</td>
<td>4,835,091,105</td>
</tr>
</tbody>
</table>

Oil includes sales of oil and gas condensate.

Oil products and petrochemicals include sales of oil and gas refinery products.

Gas includes sales of natural gas, APG and DSG.

Other sales include the sales of other goods, public catering products, rendering of services, dividends, lease of fixed assets, etc.

## 27. RELATED INFORMATION

### 27.1 ENVIRONMENTAL MATTERS

The activities of oil and gas companies are always subject to environmental risks. The Company's management believes that its activities comply with legislative requirements regarding environmental protection, and, therefore, the Company has no risk of significant liabilities in this area, except for those already disclosed and recorded in these financial statements.

### 27.2 INSURANCE

The Company continues to insure its property, motor vehicles, cargoes, shipments, construction works and the liability of its officials.

**Table 55. Information on resources used, (kRUB)**

<table>
<thead>
<tr>
<th>Energy resource</th>
<th>For 2020</th>
<th>For 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric energy</td>
<td>35,345</td>
<td>36,475</td>
</tr>
<tr>
<td>Heat energy</td>
<td>4,345</td>
<td>4,508</td>
</tr>
</tbody>
</table>

### 27.3 ENERGY RESOURCES

Information on the total costs related to energy resources used is given below8.

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8 The requirement of Article 22 of Federal Law No. 261-FZ, On Saving Energy and Increasing Energy Efficiency, and on Amendments to Certain Legislative Acts of the Russian Federation, dated 23 November 2009. In accordance with Article 2 of Federal Law No. 261-FZ, an energy resource is an energy carrier that is used or can be used for both economic and other activities, as well as a type of energy (atomic, heat, electrical, electromagnetic or other type).
27.4 RISK MANAGEMENT

Country risks

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Russian government.

The Russian economy has been negatively affected by sanctions imposed on Russia by a number of countries. Starting early March 2020, the COVID-19 pandemic, among other factors, caused a significant fall in oil demand and oil prices in global markets, as well as a drop in the ruble exchange rate against the world’s major currencies. Provided current trends persist in the long term, these factors may continue to significantly affect the Company’s financial position, cash flows and financial performance.

Management is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances.

Financial risks

The Company receives USD-denominated export revenue. The Company enters into hedge transactions to mitigate the foreign exchange risk. A part of USD-denominated loans and borrowings is designated as a hedging instrument for export revenue (Note 13).

Other risks

Environment

The Company periodically evaluates its environmental liabilities pursuant to environmental regulations. Such liabilities are recognized in the financial statements as identified. Potential liabilities, which might arise as a result of changes in the applicable legislation or settlement of civil disputes or changes in regulations, cannot be reliably measured and are recognized as contingent environmental provisions. With the existing control, the Company’s management believes that currently there are no significant liabilities related to the environmental damage, other than those disclosed in these financial statements (Note 24).

Risks and opportunities associated with climate change

Within the framework of its corporate risk management system, the Company on an annual basis identifies and evaluates risks and opportunities relevant to its business activities, including those related to climate change. In the process of investment decision making, the risks associated with health, safety and environment (HSE), ecology, and climate change are analyzed. For large projects, the analysis of the alignment with the Company’s strategic goals, environmental standards and requirements of the Russian legislation and international organizations is performed, as well as the analysis and assessment of external risks related to the impact on the environment (changes in legislation, changes in technologies, market risks, reputational risks, etc.). In addition, the risks and opportunities associated with climate change and the transition to low-carbon energy are considered in the Company’s strategic management and business planning processes (especially for projects located in climate-sensitive regions: marine projects, Arctic projects, etc.) as well as in preparing various development scenarios for the world energy industry.

GENERAL INFORMATION ABOUT ROSNEFT

Date of state registration and registration number of Oil Company Rosneft:
• Date of state registration of the Company as a legal entity: December 7, 1995;
• Number of State Registration Certificate of the Company: 024.537;
• Date of entry in the Uniform State Register of Legal Entities about a legal entity established prior to July 1, 2002: August 12, 2002;
• Series and number of Certificate of Entry in the Uniform State Register of Legal Entities about a legal entity established prior to July 1, 2002: Series 77 No. 004856711;
• Primary State Registration Number under which entry about establishment of the Company is made in the Uniform State Register of Legal Entities: 1027700043502.

Pursuant to Decree of the President of the Russian Federation dated August 20, 2009, No. 1226-r, Rosneft has been included into the list of strategic enterprises charged with implementation of uniform public policy in those branches of economy where such entities operate.

Pursuant to Decree of the President of the Russian Federation dated May 21, 2012, No. 688, Rosneft has been included into the list of strategic enterprises and strategic joint stock companies.

Constituent entity of the Russian Federation in whose territory the Company is registered: Moscow.

Main types of operations of the Company: geological prospecting and geological exploration work aimed at oil, gas, coal and other minerals search; extraction, transportation and processing of oil, gas, coal and other minerals; production of oil products, petrochemicals and other products, including electric power, woodworking products, fast moving consumer goods and provision of services to the public; storage and sale (including sale in the domestic market and export sale) of oil, gas, oil products, coal, electric power, woodworking products, and other hydrocarbon and other derivatives.

Appendix 6.
CONTACT DETAILS

FULL NAME:
Public Joint-Stock Company Rosneft Oil Company

ABBREVIATED NAME:
PJSC Rosneft Oil Company

LOCATION OF THE COMPANY:
26/1 Sofiyskaya Embankment, Moscow, 117997, Russia

POST ADDRESS:
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E-mail: postman@rosneft.ru

FOR SHAREHOLDERS:
Shareholder Relations Division, Corporate Governance Department, Rosneft
Telephone: +7 (495) 987-30-60; 8-800-500-11-00
(calls from Russia toll-free)
Facsimile: +7 (495) 517-86-53
E-mail: shareholders@rosneft.ru

FOR INSTITUTIONAL INVESTORS:
Investor Relations Department, Rosneft
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E-mail: ir@rosneft.ru

IFRS AUDITOR OF THE COMPANY:
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Telephone: +7 (495) 705-97-00; +7 (495) 755-97-01
Facsimile: +7 (495) 755-97-01

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E-mail: support@reestrrn.ru
Website: www.reestrrn.ru

GDR DEPOSITARY:
J. P. Morgan

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Telephone: +7 495 967-71-13

LONDON OFFICE:
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Telephone: +44 207 134-55-18
Website of the Company:
Russian Version: www.rosneft.ru
English Version: www.rosneft.com