ROSNEFT

EXPLORING

TERRA INCOGNITA

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FSC C141361

Annual Report 2020

"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.

ANNUAL REPORT CONTAINING INTEGRATED REPORTING ELEMENTS

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.

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

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 Russel, 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 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 CO_2 equivalent, reducing upstream emissions intensity by 30%, 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 25% 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, transportation 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 CO_2. 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.

Summing up the 2020 results, I would like to emphasise 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 committed to 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 both 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-Danilovskoye 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-Irkinskoye on the Taimyr Peninsula and Marshal Zhukov and Marshal Rokossovsky in the Kara Sea. The fields' average resource potential is over 4 bboe.

In the forth quarter of 2020, the Company increased daily production of liquid hydrocarbons and gas by 1.9% and 7.5% 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 7.1% 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 RUB1 trln. 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.

COVID-19 MEASURES: CARING FOR OUR PEOPLE IS OUR TOP PRIORITY

Health, life and workplace safety of our employees have always been our highest 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**
- **39 mln units** of personal protective equipment (PPE) and over **680,000 litres** of hand sanitisers
- Strict compliance with sanitary and hygienic requirements
- **6.8 mln litres** of disinfectants for offices and workplaces
- COVID-19 vaccination for employees

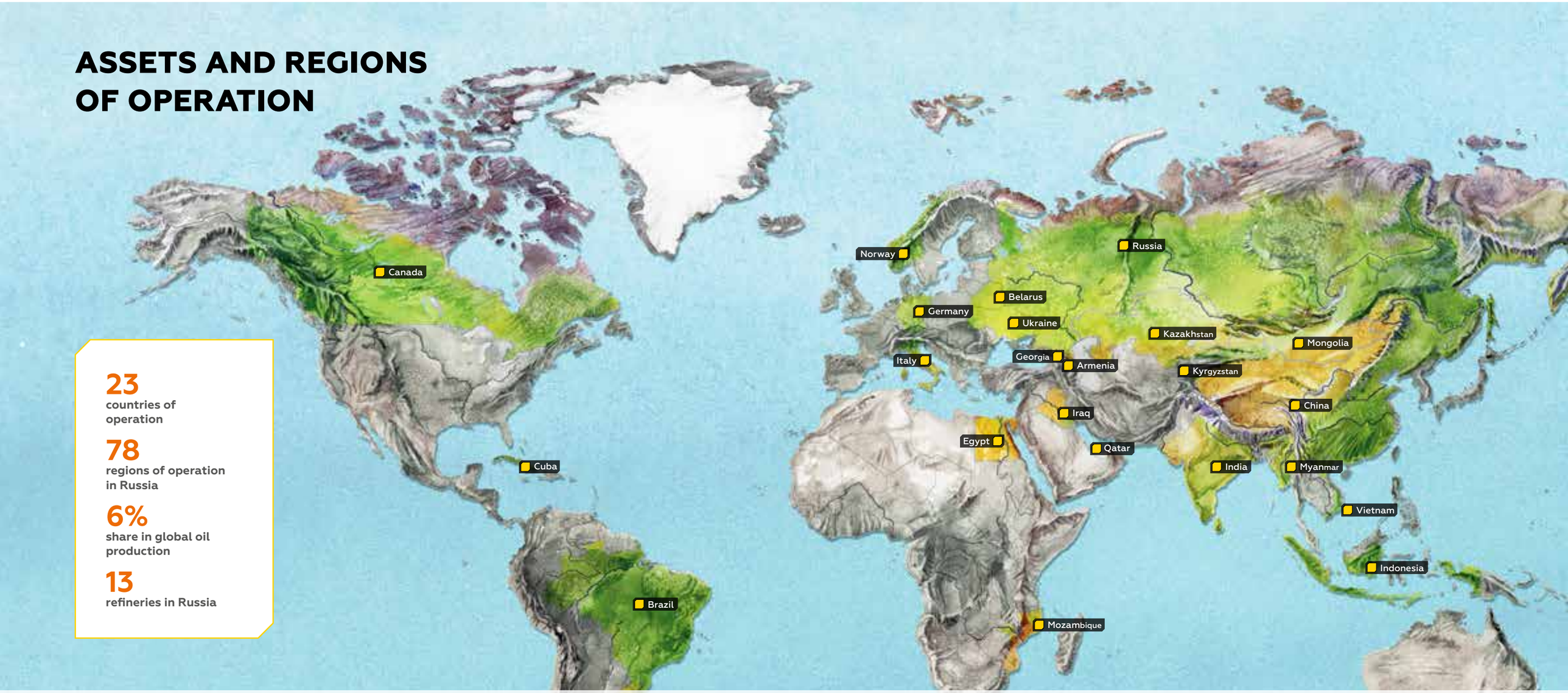
We care for our business

- 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**
- We rolled out more than **250 observation units** with over 21,500 beds and more than **322 isolation units** with 2,800 beds

We care for our customers

- Production of two sanitiser and disinfectant components: ethanol and acetone
- **41.8 kt** of acetone and **3.2 kt** of ethanol were sold domestically
- Contactless payment solutions at filling stations
- Support for medical institutions: funding and PPE supply

ASSETS AND REGIONS OF OPERATION



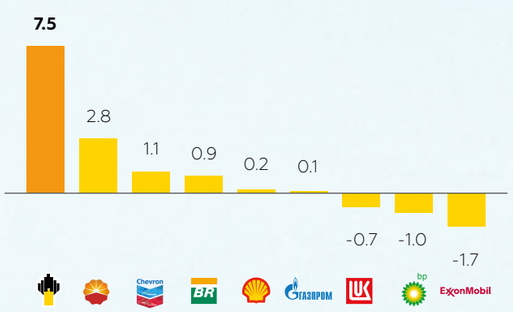
23
countries of operation

78
regions of operation in Russia

6%
share in global oil production

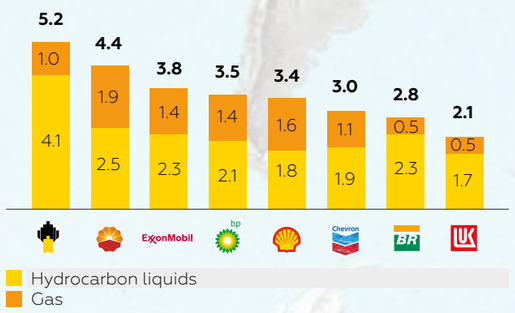
13
refineries in Russia

Average hydrocarbon production growth in 2010–2020, %



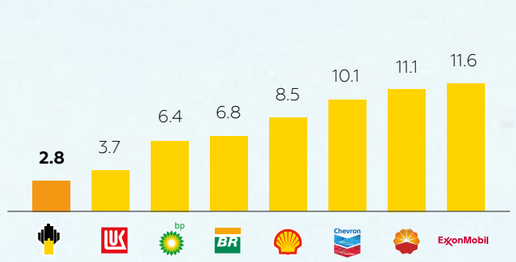
Sources: company reports; Wood Mackenzie (Gazprom).

Hydrocarbon production in 2020, mmboe per day



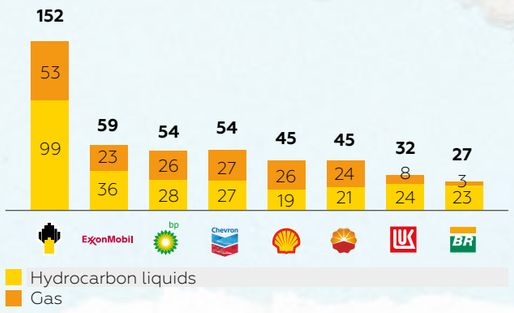
Source: company reports for 2020.

Hydrocarbon production costs in 2020, USD per boe



Source: company reports for 2020.

Hydrocarbon reserves, bboe as at 1 January 2021[1]



[1] Data on Rosneft is provided according to the Russian resource classification system (AB1C1+B2C2) 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 agenda[2]
- 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

[1] In terms of production volumes among publicly-traded companies listed on western stock exchanges.
[2] ESG (environmental, social, and corporate governance).

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

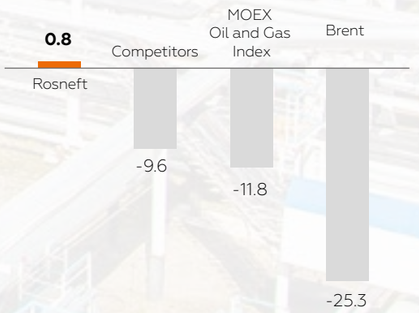
Sustainable shareholder returns and strong potential

50%
of net income: dividend payout ratio

70%
of investments banks have a Buy recommendation for Rosneft shares[3]

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

Total shareholder return (TSR)



[3] Share of investment banks that recommended to buy or hold Rosneft shares/GDRs as at the end of 2020

BUSINESS MODEL

CAPITAL[1] resources

FINANCIAL

RUB 785 bln
investments

SOCIAL AND REPUTATIONAL

23
countries of operation

HUMAN

356,000
qualified employees[2]

INTELLECTUAL

31
R&D and design institutes

NATURAL

RUB 42 bln
green investments

PRODUCTIVE

#1
public company worldwide by production volume[3]

13 refineries in Russia

Stakes in **6 refineries** Abroad

[1] Definition and list of capitals as per the International Integrated Reporting Framework published by the International Integrated Reporting Council (IRCC)

[2] Headcount as at 31 December 2020

[3] Listed on Western stock exchanges

OIL AND GAS PRODUCTION

Major resource base and modern production assets

Crude oil, mmt

226

- Hydrocarbon liquids production[4] 193
- Crude oil purchases in Russia 14
- Crude oil purchases abroad 19

Crude oil

Exploration

Gas

Gas, bcm

68

- Gas production[4] 58
- Gas purchases 10

[4] Production by subsidiaries and proportionately consolidated companies

OIL REFINING AND PETROCHEMICALS

Modern and environmentally friendly refineries

Oil refining, mmt

104

- In Russia 93
- Abroad 11

Petroleum products, mmt

105

- Production in Russia 90
- Production abroad 11
- Purchase 3

COMMERCE AND LOGISTICS

Effective trading and wide retail network

Oil sales, mmt

121

- In Russia 5
- Abroad 115

Petroleum products sales, mmt

104

- In Russia 38
- Abroad 64
- Petrochemicals 2

Gas sales, bcm

68

- In Russia 52
- Abroad 4
- Internal consumption, etc. 12

FINANCIAL PERFORMANCE

Strong performance and stable profits

Revenue, RUB bln

2,249 oil

3,066 petroleum products

73 petrochemicals

240 gas

129 other

CAPITAL results

FINANCIAL

RUB 1,209 bln
EBITDA

21%
EBITDA margin

RUB 147 bln
net income

SOCIAL AND REPUTATIONAL

RUB 2.4 trln.
fiscal payments

RUB 5.6 bln
charity

HUMAN

#1
employer in Russia's oil industry

RUB 28 bln
allocated for social projects

INTELLECTUAL

64 patents issued

72 technologies implemented and rolled out

NATURAL

767 kt of CO_2 eq.
reduction of GHG emissions[5]

1.3 mmt
Euro-6 gasoline production

PRODUCTIVE

138% reserve replacement ratio (SEC)

38 mmt motor fuels output

[5] Effect from the Energy Saving Programme

COMPANY STRUCTURE

Upstream

EXPLORATION

Russia

LLC RN-Exploration
LLC RN-Shelf Arktika
LLC NK Priazovneft
LLC Bashneft-Petrotest
LLC Vostok Oil

USA

Neftegaz Holding America Limited

Brazil

Rosneft Brasil E&P LTDA

Norway

RN Nordic Oil AS

Iraq

Bashneft International B.V.

Iraqi Kurdistan

LLC RN-BVK
RN-Batil Pte. Ltd.
RN-Zawita Pte. Ltd.
RN-Qasrok Pte. Ltd.
RN-Harir-Bejil Pte. Ltd.
RN-Darato Pte. Ltd.

Myanmar

Bashneft International B.V.

Mozambique

RN Angoche Pte. Ltd.
RN Zambezi North Pte. Ltd.
RN Zambezi South Pte. Ltd.

SERVICES

Russia

LLC RN-Service
LLC RN-Bureniye
LLC RN-GRP
LLC Intellectualnye Sistemy

PRODUCTION

Timan-Pechora

LLC Bashneft-Polyus

Far East

Sakhalin-1
JSC RN-Shelf-Far East

Western Siberia

LLC RN-Yuganskneftegaz
LLC RN-Purneftegaz
JSC Tomskneft VNK
LLC RN-Uvatneftegaz
JSC Samotlorneftegaz
JSC Rospan International
JSC RN-Nyaganneftegaz
JSC Sibneftegaz
LLC Kynsko-Chaselskoye Neftegaz
JSC Tyumenneftegaz
JSC Messoyakhaneftegaz
PJSC NGK Slavneft
LLC Sorovskneft
JSC Yugraneft Corporation
LLC Kharampurneftegaz
JSC Kondaneft
LLC SKN

Eastern Siberia

JSC Verkhnechonskneftegaz
JSC Vankorneft
JSC Vostsibneftegaz
LLC RN-Vankor
LLC Taas-Yuryakh Neftegazodobycha
JSC Suzun
LLC Tagulskoye
JSC Bratskekogaz

Volga-Urals

JSC Samaraneftegaz
OJSC Udmurtneft
JSC Orenburgneft
LLC Bashneft-Dobycha

Southern Russia

LLC RN-Krasnodarneftegaz
OJSC Grozneftegaz
LLC RN-Stavropolneftegaz
JSC Rosneft-Dagneft
JSC Dagneftegaz

Vietnam

Rosneft Vietnam B.V.

Canada

RN Cardium Oil Inc.

Egypt

Upstream Projects Pte. Ltd.

Downstream

REFINING

Russia

JSC Angarsk Petrochemical Company
JSC Achinsk Refinery VNK
LLC RN-Komsomolsk Refinery
JSC Novokuibyshevsk Refinery
JSC Kuibyshev Refinery
JSC Syzran Refinery
LLC RN-Tuapse Refinery
PJSC Saratov Refinery
JSC Ryazan Oil Refining Company
LLC Nizhnevartovsk Oil Refining Association
PJSC Slavneft-YANOS
Integrated Ufa Refinery (Bashneft-Ufaneftekhim, Bashneft-Novoil and Bashneft-UNPZ)

Oil plants

LLC Novokuibyshevsk Oils and Additives Plant
PJSC Rosneft – MP Nefteprodukt

Petrochemicals and catalysts

JSC Angarsk Polymer Plant
JSC Angarsk Plant of Catalysts and Organic Synthesis
JSC Novokuibyshevsk Petrochemical Company
LLC Novokuibyshevsk Catalyst Plant
PJSC Ufaorgsintez

Gas processing

JSC Otradnensky Gas Processing Plant
JSC Neftegorsky Gas Processing Plant
LLC Tuimazinskoye Gas Processing Plant
LLC Shkapovskoe Gas Processing Plant
LLC RN-Buzulukskoye Gas Processing Plant

Germany

Rosneft Deutschland GmbH
PCK Raffinerie GmbH

Belarus

OJSC Mozyr Refinery

Ukraine

PRJSC LINIK

SALES

Russia

LLC RN-Morskoi Terminal Nakhodka
LLC RN-Vostoknefteprodukt
LLC RN-Morskoi Terminal Arkhangelsk

LLC RN-Morskoi Terminal Tuapse
LLC RN-Krasnoyarsknefteprodukt
LLC RN-Novosibirsknefteprodukt
LLC RN-Chechennefteprodukt
PJSC Rosneft-Altainefteprodukt
JSC Rosneft-Kubannefteprodukt

PJSC Rosneft-Kurgannefteprodukt
PJSC Rosneft-Smolensknefteprodukt
PJSC Rosneft-Kabardino-Balkaria Fuel Company
OJSC Rosneft-Artag
LLC Bashneft-Roznitsa
JSC Rosneft-Murmansknefteprodukt
JSC RN-Moscow
JSC Bryansknefteprodukt
JSC Voronezhnefteprodukt
JSC Lipetsknefteprodukt
JSC Ulyanovsknefteprodukt
JSC Samaranefteprodukt
JSC Buryatnefteprodukt
JSC Tambovnefteprodukt
JSC Khakasnefteprodukt VNK
JSC RN-Tver
JSC Rosneft-Stavropolye
PJSC Rosneft-Karachaevo-Cherkessknefteprodukt
LLC RN-Ingushnefteprodukt
PJSC Rosneft-Yamalnefteprodukt
LLC RN-Severo-Zapad
JSC Belgorodnefteprodukt
JSC Irkutsknefteprodukt
JSC Orelnefteprodukt
JSC Penzanefteprodukt
JSC Tomsknefteprodukt VNK
LLC RN-Volgograd
LLC RN-Aero
PJSC Tulanefteprodukt
JSC RN-Rostovnefteprodukt
LLC RN-Bunker
JSC Kaluganefteprodukt
JSC Ryazannefteprodukt
JSC Karelianefteprodukt
PJSC Saratovnefteprodukt
JSC RN-Yaroslavl
LLC RN-Chernozemye
JSC Uralsevergaz

Belarus

FLLC RN-Zapad

Mongolia

LLC Rosneft-Mongolia
LLC Mergevan

Kyrgyzstan

CJSC RN-Kyrgyzneftеprodukt

Armenia

LLC Petrol Market
CJSC Rosneft-Armenia

Georgia

Petrocas Energy International Limited

1

STRATEGY

ROSNEFT–2022 STRATEGY

CORE STRATEGIC PRIORITIES	ACHIEVEMENTS IN 2020
ENHANCING YIELD and efficiency of existing Rosneft assets	**USD 2.8 per boe** leadership in upstream unit OPEX **RUB 22.6 bln** effect from operational efficiency programmes in oil refining and petrochemicals
ENSURING DELIVERY high quality project management	**2** greenfields came on stream[1] **23.7 mmt** production at key projects
TRANSFORMING CULTURE AND TECHNOLOGICAL CAPABILITIES to further sharpen the competitive edge	**>RUB 40 bln** innovations impact[2] **72** new technologies implemented and rolled out

[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.

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

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.

A NUMBER OF STRATEGIC GOALS DELIVERED AHEAD OF THE SCHEDULE

Share of horizontal wells

68%
2020 actual

40%
2022 target

Lower well costs[3]

15%
2020 actual

10%
2022 target

Faster horizontal drilling[4]

16%
2020 actual

5%
2022 target

Longer well operation times between repairs[5]

13%
2020 actual

10%
2022 target

[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.

FOCUS ON SUSTAINABLE DEVELOPMENT

Target

2020 result

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

767 kt of CO_2 eq
reduction in GHG emissions

14%
reduction in gross air pollutant emissions

Strengthening environmental and social responsibility positions

1.5 mln trees
planted as part of forest conservation

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

Integrated approach to sustainable development

Gas investment programme

21
new APG utilisation facilities

Energy saving programme

0.4 mmtoe
energy savings within the programme

Environmental efficiency improvement programme

94%
share of recycled and reused water

Marine biodiversity conservation programme

RUB 119 mln
investments within the programme

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

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

CNG advantages

S		NO_x	CO
no sulphur	no benzene	-52%	-53%

Euro-6 fuel advantages

S					
less sulphur	less benzene	-24% hydrocarbon emissions	less engine and catalytic converter wear	less engine deposits	less impurities

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 CO_2 eq.

Cutting the methane emissions intensity

<0.25%

CO_2 upstream unit emissions

-30%

Routine flaring of associated petroleum gas

0

Planned emission reduction initiatives

- 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-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

- We intend to cut the methane emissions intensity by implementing innovative technologies, including:
  - drones
  - laser and thermal imaging devices
  - scanning technologies
  - ultrasonic detectors

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

Biosequestration

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

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

127 technologies
tested in 2020

72 technologies
implemented and rolled out in 2020

Target
2020 result

Upstream

Digital Field, remote drilling and production control centres, IIoT, 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

Oil Refining and Petrochemicals

Digital Plant

6 refineries
rolled out advanced process management systems

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

24 digital twins
of process units designed and upgraded at refineries

- 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

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

PROGRESS AGAINST STRATEGIC OBJECTIVES

EXPLORATION AND PRODUCTION

Target
2020 result

100% liquid hydrocarbon reserve replacement ratio and organic growth

Increase the success rate of onshore exploration drilling in Russia

Exploration leadership

19
new fields[1]

208
new deposits

2 btoe
hydrocarbon reserves discovered in 2020

Optimise Russian onshore field development (increase the share of new horizontal wells)

15.2 mmt
production increase due to new well start-ups

68%
share of horizontal wells

1.1 thousand
new horizontal wells drilled using multi-stage hydraulic fracturing techniques

Commission large-scale projects on time and on budget

2
greenfields came on stream – the Erginsky licence area and the Severo-Danilovskoye field

A stronger impact of base production recovery measures

10.8 mmt
recovered base production volume

6.5%
increase in base production per well

Fast-track the development of new reserves based on viability

23.7 mmt
production at key projects

5%
an increase in production at key projects

More efficient service

Decrease non-productive time

<5%
maintaining a low proportion of the non-productive drilling time

Hydraulic fracturing fleets expanded to 19 units

21
hydraulic fracturing fleets

Reduce well drilling time by 5% on a comparable basis

13%
reduction of directional drilling time

15.6%
reduction of horizontal drilling time

Ensure a high share of in-house services

59%
share of in-house services in the Company's total drilling metreage

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

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

2.8 USD/barrel
Maintaining leadership in upstream unit OPEX

Engage in partnerships for capital intensive and high risk projects

- **Equinor:** a deal to jointly develop East Siberian fields

GAS

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
  - Fist 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 Turonian deposits

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

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 Maisky gas processing complex obtained Procurement documents drafted

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)

- Aircraft fuelling with jet fuel started at 5 airports of Russia, Europe and Asia
- Marine fuel sales started at the St Petersburg International Mercantile Exchange

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

- 110% – Polymer modified bitumen sales growth[1]
- 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

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

Rosneft is the No. 1 most recognised brand[2]

Improve performance and optimise costs

2.5%
optimisation of expenses on a comparable basis

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

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

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

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

15.5 mln people
engaged through loyalty programme

1.7 mln holders
of virtual loyalty cards

1 mln
people hold fuel cards. Virtual fuel card service up and running

[1] Polymer modified PMB and PG.

[2] Based on 2020 marketing research.

LONG-TERM DEVELOPMENT PROGRAMME AND PROGRESS REPORT

Originally developed in 2014[3], the Long-Term Development Programme (the Programme) is subject to annual updates[4].

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 directives[5]. 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.

Performance indicators include 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.

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.

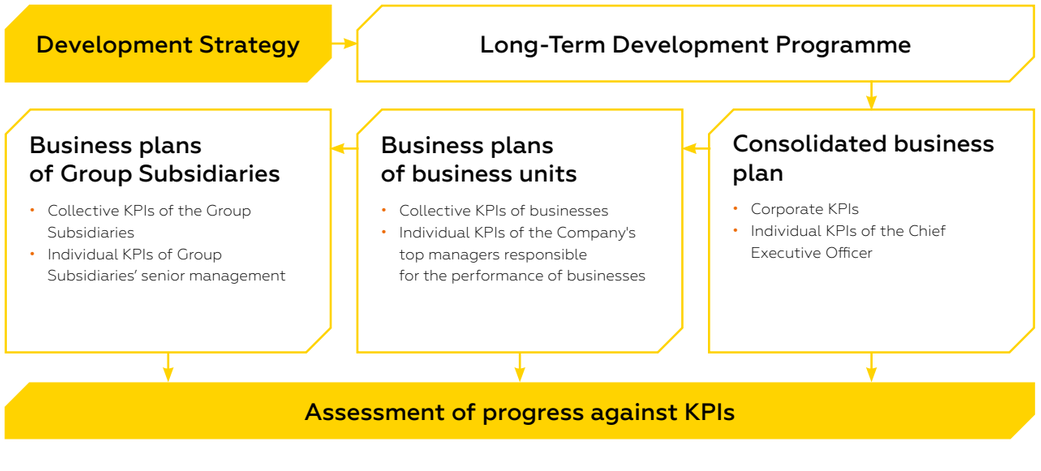
[3] In accordance with Instruction of the President of the Russian Federation Vladimir Putin No. Pr-3086 dated 27 December 2013; approved by Rosneft's Board of Directors on 9 December 2014 (Minutes No. 12).

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

[5] No. 4955p-P13 dated 17 July 2014, No. 7558p-P13 dated 12 November 2014, No. 1346p-P13 dated 5 March 2015, No. 2303p-P13 dated 16 April 2015, No. 7389p-P13 dated 31 October 2014, No. 1472p-P13 dated 3 April 2016, No. 4531p-P13 dated 28 June 2016, No. 4750p-P13 dated 4 July 2016, No. 830p-P13 dated 6 February 2017, No. 276p-P13 dated 17 January 2019, No. 6739p-P13 dated 30 July 2020.

KPI STRUCTURE

The Company's KPI system seeks to decompose the Company' 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:
- focus on implementing the strategy and meeting the targets set in the Long-Term Development Programme;
- focus on consistently improving the Company's financial and operating (industry-specific) results;
- compliance with directives and instructions of federal executive bodies, including annual cost-cutting targets;
- 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.

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 KPI set for calculating annual bonuses for the management of the Company and Group Subsidiaries. The audit results for top managers are subject to review by the Board of Directors' HR and Remuneration Committee.

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

The Board of Directors makes resolutions 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[1] and the Guidelines for KPI Normalisation Related to Performance Review against Business Plan[2].

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

KPI	2020 (actual)	Progress in 2020	Progress in 2019
Return on average capital employed (ROACE), %	6.9	Above target	Above target
Financial leverage (net debt / EBITDA)[3]	2.4	Above target	Above target
Injury rate, %	93	Above target	Above target
Integrated KPI for innovations[4]	XX	On target	On target

[1] Approved by the Board of Directors (Minutes No. 27 dated 6 April 2015).
[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.

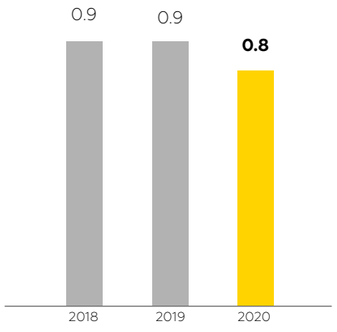
Given the current macroeconomic environment, the Company took a number of steps over the year to optimise its investment portfolio, maintain financial stability and lay a strong foundation for its strategic initiatives.

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

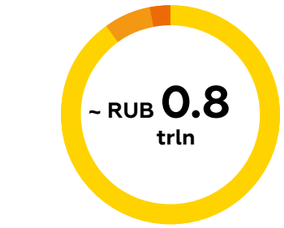
We ranked our investment projects by return given the Company strategic objectives. The portfolio optimisation allowed us to postpone the least profitable and long-term projects while carrying on with the pre-investment study. With portfolio management tools at our disposal, we can promptly respond to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

>20 %
investment optimisation in 2020

Capex, RUB trln



Investment programme split



Upstream	90 %
Downstream (Refining and marketing)	7 %
Other	3 %

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.

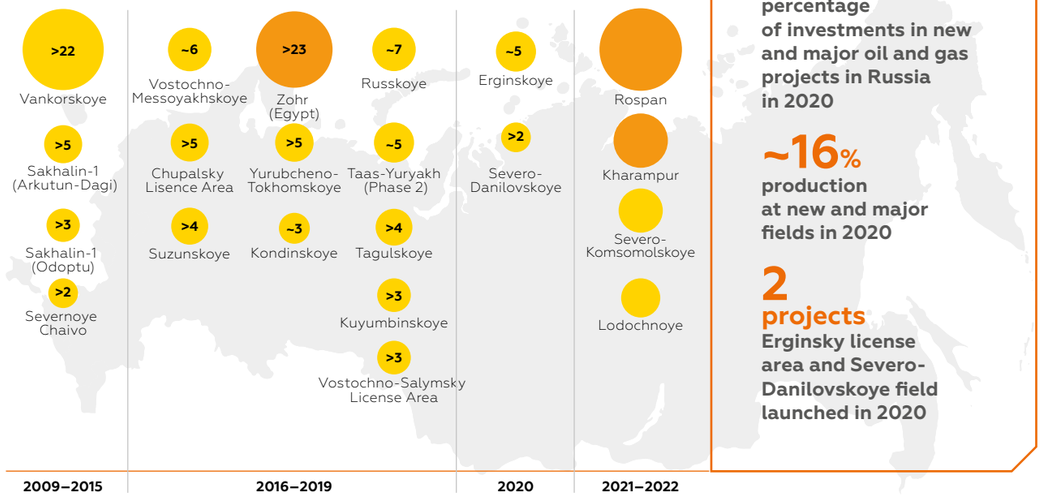
UPSTREAM

In 2020, 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.

Launch of major and new E&P projects in 2009–2022



~35%
percentage of investments in new and major oil and gas projects in Russia in 2020

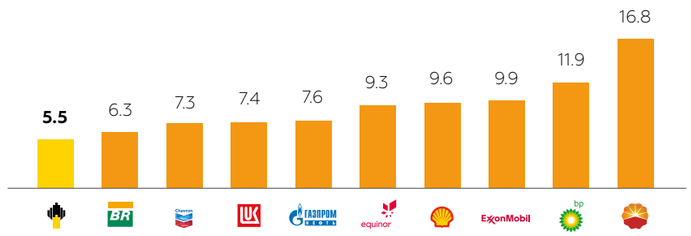
~16%
production at new and major fields in 2020

2 projects
Erginsky license area and Severo-Danilovskoye field launched in 2020

Area of circle corresponds to plateau production, the figures inside circle are shown: ● for oil projects – in million tonnes per annum; ● for gas projects – in million tonnes of oil equivalent per annum. 100% of production

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.

CAPEX in exploration and production per unit, USD/boe[1]



[1] Compared to oil majors listed on Western stock exchanges.

DOWNSTREAM

In 2020 Downstream capex totalled RUB 53 bln.

Investments focused on completing highly cost-efficient projects to construct and upgrade production units and facilities at refineries, construction and reconstruction of oil depots and airport refueling complexes, continued development of catalysts and additives business, and further implementation of existing capacities maintenance program.

We expect these projects to give a boost to our refining margins, light product yield and the output of high-quality petroleum products.

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.

Delegating: Investment Bodies and Limits of Authority

Limits of authority	Investment Bodies
>USD 1,500 mln	**Board of Directors**
USD 500–1,500 mln	**Management Board**
USD 200–500 mln	**Investment Committee**
USD 0–200 mln	**Segment Subcommittees**: Upstream; Downstream; Functional

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

Monitoring and control: regular and thorough project monitoring at all levels, change management process; IT-based control of investment decision availability when assuming financial obligations (the two-key principle) at all stages of project planning and implementation.

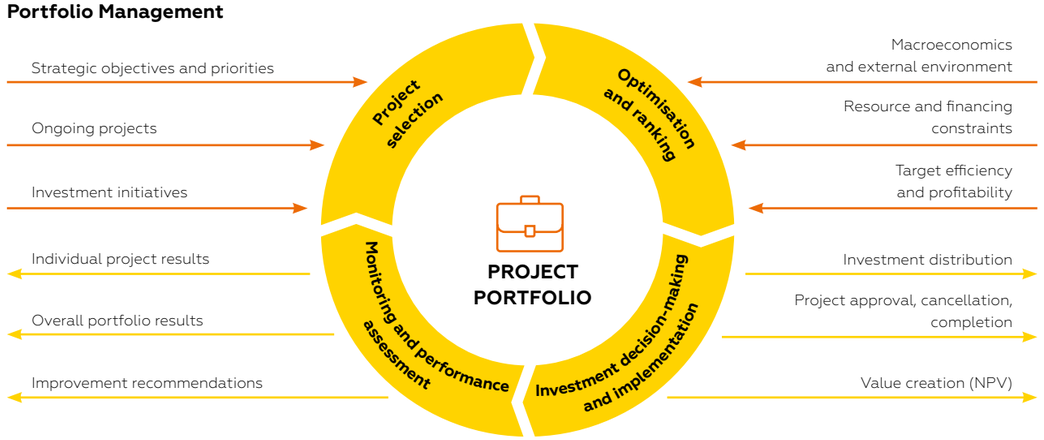
Portfolio analysis: composing a balanced portfolio of the Company's projects and flexible management, relying on principles of comprehensive project ranking and optimisation based on a list of criteria depending on the Company's development strategy and priorities, use of tools for portfolio scenario analysis.

IT tools: automating investment project management, including the support of investment decision making, economic analysis and portfolio management.

Portfolio optimisation criteria:

- economic efficiency;
- materiality;
- readiness for implementation;
- compliance with the strategy.

Portfolio Management



2

OPERATING RESULTS

2

OPERATING results

KEY OPERATING AND FINANCIAL RESULTS

Key Operating Results

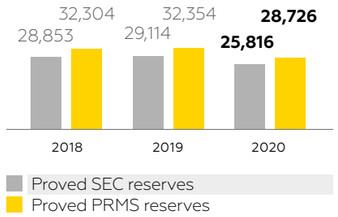
Metric	2020	2019	Δ	2018
Proved SEC reserves of liquid hydrocarbons, mmt	3,489	3,935	–11%	3,899
Proved PRMS reserves of liquid hydrocarbons, mmt	3,891	4,383	–11%	4,377
Proved SEC reserves of marketable gas, bcm	2,106	2,119	–1%	2,065
Proved PRMS reserves of marketable gas, bcm	2,423	2,452	–1%	2,420
PRMS hydrocarbon reserves-to-production ratio, years	23	23	0%	23
Production of liquid hydrocarbons, mmt	204.5	230.2	–11%	230.2
Natural gas production, bcm	62.8	67.0	–6%	67.3
Oil exports, mmt	115.4	149.4	–23%	123.7
Oil refining, mmt	104.0	110.2	–6%	115.0
Petroleum product and petrochemicals output, mmt	101.4	107.5	–6%	111.7
Petroleum product and petrochemicals export, mmt	64.2	71	–9.6%	73.7

Key Financial Results

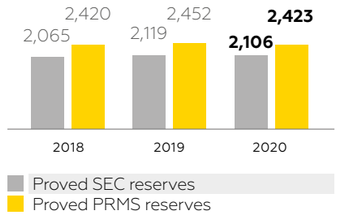
Metric	2020	2019	Δ	2018
Revenues and equity share in profits of associates and joint ventures, RUB bln	5,757	8,676	–34%	8,238
EBITDA[1], RUB bln	1,209	2,105	–43%	2,081
EBITDA margin[2]	20.4%	24.0%	–3.6 p.p.	24.8%
Taxes and customs duties, RUB trln	2.4	3.7	–34%	4.0
Net income, RUB bln	181	802	–77%	649
Net income margin	3.1%	9.2%	–6.1 p.p.	7.9%
ROACE	6.9%	15.7%	–8.8 p.p.	17.4%
ROAE	3.0%	14.3%	–11.3 p.p.	12.3%
Capex, RUB bln	785.0	854.0	–8%	936.0
Unit capex in exploration and production, USD/boe	5.5	6.1	–10%	6.8
Unit opex in production, USD/boe	2.8	3.1	–10%	3.1
Free cash flow, RUB bln	425	941	–55%	1,133
Dividend per share, RUB	6.94	33.41	–79%	25.91
Total accrued dividends, RUB bln	73.6	354.1	–79%	274.6

[1] Adjusted to pandemic-related expenses.
[2] Adjusted to the effect of offsetting overpayments.

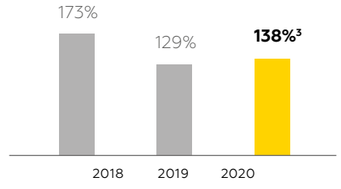
Proved Reserves of Liquid Hydrocarbons, mmb



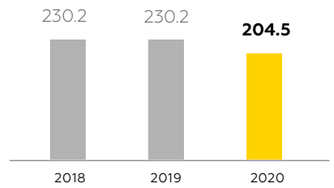
Proved Reserves of Natural Gas, bcm



Hydrocarbon Reserve Replacement Ratio, SEC, %

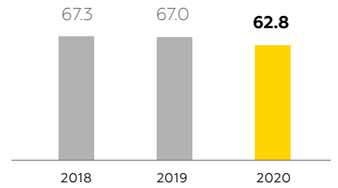


Production of Liquid Hydrocarbons, mmt



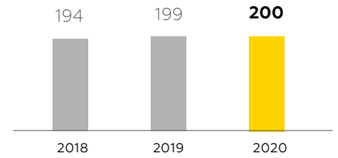
In 2020, the Company produced 4.14 mmb of liquid hydrocarbons per day (204.5 mmt), down 11.4% year-on-year due to the OPEC+ deal that took effect on 1 May 2020.

Natural gas production, bcm



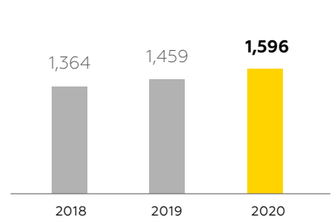
In 2020, gas production amounted to 62.83 bcm, down 6.2% year-on-year. The decrease is primarily attributed to lower associated petroleum gas production as a result of oil production cuts in line with the new OPEC+ deal and a drop in gas demand amid the COVID-19 pandemic.

Unit OPEX in hydrocarbon production, RUB/boe



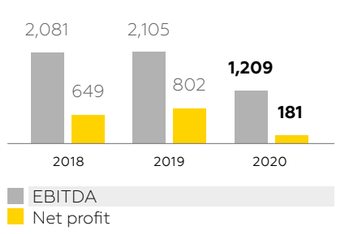
The indicator remained flat year-on-year.

OPEX of Russian Refineries per Tonne of Refined Oil[4], RUB



Opex at our Russian refineries for 12M 2020 were up 1.9% 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.

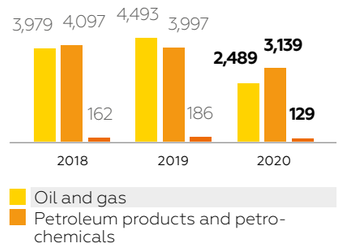
EBITDA and Net Income, RUB bln



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.

A year-on-year drop in net income is related to EBITDA dynamics and exchange rate fluctuations

Revenue, RUB bln



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.

[3] Across the relevant assets (after divestments)
[4] Including petrochemistry expenses.

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

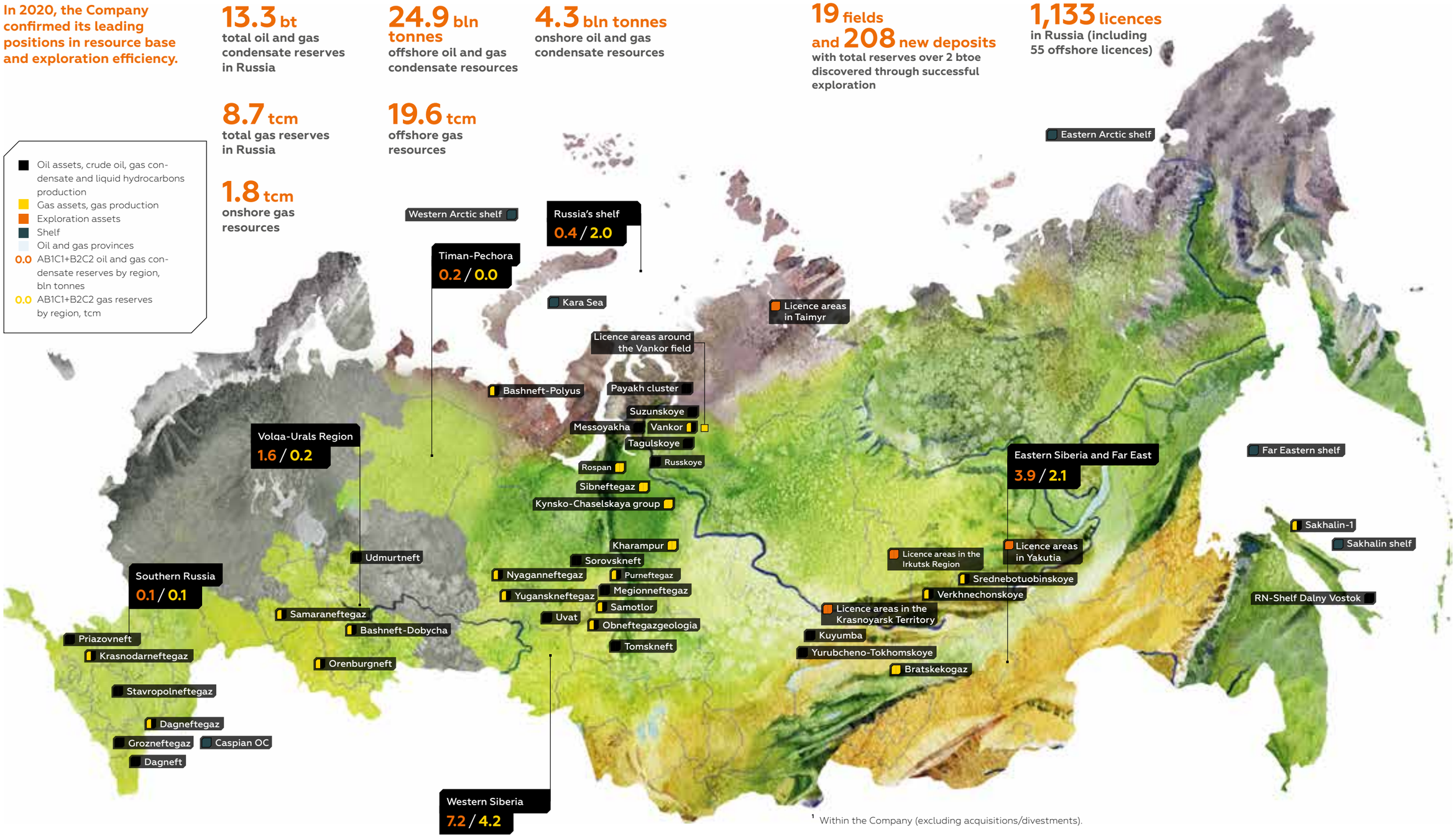
152 bboe
(20.5 btoe) AB1C1+B2C2 hydrocarbon reserves

556 mmtoe[1]
replacement of AB1C1 hydrocarbon reserves

214[1] **%**
hydrocarbon reserve replacement ratio according to the Russian resource classification system

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

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



[1] 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 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.

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.

KEY ONSHORE ACHIEVEMENTS IN RUSSIA:

477 mmtoe[1]
increase in AB1C1 reserves through exploration

194%
ratio of oil and gas condensate reserve replacement through exploration

110
exploration wells completed and tested

84.5%
success rate of exploration drilling

17
new fields

and 208 new deposits with AB1C1+B2C2 reserves of

906 mmtoe

INDEPENDENT INTERNATIONAL AUDIT OF RESERVES

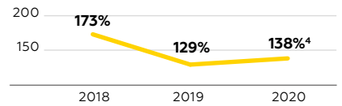
Under the SEC (U.S. Securities and Exchange Commission) classification, Rosneft's proved hydrocarbon reserves totalled 38,644 mmboe (5,678 mmtoe) as at 31 December 2020. (5,221 mmtoe)[2]. The audit to assess life-of-field reserves was performed by DeGolyer & MacNaughton.

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%[3].

As at 31 December 2020, the Company's reserves under the PRMS (Petroleum Resources Management System) standards, according to DeGolyer & MacNaughton, totalled 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-Nyagannefteqaz, Rospan International, Verkhnechonskneftegaz, and RN-Purneftegaz. The reserves at Vostok Oil assets, including Tagulskoye and Zapadno-Erginskoye fields, also went up significantly.

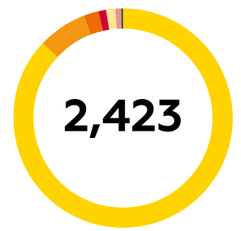
Oil and Gas Condensate Reserve Replacement Ratio, SEC



Breakdown of Proved Liquid Hydrocarbon Reserves, mmt

Western Siberia	2,828
Volga-Urals	606
Eastern Siberia	381
Timan-Pechora	29
Southern Russia	23
Offshore	18
Foreign countries	6

Breakdown of Proved Reserves of Marketable Gas, bcm



Western Siberia	2,112
Eastern Siberia	170
Foreign countries	54
Volga-Urals	33
Offshore	30
Southern Russia	22
Timan-Pechora	2

[1] Within the Company (excluding acquisitions/divestments).
[2] With acquisitions/divestments, including fuel gas.
[3] Calculated in metric units across the relevant assets (including divestments).
[4] Including divestments across the relevant assets.

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 exploration 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 136%. The drilling of Linveskaya well No. 324P revealed three new deposits of the Pikhtovoye field with 9,5 mmt of potentially recoverable reserves. The drilling of Vostochno-Pikhtovaya 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 Yuzhno-Tarasovskoye, Barsukovskoye, Verkhnepurpeyskoye, and Novopurpeyskoye 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 Novoognennoye 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 Messoyakhsky 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 27.6 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.

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 Minkhovskiy 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 Minkhovsky 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.

Increase in reserves –

270 mmt
of oil and gas condensate

and 65 bcm
of gas

33
exploration wells completed and tested with a success rate of

88%

1
new field

and 62
new deposits with AB1C1+B2C2 reserves of

71 mmtoe

Performed 3D seismic surveys of

2.1 thousand sq. km

EASTERN SIBERIA AND FAR EAST

In 2020, total reserves growth in Eastern Siberia and the Far East was 56 mmt 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 Vostok 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 the Botuobinskoye formation (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 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 mmt of gas condensate.

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 southeast of the Lisovsky field within the reefal buildups confirmed the industrial oil and gas bearing potential of the Early Cambrian intersalt formation. 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.

Increase in reserves –
56 mmt
of oil and gas condensate
and 38 bcm
of gas

12
exploration wells completed and tested with a success rate of
92%

4
new fields
and 16
new deposits with AB1C1+B2C2 reserves of
811 mmtoe

Performed 2D seismic surveys of
42 linear km
and 3D seismic surveys of
634 sq. km

VOLGA-URALS, TIMAN-PECHORA, AND SOUTHERN RUSSIA

In 2020, reserves in the Volga-Urals Region, Timan-Pechora, and Southern Russia increased by a total of 61.9 mmt 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.

In the Orenburg and Samara regions, the Company continued exploration of Domanic deposits for siliceous limestones. The Company is now planning a pilot development programme to develop a conclusion on the commercial potential of these deposits in the licence areas in the Samara Region. In 2020, Orenburgneft began appraisal drilling in the Kutuluk subsoil area in order to assess the commercial prospects of domanikoid strata within the Orenburg Region. In 2020, Samaraneftegaz's geologists performed the search for missed deposits and exploratory drilling, discovering 29 new deposits and two new fields with a 6.7 mmtoe increase in recoverable AB1C1 + B2C2 reserves.

Increase in reserves –
62 mmt
of oil and gas condensate
and 5 bcm
of gas

65
exploration wells completed and tested with a success rate of
82%

12
new fields
and 130
new deposits with AB1C1+B2C2 reserves of
24 mmtoe

Performed 2D seismic surveys of
900 linear km
and 3D seismic surveys of
1.8 sq km

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[1] totalled 19.9 mmt (403 kbpd), 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.

[1] Launched since 2016 (including the Erginsky licence area and Severo-Danilovskoye field).

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 1.3% year-on-year), with a 1.7% 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.

COMMISSIONING OF NEW WELLS

Rosneft is focused on high-tech wells: 68% out of the 2.6 thousand wells commissioned in 2020 were horizontal vs 57% in 2019. 1.1 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 44.7t per day, flat year-on-year, and 15.2 mmt of incremental production.

In 2020, **RN-Yuganskneftegaz** commissioned 854 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 kt.

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 wells drilled in 2020 (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 34% 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 port system with cup packers allowed for expanding the range of initiatives aimed at minimising the post-commissioning flow rate decline.

In 2020, Rosneft commissioned

2.6 thousand
new wells,

68%
of which were horizontal

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 Tagulskoye field, 27 fishbone multilateral wells were commissioned in 2020, marking a new high for the field and a 12-well 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 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 (126.5 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, Prirazlomnoye 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 1.4 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 well 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 398 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

formations of the Mamontovskoye and Ust-Balykskoye fields, results in high initial oil flow rates of up to 450 t per day, though these fields have a more than fifty-year history of development. Due to the use of new technologies, the average annual well flow rate totalled 22.8 t per day, compared to the Company's average of 19.5 t per day. The appraisal sidetracking programme included the drilling of 33 wells reaching new, currently undeveloped Achimov and Jurassic deposits. The highest initial oil flow rates (up to 244 t per day) were recorded in the Achimov formation of the Kudrinskoye field.

In 2020, **Samotlorneftegaz** commissioned 513 wells following a workover by sidetracking, a record number for the whole Company. It is also a five-year high for the subsidiary, up 21% year-on-year. The drilling was focused on tight AV4–5 and BV8(1–3) formations with a short construction time and high initial flow rates (44.9 t per day, compared to the Subsidiary's average of 34.4 t per day). These measures resulted in an additional crude oil production of 844.9 kt, up 9.4% year-on-year.

In 2020, **RN-Vankor** reached an all-time high of incremental production from sidetracking – 0.55 mmt of oil (up 71% to the previous record set in 2018). The result was solely due to the use of combination string drilling technology, which widens the range of permissible bottom-hole pressure, providing greater flexibility in managing the well operations and extending its life. In 2020, the technology was used to complete the construction of eight wells (out of 50 wells in operation), which accounted for 28% of all incremental production from the annual sidetracking programme. The company also continues well reconstruction by multilateral sidetracking. Six wells of the kind were commissioned in 2020 (up 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** 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 5.1 mmt 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 3,743 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

PK1 formation at the Severo-Komsomolskoye field. The pilot development also involved the commissioning of 50 wells, including 42 with inflow control devices.

In 2020, **Tyumenneftegaz** also piloted the technology at five wells. According to preliminary modelling, levelling inflow profile 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 **Vostsibneftegaz'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 preventively seal the intervals of potential inflow of unwanted fluids with swellable packers. Rosneft intends to apply this experience at **Slavneft-Krasnoyarskneftegaz**'s Kuyumbinskoye field.

DRILLING GEOLOGICAL SUPPORT CENTRE

In 2020, Rosneft's drilling geological support centre supervised the drilling of 3,018 horizontal wells and sidetracks, the highest number since the centre was launched in 2008. Over the past five years, the centre's operations have tripled. The high performance was achieved due to new technologies and improved methodology, better corporate IT solutions, and training initiatives for the centre's employees (corporate geo-steering school, annual workshop on geological support and geomechanics).

The centre's staff demonstrated their qualifications at the Russian and international geosteering championships, requiring the participants to simulate a drill of horizontal wells with different difficulty levels and penetrate an oil reservoir as far as possible. Rosneft won the team classification of the Russian championship, beating the teams of four other major companies. At the World Championship, a Rosneft employee took the first place 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 in Bashkortostan and the Krasnodar Territory, and supported the piloting of new logging technologies at Varyeganneftegaz, Samotlorneftegaz, Orenburgneft, Bashneft-Dobycha, etc. It also initiated a new line of business for Bashneft-Petrotest – petrophysical 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.

OPERATIONAL EFFICIENCY IMPROVEMENT SYSTEM

The Company has put in place a comprehensive Operational Efficiency Improvement System (OEIS) intended to identify and implement the most promising efficiency initiatives at Rosneft subsidiaries with potential to significantly improve production processes across the Group while also cutting the budgeted costs. Each efficiency improvement project goes through a rigorous selection process that includes technical and economic studies. If successfully implemented, it is then rolled out across the Group. In 2020, over 400 efficiency improvement projects were approved, with more than 650 projects green-lighted since the OEIS launch in 2018. The economic effect from the implementation and roll-out of these projects stood at about RUB 20 bln in 2020 and approximates RUB 35 bln since launching the system.

OVERVIEW OF PRODUCTION IN REGIONS OF OPERATION

WESTERN SIBERIA

Western Siberia is Rosneft's key hydrocarbon-producing region accounting for 161 mmtoe 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 mmtoe, 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, the company set a new industry record in daily drilling – 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 ultralow-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 for hydraulic fracturing modelling.

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 Priobsky licence area dated 15 October 2020, on 28 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 Priobsky licence area. MET tax deduction for the Priobsky licence area in the amount of RUB 460 bln starting 1 January 2021 will serve as a source of additional investments in developing oil production in the area and will ensure incremental production of more than 70 mmt in 2021–2030.

RN-Yuganskneftegaz

69 mmtoe
of hydrocarbons produced in 2020

In 2021–2030, the tax deduction for the Priobsky license area is expected to help achieve an incremental production of

70+ mmt

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 mmtoe 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 7.1% year-on-year), mainly due to more efficient transitions and reaching other formations.

Samotlorneftegaz

23 mmtoe
of hydrocarbons produced in 2020

RN-UVATNEFTEGAZ

The bulk of proved reserves (ca. 70%) at RN-Uvatneftegaz are concentrated in the Ust-Tegusskoye, Zapadno-Epasskoye, Urnenskoye, Severo-Tyamkinskoye, Severo-Tamarginskoye and Protozanovskoye fields, which are being developed as part of the Eastern Development Centre.

In 2020, RN-Uvatneftegaz produced 9.4 mmtoe of hydrocarbons, including 9.2 mmt of liquid hydrocarbons. It commissioned 83 new wells (up 5% year-on-year), resulting in 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-Uvatneftegaz

9+ mmtoe
of hydrocarbons produced in 2020

RN-NYAGANNEFTEGAZ

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

In 2020, RN-Nyagannefteqaz produced over 7 mmtoe 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 13%, vs 2019. A total of 207 well interventions (in addition to drilling) were performed at RN-Nyagannefteqaz's fields, leading to a 2% increase in incremental production to 0.7 kt per well.

RN-Nyagannefteqaz

7+ mmtoe
of hydrocarbons produced in 2020

RN-PURNEFTEGAZ

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

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

42 new production wells were drilled (up 66% vs 2019), with incremental production expanding to 165 kt (up 60% vs 2019). The share of horizontal wells drilled using multi-stage hydraulic fracturing techniques (MSHF HWs) rose from 53% in 2019 to 69%.

The efficiency of well interventions (excluding drilling) was up 60% at 1.4 kt per well, mainly thanks to recompletions, commingling and recommissioning.

The average daily flow rate of existing wells increased by 3.2% vs 2019 to 7.9 t per well as voidage replacement grew by 3–4% year-on-year.

RN-Purneftegaz

6+ mmtoe
of hydrocarbons produced in 2020

EASTERN SIBERIA AND THE FAR EAST (ONSHORE)

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

The bulk of production comes from the Vankor cluster fields (52% of total production in the region) and Verkhnechonskoye field (20%).

VANKOR CLUSTER

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 Turukhansky and Taimyrsky municipal districts in the Krasnoyarsk Territory's north.

In 2020, the Vankor cluster produced over 20 mmtoe 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 0.8 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.

Vankor cluster

20+ mmtoe
of hydrocarbons produced in 2020

VERKHNECHONSKNEFTEGAZ

Verkhnechonskneftegaz explores and develops the Verkhnechonskoye field in the Irkutsk Region, which is one of the largest fields in Eastern Siberia.

In 2020, the company produced 8.8 mmtoe of hydrocarbons, including 7.7 mmt of liquid hydrocarbons. The Verkhnechonskoye field is being developed using advanced technologies. There are also ongoing initiatives to streamline well construction and completion practices, monitor pay zone performance, and optimise operation of infrastructure facilities.

In order to develop under-gas-cap zones at the Verkhnechonskoye 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 76.7 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%.

Verkhnechonskneftegaz

8.8 mmtoe
of hydrocarbons produced in 2020

TAAS-YURYAKH NEFTEGAZODOBYCHA

Taas-Yuryakh Neftegazodobycha is developing the Central Block and the Kurungsky licence area of the Srednebotuobinskoye field, which is one of Rosneft's Top 3 assets in the Eastern Siberian oil cluster.

In 2020, the company produced 5.5 mmtoe of hydrocarbons, including 4.8 mmt of liquid hydrocarbons (a 21% year-on-year increase).

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).

Taas-Yuryakh Neftegazodobycha

5 mmtoe
of hydrocarbons produced in 2020

VOSTSIBNEFTEGAZ

Vostsibneftegaz 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, Bashneft-Dobycha produced 3.3 mmtoe 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 mmtoe
of hydrocarbons produced in 2020

VOLGA-URALS REGION

In 2020, this region produced around 41 mmtoe 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 mmtoe 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 47.6 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 use of advanced technology contributed to gains in productivity, with the average oil flow rate per well rising by 73% at Bashneft-Dobycha between 2009 and 2019. Oil production increased from 3.1 to 4.5 mmt at the Arlanskoye field over the same period.

Bashneft-Dobycha

11.5 mmtoe
of hydrocarbons produced in 2020

ORENBURGNEFT

More than 50% of Orenburgneft's proved reserves are concentrated in 10 major fields, including the Sorochinsko-Nikolskoye, Pokrovskoye, Olkhovskoye and Pronkinskoye fields.

In 2020, the company produced 14 mmtoe of hydrocarbons, including over 13 mmt of liquid hydrocarbons.

67 new production wells were drilled, resulting in an incremental production of 423 kt. The average daily flow rate per new well rose by 7% year-on-year to 47.6 t.

Also, a total of 42 sidetracks were drilled (up 7.7% vs 2019), with the incremental production at 84 kt.

The average daily flow rate of existing production wells reached 16.2 t per well (up 5% vs 2019) as voidage replacement added 3.5 p.p.and production recovery increased from 1.32 to 1.45 kt per well.

Orenburgneft

14 mmtoe
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-Kokhanskoye fields.

In 2020, the company produced 12.8 mmtoe 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 1.42 kt per well, a 5.3% increase vs a year before.

Samaraneftegaz

12.8 mmtoe
of hydrocarbons produced in 2020

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 mmt 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-Krasnodarneftegaz

1.8 mmtoe
of hydrocarbons produced in 2020

RN-STAVROPOLNEFTEGAZ

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

In 2020, the company produced 0.71 mmtoe of hydrocarbons, including 0.68 mmt 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

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 mmt 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

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 4.8 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 waterflood-induced fractures;
- a technology of simultaneous isolated production and injection into horizontal wells drilled using multi-stage hydraulic fracturing techniques (MSHF HW) was developed;

19.7 mmt
of hydrocarbon production from hard-to-recover reserves in 2020

4+ bt
of total hard-to-recover reserves

2+ bt of oil
in total RN-Yuganskneftegaz and Vostok Oil reserves

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 Domanic 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-Komsomolskoye, 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 about 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 field[1]. 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.

APG production in 2020

Vankor Cluster

3.7 bcm

Maintaining APG utilisation rate at the Vankor field at 98.4%. Since 2014, 34.5 bcm of gas was supplied to Gazprom.

Samotlorneftegaz

6.1 bcm

Production rose by 2.2% year-on-year on the back of higher APG supplies to processing facilities. Maintaining APG utilisation rate at the Samotlor field at 98.6%.

Purneftegaz

2.5 bcm

Maintaining APG utilisation rate at RN-Purneftegaz at 99.2%.

Yuganskneftegaz

4.8 bcm

APG supplies to processing facilities grew due to the prompt replacement of the compressor unit at the Priobskoye field's Compressor Station 2 and launch of pipeline from the Moskovtsev field.

Verkhnechonskneftegaz

1.3 bcm

Gas production rose by 5.9% year-on-year due to the increase in the amount of gas pumped into underground storage facilities.

[1] The asset is jointly managed with Gazprom Neft.

GREENFIELD DEVELOPMENT PROJECTS

ERGINSKY CLUSTER

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

3 mmt
+7% of hydrocarbon liquids produced (YoY)

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-Erginskoye 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.

SUZUNSKOYE FIELD

2.1 mmt
of liquid hydrocarbons produced in 2020

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.

TAGULSKOYE FIELD

1.4 mmt
of liquid hydrocarbons produced in 2020

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

LODOCHNOYE FIELD

0.8 mmt
of liquid hydrocarbons produced in 2020

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.

DANILOVSKY CLUSTER

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 transportations 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)[1] engaged in the development of the Danilovsky cluster.

0.3 mmt
of hydrocarbon liquids produced in 2020

[1] Renamed to LLC Angaraneft in March 2021.

SREDNEBOTUOBINSKOYE FIELD

4.8 mmt
+21% of liquid hydrocarbon produced (YoY)

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. 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.

YURUBCHENO-TOKHOMSKOYE FIELD

3 mmt
of hydrocarbon liquids produced in 2020

Vostsibneftegaz 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.

VOSTOCHNO-MESSOYAKHSKOYE FIELD

2.8 mmt
+2% of hydrocarbon liquids produced (YoY)

Vostochno-Messoyakhskoye field development (a joint project of Rosneft and Gazprom Neft) continues. A total of 122 new wells were drilled and commissioned, including 76 multilateral wells (100% share). The gas programme was implemented; starting from July 2020, associated petroleum gas from the Vostochno-Messoyakhsky licence area has been injected into the temporary underground gas storage at the Zapadno-Messoyakhsky licence area.

In 2020, the asset produced 2.8 mmt[1] 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.

[1] The Company's share.

RUSSKOYE FIELD

1.8 mmt
+ over 100% of hydrocarbon liquids produced (YoY)

The main hydrocarbon reserves of the Russkoye field are concentrated in the Cenomanian deposits with heavy, highly viscous, sweet oil with good commercial properties. A special feature of the field development system is the large-scale use of multilateral wells in order to increase productivity and scope of reserves. In 2020, the Company drilled and completed 58 horizontal wells, including 21 multilateral and multihole wells. A total of 337 wells have been drilled here, including 69 multilateral wells. The key goal of rolling out multilateral wells to full-scale development was achieved ahead of schedule. A total of 144 multilateral wells are to be drilled at the field.

According to well logging, the efficiency of recovery for multilateral wells can be 38% higher than for single-bore wells. At the same time, testing and research are implemented using a new method of boundary mapping while drilling, based on mathematical models generated by standard well logging surveys. This technology increased the efficiency of oil-saturated reservoir penetration by 17%.

Together with the commissioning of the Russkoye field CGF – Zapolyarnoye MS oil pipeline[1] 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[2].

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.

[1] CGF – central oil gathering facility; MS – metering station
[2] Sapphire Applied Engineering and Training Centre.

KUYUMBINSKOYE FIELD

0.7 mmt
+50% of hydrocarbon liquids produced (YoY)

The Kuyumbinskoye 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[3], 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.

SEVERO-KOMSOMOLSKOYE FIELD

0.5 mmt
+23% of hydrocarbon liquids produced (YoY)

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.

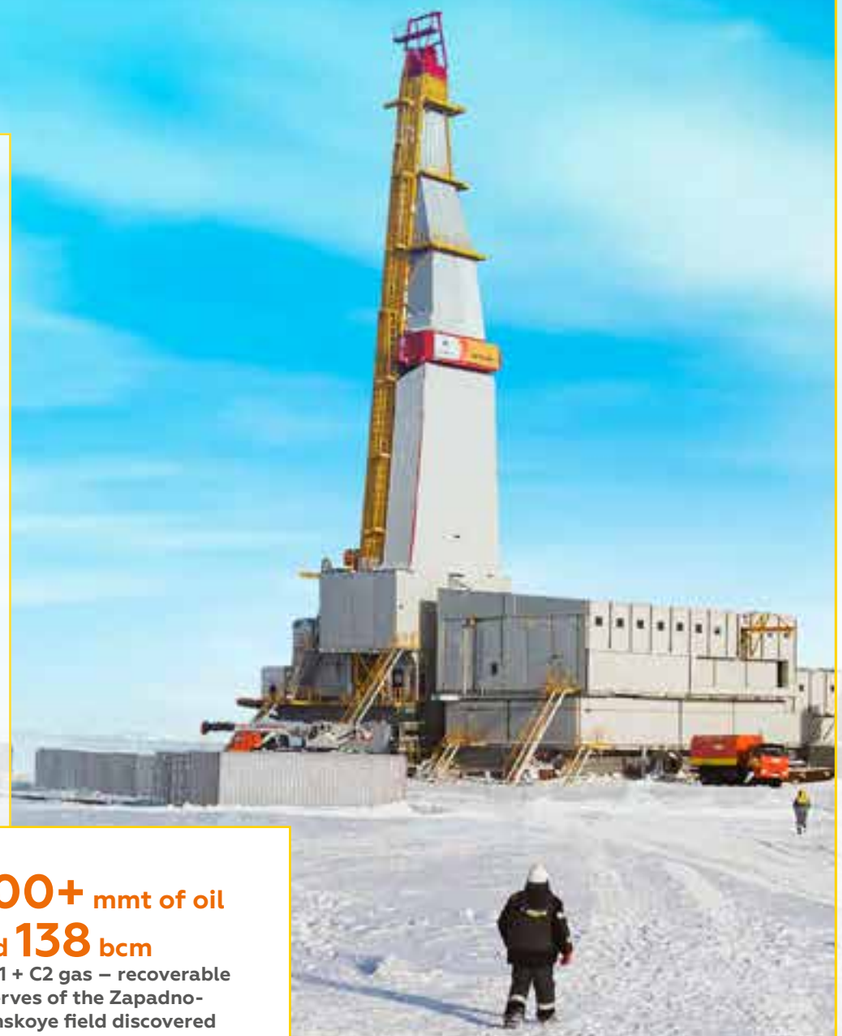
In 2020, 25 wells were drilled, including one multilateral well. The asset produced 0.5 mmt of hydrocarbon liquids in 2020, up 23% year-on-year.

[3] The Company's share.

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 licence areas prepared for development, the newly discovered Zapadno-Irkinskoye 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

Project highlights

- Proven world-class resource base of 6 bt 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 7,000 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.

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.

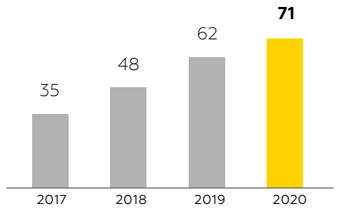
As a result of 2020 exploration activities, the Company discovered a large Zapadno-Irkinskoye field with recoverable C1 + C2 reserves comprising over 500 mmt of oil and 138 bcm of dissolved gas. The Zapadno-Irkinskoye field and the Payakhskoye field are similar in geological structure and form a single 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 Payakha 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 30 mmt of oil per year from 2024. The second phase will expand capacity to 100 mmt of oil per year.

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 minimises the risk of overpricing by third-party contractors.

Horizontal drilling growth, %



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% (+9 p.p. year-on-year).

The operating fleet of the Company's drilling service as 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 57.5 per year (up 4.7% 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.

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.

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 coil 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;

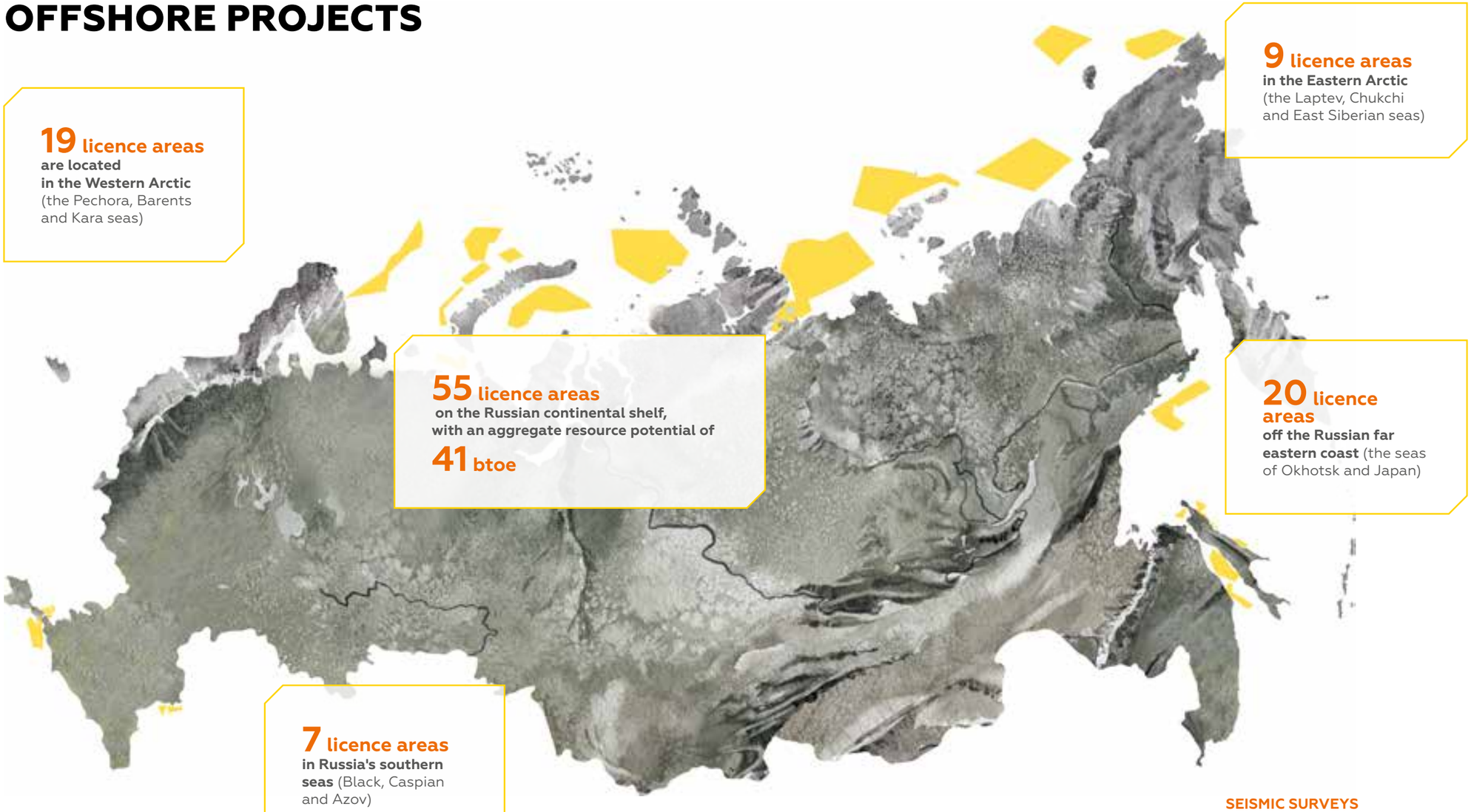
technical availability of the rolling stock –
90%;

share of the operating fleet upgraded –
10.1%;

794
general and specialised use vehicles supplied;

fleet utilisation rate –
70%.

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.

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

condensate. The cluster comprises three fields, including the offshore Pobeda field discovered in the Kara Sea in 2014.

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 Madachagskaya No. 2PO appraisal well in the Medynsko-Varandeysky 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 licence 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.

Innopraktika and Lomonosov Moscow State University's Department of Geology will conduct comprehensive laboratory and analytical studies of the samples to make oil and gas potential estimates for various age sedimentary basins in the Arctic more reliable and substantiate a new geological model of the North Kara region.

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 using super-extended reach horizontal wells; at the Chaivo field, oil is extracted 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.

12.4 mmt
(including Rosneft's share of 2.5 mmt) of liquid hydrocarbons produced in 2020

2.4+ bcm
of gas (including Rosneft's share of 0.5 bcm) supplied to consumers

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.

0.5 mmt
of liquid hydrocarbons produced in 2020

0.05 bcm
of gas supplied to consumers

GAS BUSINESS

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

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.

20%
share of gas in the Company's total hydrocarbon production in 2020

62.83 bcm
total gas production in 2020[1]

8.7 tcm
of recoverable gas reserves

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 1.1 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.

[1] Recovered gas volume excluding flared gas and gas used in liquid hydrocarbon production.

GAS PRODUCTION

PERFORMANCE IN THE REPORTING YEAR

In 2020, Rosneft's gas production both in Russia and abroad totalled 62.83[1] 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

GAS PRODUCTION BY REGION

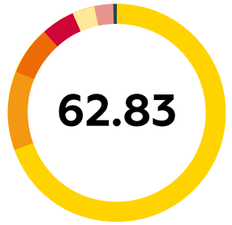
Rosneft's largest gas-producing region is **Western Siberia**, which contributed 70%, or 43.73 bcm, of the total gas output in 2020, including 21.86 bcm of natural gas produced mainly by Sibneftegaz, Rospan International, RN-Purneftegaz and Purgaz and 21.87 bcm of APG produced mainly by Samotlorneftegaz, 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 the **Volga-Urals** region, gas was primarily produced from the fields owned by Orenburgneft, Samaraneftegaz, and Bashneft-Dobycha. Output there amounted to 2.06 bcm.

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	3.22
Volga-Urals	2.06
Southern Russia	1.82
Other, including Timan-Pechora	0.21

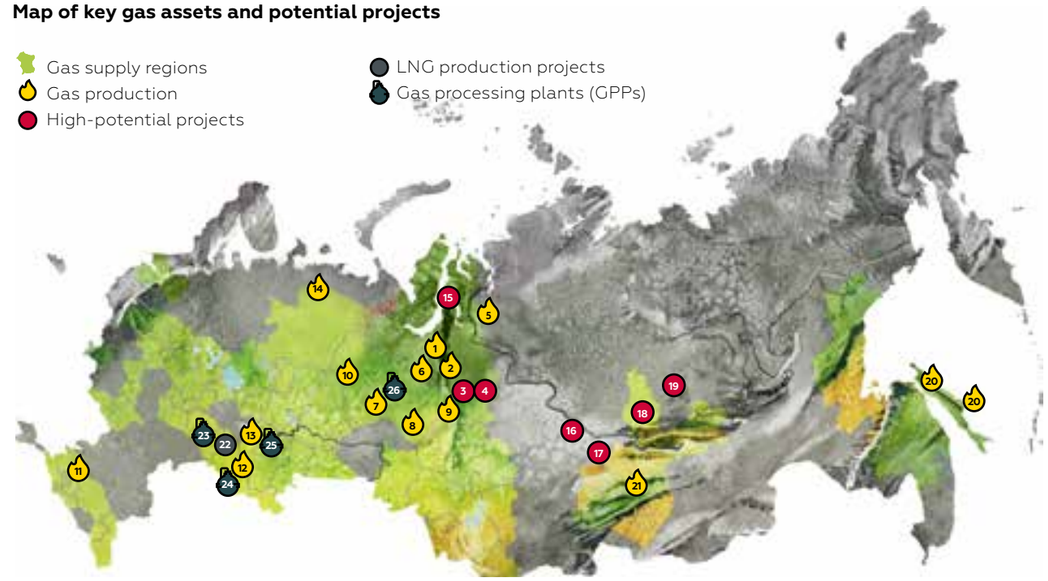
In **Southern Russia**, the Company's key gas asset is RN-Krasnodarneftegaz, which produces both natural and associated petroleum gas. The region brought in 1.82 bcm in 2020.

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

[1] Recovered gas volume excluding flared gas and gas used in liquid hydrocarbon production.

KEY ASSETS AND HIGH-POTENTIAL PROJECTS OF THE COMPANY'S GAS BUSINESS

Map of key gas assets and potential projects



1. Rospan
2. Sibneftegaz
3. Kharampurneftegaz
4. Kynsko-Chaselskoye Neftegaz
5. Vankor group
6. RN-Purneftegaz
7. RN-Yuganskneftegaz
8. Samotlorneftegaz
9. Varyegganneftegaz
10. RN-Nyagannefteqaz
11. RN-Krasnodarneftegaz
12. Orenburgneft
13. Bashneft-Dobycha
14. Bashneft-Polyus
15. Minkhovsky cluster
16. Yurubcheno-Tokhomskaya group
17. Agaleevsky licence area
18. Verkhnechonskneftegaz
19. Taas-Yuryakh Neftegazodobycha
20. RN-Shelf-Far East, Sakhalin-1
21. Bratskekogaz
22. Otradnensky and Neftegorsky GPPs in the Samara Region
23. Buzulukskoye GPP in the Orenburg Region
24. Shkapovskoye and Tuimazinskoye GPPs
25. RN-YuganskGazPererabotka

ROSPAN

THIS IS THE COMPANY'S LARGEST GAS ASSET AND THE TOP CONTRIBUTOR TO THE COMPANY'S NEAR-TERM PRODUCTION GROWTH.

>21 bcm
of gas produced per year

>5 mmt
of gas condensate and oil produced per year

up to 1.3 mmt
of industrial propane/butane mixture produced per year

Total recoverable AB1C1+B2C2 reserves

ca. 0.9 tcm
of natural gas

ca. 0.2 bt
of oil and gas condensate

2020 RESULTS AND PROGRESS IN 2021:

- 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.

HISTORICAL BACKGROUND

Rospan traces its history to 1994. In 2013 it joined Rosneft, which proved to be a major turning point contributingsignificantly to the project's growth. Rospan owns exploration and development rights for the Urengoyskoye, Vostochno-Urengoyskoye, and Severo-Esetinskoye fields in the Novo-Urengoysky, Vostochno-Urengoysky, and Resursny licence areas. The key development asset is the Achimov deposits. The project's complexity has to do with the low natural permeability of the deposits and abnormally high reservoir pressure. With successful long-term follow-up exploration programme, jointly prepared by the Company and the corporate R&D institute, the project will help develop up to 97% of the asset's reserves as opposed to the previously planned 83%.

ACHIMOV DEPOSITS DEVELOPMENT TECHNOLOGIES

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 mmtoe. The Company continues rolling out and improving the system to monitor well performance using multiphase stationary flow meter.

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 offourproduction 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 Vasseyakha, Shonyauyakha and Ayvasedapur rivers were completed using directional drilling, and the tie-in to Gazprom's trunk gas pipeline network was built;
- construction of gas gathering networks and fit-up of well pads and power facilities continued.

11+ bcm
natural gas production at design capacity

up to 25 bcm
potential production growth with low-permeability Turonian deposits on stream

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 AB1C1+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 as compared with single-bore horizontal wells and reduce geological risks.

Plans

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 AB1C1+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[1] 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-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.

[1] Beijing Enterprises Group Company Limited holds a 20% stake in Verkhnechonskneftegaz.

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.

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.

LNG PROJECTS[1]

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 mmtpa 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 preparations.

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

The Company has vast gas resources in the north of the Krasnoyarsk Territory and Yamal-Nenets Autonomous Area (including those of the Vostok Oil project) and is running an extensive exploration programme. In the long run, this will enable us to establish large-scale LNG production in the region. LNG will be exported to Asia-Pacific and European markets via the Northern Sea Route.

[1] LNG – liquefied natural gas.

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.

International gas assets

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 (A5-B, Z5-C and Z5-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.

THE ZOHR PROJECT IN EGYPT

Actual production in 2020 (100% of the project) totalled

21.7 bcm
of gas

0.2 mmt
of gas condensate

In 2020, the project switched to a self-financing scheme

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 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.

OFFSHORE PROJECTS IN VIETNAM

Actual production in 2020 (100% of the project) totalled

3.2 bcm
of gas

and 0.03 mmt
of gas condensate

18 years
of safe offshore operations with no lost-time injuries

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 Block 06.1 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.

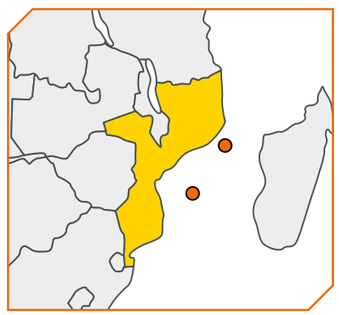
In 2013, the Company signed a production sharing agreement for the development of Block 05.3/11. The project is currently at the exploration stage. The licence area is located in the region with confirmed oil and gas bearing potential and extensive infrastructure, and borders on the currently developed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

OFFSHORE PROJECTS IN MOZAMBIQUE



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.

BRAZIL

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.

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.

IRAQ (KURDISTAN)

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.

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

IRAQ

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.

MYANMAR

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. The first phase of exploration is now underway. 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.

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). The refining depth and light product yield in 2020 were 74.5% and 57.1%, respectively.

In 2020, the Company's oil refining activities were aimed at satisfying the demand for quality petroleum products.

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 bln 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.

74.5%
refining depth in 2020

57.1%
light product yield

KEY FOCUS AREAS IN 2020

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 Komsomolsk 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 bln 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.

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 (Rostekhnadzor) following the inspections of production facilities;
- a programme for measuring in-house material flows;
- projects for emergency recovery of gas fractionation 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.
- The Angarsk Petrochemical Company began manufacturing an advanced mineral base for drilling fluids.

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

being even better than those of foreign-made alternatives. It substantially increases the cold filter plugging point in cold-weather and winter diesel fuels and maintains their performance properties during low-temperature storage.

REFINERIES' OPERATIONAL EFFICIENCY IMPROVEMENT IN 2020

In 2020, the operational efficiency improvement programme had an actual economic effect of RUB 22 bln (including quick diagnoses and additional measures with an EBITDA impact).

Measures to cut energy consumption produced an economic effect of over RUB 1.4 bln, positively affecting the energy efficiency by 2.8 p.p.

In 2020, the Oil Refining segment met the approved energy saving target. The actual savings amounted to over 200 ktce against the plan of 120 ktce.

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.

Main areas of operational efficiency improvement programme	Key initiatives of 2020
Capacity and product yield optimisation	• Reducing the output of fuel oil and implementing new solutions to optimise dark petroleum product output • Upgrading intra-plant communications to streamline process flows and increase the output of high-margin petroleum products • Replacing and upgrading fractionation trays of fractional columns at atmospheric and vacuum distillation units • Increasing the output through optimisation/alignment of overhauls and refinery operations without reduction in scope
Reducing energy consumption	• Renovating heat and steam condensate systems at production facilities • Improving efficiency of waste heat boilers and in-house energy generation • Comprehensive inspections and maintenance of process furnaces to enhance their efficiency rate • Improving efficiency of heat exchangers

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.

8.1
average Nelson Index of Rosneft's Russian refineries

FOREIGN ASSETS

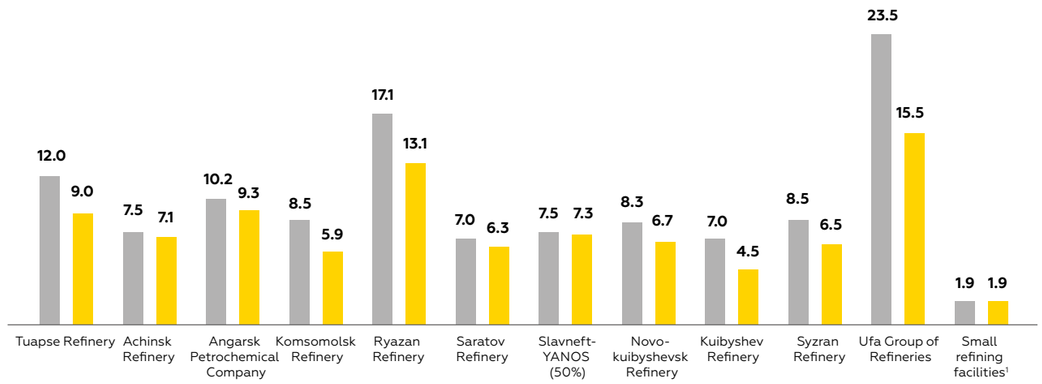
In Germany, the Company's subsidiary Rosneft Deutschland GmbH holds interest (24% to 54%) in three refineries, controls more than 12% of the country's oil refining capacities, and ranks third by capacity (12.8 mmtpa). Its facilities have an average Nelson Index of 9.0.

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 mmtpa 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.

Rosneft's refining capacities



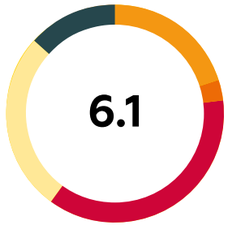
Light products in %

[1] Small refining facilities include Nizhnevartovsk Refinery, Krasnoleninsky Refinery, Purneftepererabotka and Strezhevskoy Refinery (50%); excluding processable waste.

REFINING CAPACITIES IN RUSSIA

NOVOKUIBYSHEVSK REFINERY

Oil refining product mix, mmt



Naphtha	–
Motor gasoline	1.2
Kerosene	0.2
Diesel fuel1	2.2
Fuel oil	1.6
Other	0.8

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

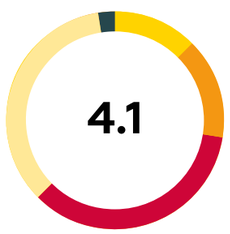
In 2020, the Novokuibyshevsk Refinery carried out comprehensive repairs of 18 units; a new explosion-proof control room was installed at AVT-11 distillation unit.

Processed in 2020:
6.7 mmt

The refining depth was
74.1%

KUIBYSHEV REFINERY

Oil refining product mix, mmt



Naphtha	0.5
Motor gasoline	0.6
Kerosene	–
Diesel fuel[1]	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.

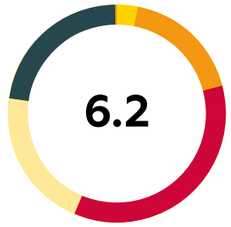
Throughput in 2020:
4.5 mmt

The refining depth was
66.2%

[1] Including marine fuel.

SYZRAN REFINERY

Oil refining product mix, mmt



Naphtha	0.2
Motor gasoline	1.1
Kerosene	–
Diesel fuel[1]	2.2
Fuel oil	1.3
Other	1.4

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).

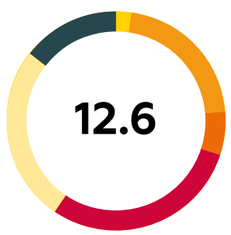
The Company launched production of RMLS 40, a low-sulphur residual marine fuel compliant with the IMO requirements introduced early in 2020.

Throughput in 2020:
6.5 mmt

The refining depth was
79.0%

RYAZAN REFINERY

Oil refining product mix, mmt



Naphtha	0.3
Motor gasoline	2.7
Kerosene	0.8
Diesel fuel[1]	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.

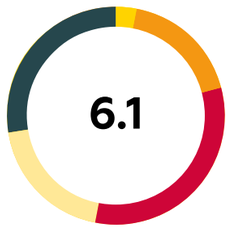
Processed in 2020:
13.1 mmt

The refining depth was
74.3%

[1] Including marine fuel.

SARATOV REFINERY

Oil refining product mix, mmt



Naphtha	0.2
Motor gasoline	1.1
Kerosene	–
Diesel fuel[1]	2.0
Fuel oil	1.2
Other	1.7

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

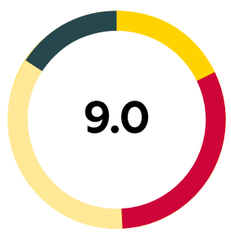
Turnkey upgrade of the process furnaces P-1 and P-2 was completed at the diesel fuel hydrotreater L-24-6, facility No. 2. A compressor with regulated air supply was installed at the bitumen production unit.

Processed in 2020:
6.3 mmt

The refining depth was
80.1%

TUAPSE REFINERY

Oil refining product mix, mmt



Naphtha	1.6
Motor gasoline	–
Kerosene	–
Diesel fuel[1]	2.8
Fuel oil	3.1
Other	1.4

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.

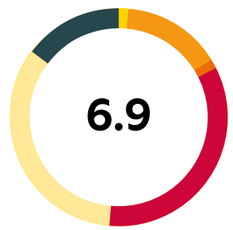
Processed in 2020:
9.0 mmt

The refining depth was
65.4%

[1] Including marine fuel.

ACHINSK REFINERY

Oil refining product mix, mmt



Naphtha	0.1
Motor gasoline	1.0
Kerosene	0.1
Diesel fuel[1]	2.3
Fuel oil	2.3
Other	1.0

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.

Throughput in 2020:
7.1 mmt

The refining depth was
65.6%

ANGARSK PETROCHEMICAL COMPANY

Oil refining product mix, mmt

Naphtha	0.3
Motor gasoline	1.1
Kerosene	0.5
Diesel fuel[1]	3.3
Fuel oil	1.4
Other	1.5

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.

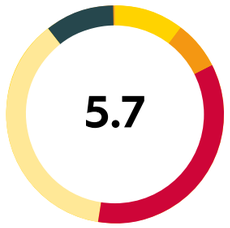
Processed in 2020:
9.3 mmt

The refining depth was
82.2%

[1] Including marine fuel.

KOMSOMOLSK REFINERY

Oil refining product mix, mmt



Naphtha	0.6
Motor gasoline	0.4
Kerosene	–
Diesel fuel[1]	2.0
Fuel oil	2.1
Other	0.6

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.

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.

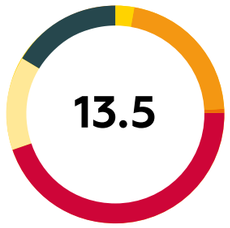
A boiler house was upgraded.

Throughput in 2020:
5.9 mmt

The refining depth was
63.1%

BASHNEFT REFINING COMPLEX:

Oil refining product mix, mmt



Naphtha	0.4
Motor gasoline	2.9
Kerosene	0.1
Diesel fuel[1]	6.1
Fuel oil	1.9
Other	2.2

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 %

[1] Including marine fuel.

SMALL REFINING FACILITIES

Oil refining product mix, mmt

Naphtha	0.9
Motor gasoline	–
Kerosene	0.1
Diesel fuel[1]	0.6
Fuel oil	–
Other	0.1

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.

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

[1] Including marine fuel.

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-Novoil), 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 mmtpa. The Company became a shareholder in three major refineries: Bayernoil (12.5%), MiRO (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 Raffineriegesellschaft 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 mmtpa, with its total throughput capacity at German refineries reaching 12.8 mmtpa, 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 mmtpa) 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 into-plane 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.

MiRO GmbH & Co. Refinery KG is located in Karlsruhe, Baden-Württemberg. This is the largest oil refinery in Germany and one of the biggest and most innovative plants in Europe. Capacity – 14.9 mmtpa (Rosneft's share – 3.6 mmtpa), the Nelson Index – 9.4.

PCK Raffinerie GmbH is located in Schwedt, Brandenburg. Thanks to its location, it can be supplied with Urals through the Druzhba pipeline. Capacity – 11.6 mmtpa (Rosneft's share – 6.3 mmtpa), the Nelson Index – 9.8.

Bayernoil Raffineriegesellschaft mbH supplies fuel to Bavaria and northern Austria. Capacity – 10.3 mmtpa (Rosneft's share – 2.9 mmtpa), the Nelson Index – 6.8.

MOZYR REFINERY

The Company indirectly holds a 21% stake in the Mozyr Refinery (Belarus) through Slavneft. 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 crudes, which account 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 operating stations and had three 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 7.6 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 Nayara 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 15 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 (BED) 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 ownership structure of the Tianjin Refinery includes:
- Rosneft (49%);
- China National Petroleum Corporation (51%).

The refinery's design capacity is 16 mmtpa.

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;
- Ufaorgsintez.

Rosneft also has petrochemical production lines at Bashneft-Ufaneftekhim (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, polystyrene, 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 Sayanskkhimplast 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 ktpa of TAME, a high-octane additive for motor fuels, and has PTBP production facilities unrivalled in Russia and the CIS. It is also the only synthetic ethanol 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 polyalphaolefin base oils (PAO) characterised by high viscosity and a low freezing point. At present, polyalphaolefin base oils are not produced in Russia.

UFAORGSINTEZ

Ufaorgsintez 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. Ufaorgsintez 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 rubbers, 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);
- Tuymazinskoye Gas Processing Plant (TGPP);
- Shkapovskoye Gas Processing Plant (ShGPP);
- RN-Buzulukskoye Gas Processing Plant (BGPP).

OTRADNENSKY GAS PROCESSING PLANT

In 2020, OGPP processed 224.3 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.

NEFTEGORSKY GAS PROCESSING PLANT

In 2020, NGPP processed 411.3 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.

TUYMAZINSKOYE GAS PROCESSING PLANT

In 2020, TGPP, 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 mixture, autogas, industrial butane, isobutane fraction, and normal butane fraction, as well as stable natural gasoline and industrial sulphur.

SHKAPOVSKOYE 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 (OGPB Ishimbayneft and OGPB Ufaneft) 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, motor propane, industrial butane, isobutane fraction, and normal butane fraction, as well as stable natural gasoline and industrial sulphur.

BUZULUKSKOYE GAS PROCESSING PLANT

In 2020, BGPP, which includes two standalone production facilities, the Pokrovskaya gas treatment unit and the Zaykinskoye GPP, processed 1.12 bcm of associated petroleum gas and unstable gas condensate derived from the oil and gas fields of Orenburgneft. Its main products are combustible natural dry stripped gas, 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 1.2 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.

PRODUCTION OF CATALYSTS

NOVOKUIBYSHEVSK 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 manufacture new catalysts designed by Rosneft's 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 profits 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.

COMMERCE AND LOGISTICS

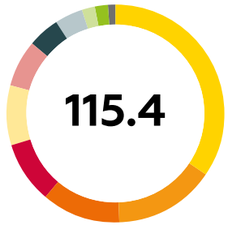
OIL SALES

Rosneft pursues a policy aimed at ensuring a balanced mix of oil monetisation channels, including sales under long-term contracts, through tender-based spot transactions, and domestic market sales, as well as refining at its own facilities in Russia, Germany, and India.

The Company continuously monitors the cost efficiency of its oil monetisation channels to maximise the share of high-margin channels in its overall sales structure.

In the reporting year, the Company supplied about 93 mmt of oil to Russian refineries. In addition to shipments to its Russian refineries in 2020, the Company supplied 4.6 mmt of oil to its partly owned refineries in Germany.

Export channels, %



China (pipeline)	35 %
Central and Eastern Europe (pipeline)	15 %
International trading	12 %
Primorsk (sea)	9 %
Kozmino (sea)	9 %
Ust-Luga (sea)	7 %
Republic of Belarus (pipeline)	5 %
Novorossiysk (sea)	4 %
De-Kastri (sea)	2 %
Rail	2 %
Varandey (sea)	1 %

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, Central and Eastern Europe;
- Rail and mixed transport: 1.9 mmt, or 1.6% 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 mmt 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 port of Novorossiysk till 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 Novorossiysk, 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.

PETROLEUM PRODUCTS SALES

EXPORT SALES OF PETROLEUM PRODUCTS

In 2020, petroleum product exports amounted to 63.4 mmt[1].

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[2], 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 on-exchange 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, 17.1% 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 RN-Kyrgyznefteprodukt, our sales subsidiary in the Kyrgyz Republic, for resale 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.

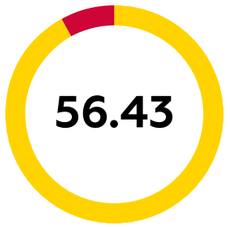
MEETING FEDERAL CUSTOMERS' DEMAND

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.

[1] Including export bunkering services.
[2] Including domestic bunkering services.

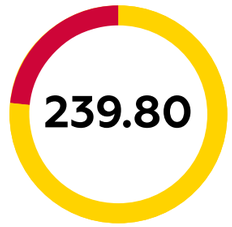
GAS SALES

Gas sales, bcm



In Russia	51.98
Abroad	4.45

Gas revenue, RUB bln



In Russia	184.50
Abroad	55.30

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

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.

International gas sales amounted to 4.45 bcm, with the bulk of the product coming from the Zohr field.

The Sverdlovsk Region remains our key region in terms of gas sales. 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.

RETAIL BUSINESS

3,057 filling stations
in the Company's retail network

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 mmt, 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 (Rospotrebnadzor);
- 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 gasolines 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 café formats for filling stations and complexes, respectively, opening Zerno-branded kiosks / shops with cafés 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; healthcare, legal, and advisory services; and travel and property insurance;
- operated a network of 13 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 all stages from filling station to head office. The Company intends to roll out the new system across its retail operations.

The Company tested a blockchain-based electronic workflow solution for ordering complementary goods and supplying them to filling stations.

Rosneft is now piloting an innovative technology that makes it possible to pay for 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 DMF-III, a marine fuel to be sold at river ports in the Volga and Don basins and in Western Siberia.

Over one third of all inland bunkering services in Russia are provided by RN-Bunker.

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 Minsk Automobile Plant (MAZ) for the first fill lubrication of mining trucks and special purpose vehicles.

PRODUCTION PLANNING AND LOGISTICS

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 residue to 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

- Rosnefteflot received and launched the first new-generation Aframax tanker, Vladimir Monomakh.
- Rosnefteflot 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 Rosnefteflot, 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)

MARINE TERMINALS OWNED BY THE COMPANY

RN-MORSKOI TERMINAL TUAPSE PETROLEUM TRANSSHIPMENT TERMINAL

The terminal transships mostly export petroleum products from the Tuapse Refinery, Saratov Refinery, Samara group of refineries, Nizhnevartovsk Refinery, 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-Kubannefteprodukt) 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 16.1 mmt (against 15.2 mmt in 2019). The Company's deep-water berth accounted for 10.1 mmt of the total transshipment volume (against 9.3 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 installation of safety equipment to prevent falls of workers from height. The terminal piloted 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".

RN-MORSKOI TERMINAL NAKHODKA PETROLEUM TRANSSHIPMENT TERMINAL

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 Novitsky Bay.

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

- the target programme on metrology, measurement automation, and quality control at RN-Morskoi 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 ARKHANGELSK PETROLEUM TRANSSHIPMENT TERMINAL

The terminal transships mostly export petroleum products from the Samara group of refineries and Angarsk Petrochemical Company and third-party products, as well as provides bunker fuel transshipment services for RN-Bunker. It is also used to deliver fuel to the Far North and supply wholesale buyers in the Arkhangelsk Region.

In 2020, the total transshipment volume (including export and domestic bunkering services) at the terminal amounted to 1.15 mmt, including 0.23 mmt of third-party products.

In 2020, the terminal completed installation of safety equipment to prevent falls of workers from height; continued works at APCS getting ready to install hydrostatic pressure sensors at the tanks (the sensors are to be installed in 2021); and performed design and survey activities for renovation of the engineered security systems to comply with provisions of Russian laws on counter-terrorism security.

To reduce loaded cars downtime, the terminal implemented the technology for simultaneous loading (into sea-going ships) and unloading (from tank cars) of catalytic cracking gasoline. Also technical measures were taken to enable catalytic cracking gasoline separation, which will allow for loading and unloading of an additional petroleum product, if necessary.

As part of the overhauls, the accident prevention system was upgraded at the pumping station for light petroleum products, which will contribute to safety of future operations at this facility under the existing industrial safety standards for hazardous production facilities.

3

MARKET OVERVIEW

3

MARKET OVERVIEW and competitive environment

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[1] 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% in March 2020 in an effort to shore up business and household demand for loans, support living standards and economic activity. If COVID-19 is successfully tackled, the US economy is expected to grow by 5.1 year-on-year in 2021.

The IMF estimates that Eurozone's GDP declined by 7.2% year-on-year in 2020 as a result of lengthy lockdowns, border closures and other restrictions.

To prop up the economy, the European Central Bank kept its interest rate at 0% throughout the year, while the deposit and short-term loan rates were at -0.4% and 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.

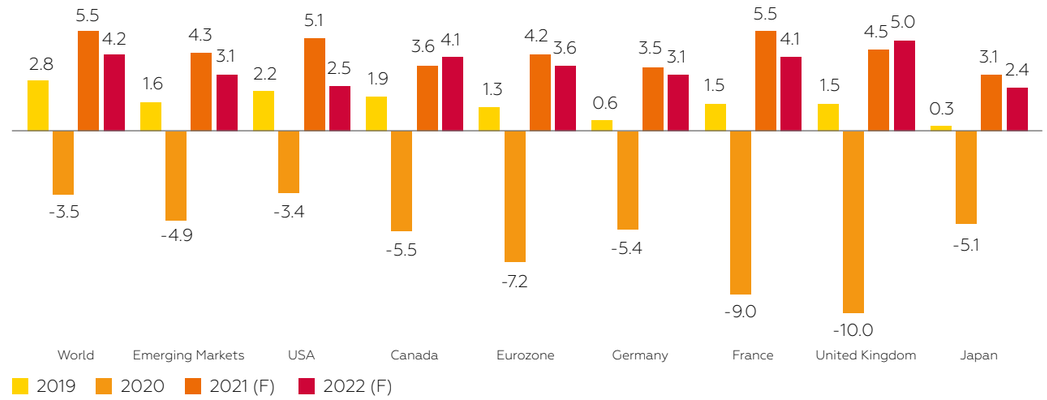
China was the only major economy to avoid an absolute decline in GDP caused by COVID-19. Contracting by 6.8% in the first quarter of 2020 during the pandemic's first wave, China's economy subsequently gained traction recording a 2.3% year-on-year growth at year's end – the lowest rate since 1976. China's growth recovery in 2020 was mostly driven by investments[2]. Chinese exports grew at the year's end, as pandemic-related disruptions around the world fuelled demand for Chinese goods[3]. 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.

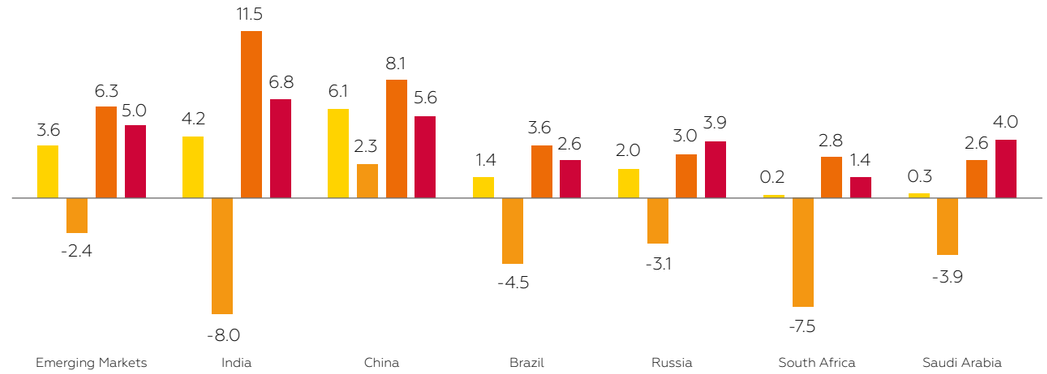
The Middle East and Central Asia recorded a significant contraction of their economies in 2020. Saudi Arabia's year- GDP dropped by 3.9% year-on-year.

GDP Growth Rates in Developed Economies, % year-on-year



Source: IMF

GDP Growth Rates in Emerging Markets, % year-on-year



Source: IMF

[1] Purchasing power parity.

[2] According to the January 2021 estimates from the International Monetary Fund (IMF).

[3] https://www.reuters.com/article/idUSL1N2JT039, http://www.stats.gov.cn/english/Statisticaldata/nsdp/201508/t20150819_1232260.html

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%.

The COVID-19 pandemic continues to present the greatest challenge to the global economy. The latter also suffers from continued trade and political tensions between the world's three main economic powers, particularly, the US and China.

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.

The greater decline in trade compared to that of GDP, both globally and in groups of advanced and developing economies, points to the prevalence of regional rather than global integration trends.

Under a favourable COVID-19 scenario, the IMF forecasts a global trade growth at 9.2% year-on-year in 2021 and 6.7% year-on-year in 2022. These rates are in excess of projected world GDP growth, suggesting a return to the global cooperation mode.

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[1] dropped in value terms by 21.3% year-on-year in 2020 (a decrease of USD 89.9 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 72.4 bln, petroleum products dropped by 32.2% year-on-year to USD 45.3 bln, gas, including LNG, slipped by 35.4% year-on-year to USD 32.0 bln. In 2020, crude hydrocarbons and petroleum products accounted for 44.3% of total exports, down 11.8 p.p. year-on-year.

Russia's budget deficit in 2020 was at 4.5% of GDP, public debt went up from 12.3% of GDP in 2019 to 19.1% of GDP as at 1 January 2021.

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 21.3 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[2].

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.

[1] According to the customs statistics.

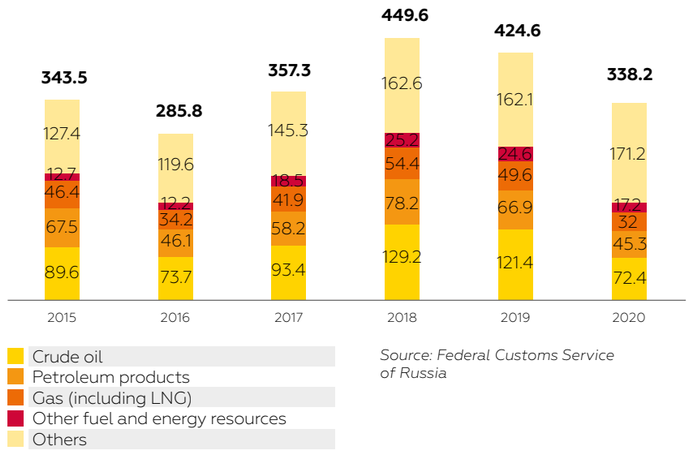
Major international rating agencies confirmed the resilience of Russia's economy and financial system. S&P Global Ratings, Moody's and Fitch affirmed Russia's sovereign investment-grade rating at "BBB–," "Baa3," and "BBB", respectively, with a stable outlook.

In 2020, the number of those employed decreased even further building on the descending trajectory of recent years. In December 2020, employment went down by 1.7 mln people or 2.3% year-on-year. The decline in employment was due to both a natural reduction in the labour force by almost 0.7 mln people (down 0.9% year-on- year) and an increase in the number of unemployed by 1 mln people (up 27.6% year-on-year). The unemployment rate in December 2020 was up by 1.3 p.p. year-on-year at 5,9%, the highest in five years.

In 2020, the recession resulted in lower consumer purchasing power, with the real disposable income falling by 3.5% year-on-year, according to Rosstat. However, real accrued wages increased in 2020 by 2.2% year-on-year.

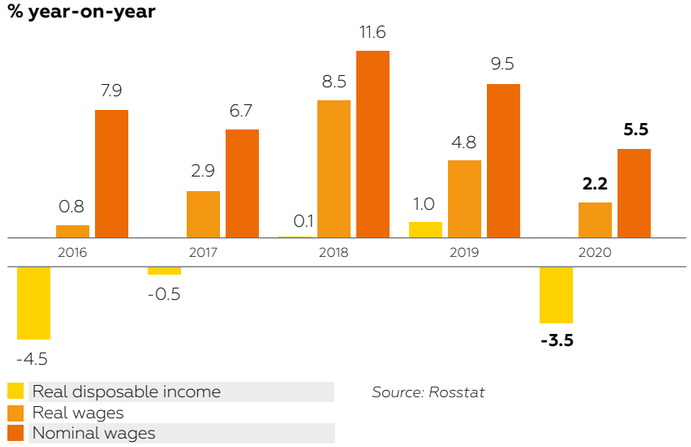
According to the September 2020 forecast from the Russian Ministry of Economic Development, economic recovery in 2021 will be influenced by a number of competing factors. On the one hand, as vaccines are rolled-out and lockdowns and business restrictions are lifted, growth will be increasingly driven by the government stimulus initiatives supporting the national development goals. On the other hand, fiscal consolidation and a gradual reduction of the pandemic-related fiscal support in 2021 are expected to constrain economic growth.

Russian Exports, USD bln



Source: Federal Customs Service of Russia

Changes in Real Disposable Income and Wages in Russia, % year-on-year

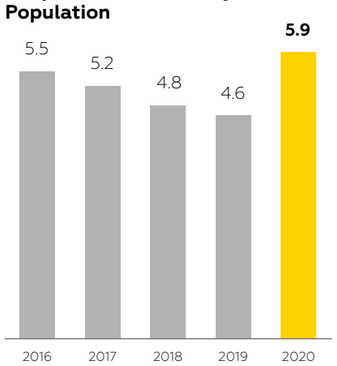


Source: Rosstat

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 to up to 3.9% year-on-year in 2022.

Unemployment in Russia (at Year-End), % of Economically Active Population



[2] https://cbr.ru/statistics/macro_itm/svs/ext-debt/

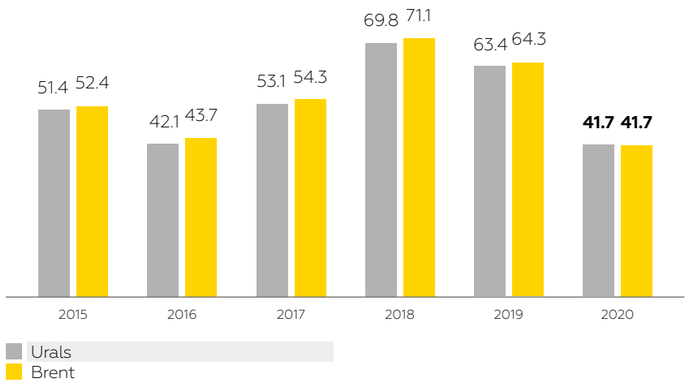
ENERGY PRICES. FOREIGN EXCHANGE RATES, MONETARY POLICY AND INFLATION IN RUSSIA

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.[1] 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.

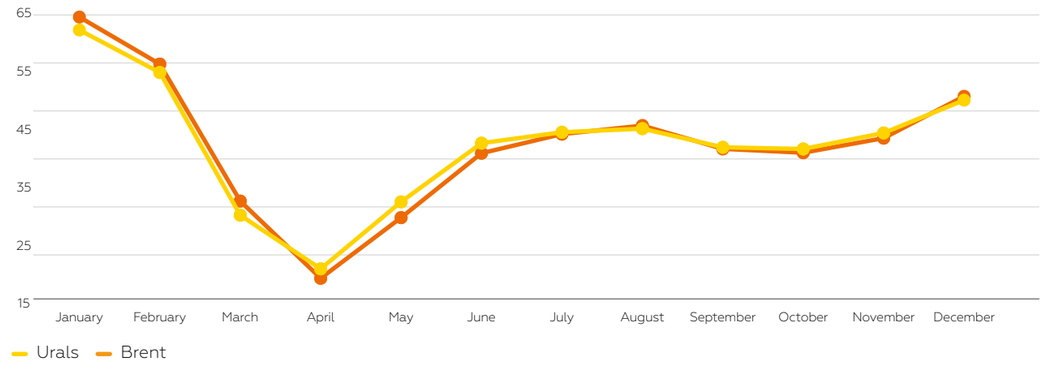
Amid continued geopolitical tensions, lower oil prices, broader sanctions and the risk of new sanctions against Russia, the country's national currency was weakening in 2020. According to the Bank of Russia, the annual average nominal USD/RUB exchange rate went up by 10.0% year-on-year in 2020 to RUB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

Annual Average Brent and Urals Prices, USD/barrel



Sources: Platts, Expert and Analytical Group estimates.

Monthly Average Brent ad Urals Prices in 2020, USD/barrel



Source: Platts

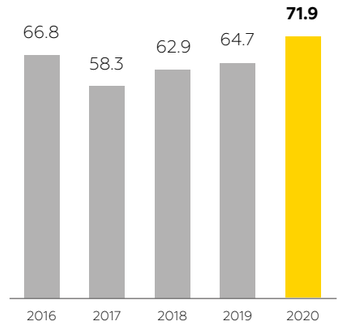
As at 31 December 2019, the nominal USD/RUB exchange rate was RUB 73.88 per USD, having grown by 17.4% over the year.

However, compared with the currencies of other developing and oil-producing countries, RUB's depreciation in 2020 was not the most significant.

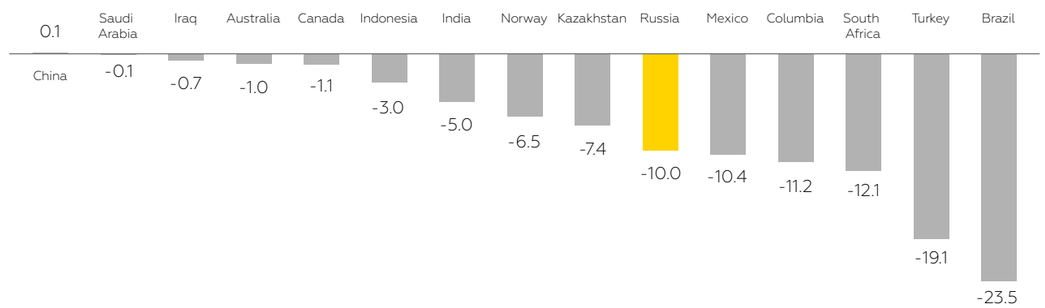
Unlike in the previous years, the Bank of Russia pursued a rather soft monetary policy, acting resolutely to cut the interest rate. Between 7 February and 24 July 2020, the Bank of Russia reduced its interest rate four times from 6.25% per annum at the beginning of the year to 4.25% per annum, which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

Annual Average Nominal USD/RUB



Changes[2] in Annual Average Nominal Exchange Rates of the Largest Emerging Markets' and Oil-Producing Countries' National Currencies to USD in 2020, % year-on-year



Source: Bank for International Settlements

[1] Sources: Platts, Expert and Analytical Group estimates.

[2] "+" means currency appreciation while "–" means currency depreciation.

Changes[1] in Nominal Exchange Rates of the Largest Emerging Markets' and Oil-Producing Countries' National Currencies to USD at the End of December 2019 , % year-on-year

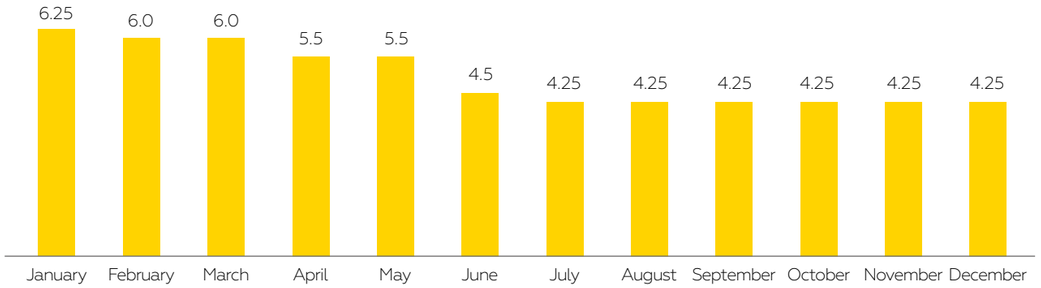
Source: Bank for International Settlements

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 Bank of Russia's Interest Rate in 2020, % per annum



Source: Bank of Russia

[1] "+" means currency appreciation while "–" means currency depreciation.

Индексы цен и тарифов

Metric	2019		2020	
	Dec/Dec	y/y	Dec/Dec	y/y
Consumer price index	103.0	104.5	104.9	103.4
Industrial producer price index	95.7	102.9	103.6	97.1
Oil and natural gas production	89.2	102.3	90.7	78.9
Petroleum product output	84.7	97.0	96.8	89.8
Machinery manufacturing	102.5	103.0	104.9	104.6
Production, transmission and distribution of power	100.0	104.4	104.5	102.9
Freight rate index	101.5	102.8	105.2	101.7

Source: Rosstat

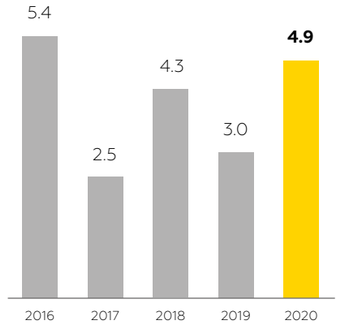
the annual average industrial producer price index in Russia was 97.1% (vs 102.9% in 2019).

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.

Inflation in Russia, % year-on-year as at December



Sources: Bank of Russia, Rosstat

Changes in Transneft's tariffs

- 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.).

Changes in Russian Railways' tariffs

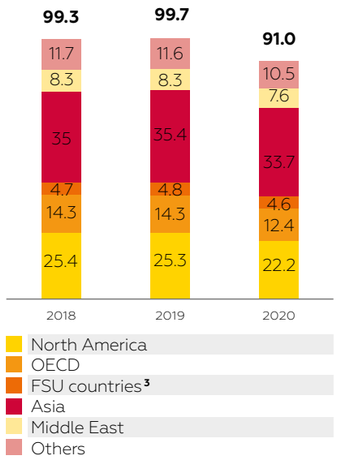
- As at 1 January 2020, railway transportation tariffs increased by 3.5%.

OIL AND GAS INDUSTRY OVERVIEW

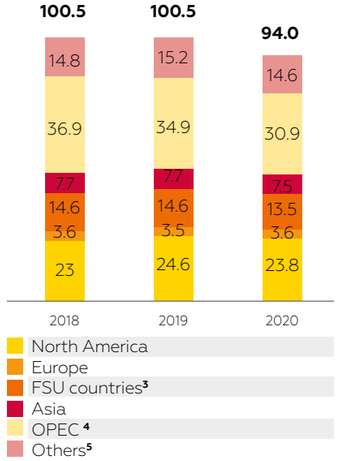
GLOBAL OIL MARKET

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[1] 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[2]. 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 day from the baseline level.

Global Demand for Liquid Hydrocarbons by Region, mmb per day



Global Output of Liquid Hydrocarbons by Region, mmb per day



Source: IEA

In the first quarter of 2020, the global oversupply of liquid hydrocarbons reached 6.5 mmb per day, increasing to 9.3 mmb per day day in the second quarter. In the third quarter of 2020, the oversupply was replaced by a deficit of 1.6 mmb per day as a result of the OPEC+ (including Russia) production cuts, reduced production in other countries (including the US), and gradual demand recovery following the lifting of some restrictions. The deficit increased to 2.2 mmb per day in the fourth quarter. As at the end of 2020, the global oversupply of liquid hydrocarbons totalled 3.0 mmb per day, according to the International Energy Agency (IEA).

In 2020, global demand for liquid hydrocarbons decreased by 8.7% year-on-year (according to the IEA) to 91.0 mmb per day. In 2020, consumption of liquid hydrocarbons declined across the world, most notably in North America (35% of the global drop), European countries of the OECD (21%) and in the Asia-Pacific region (20%). These regions accounted for 24%, 14% and 37% of global oil demand in 2020, respectively.

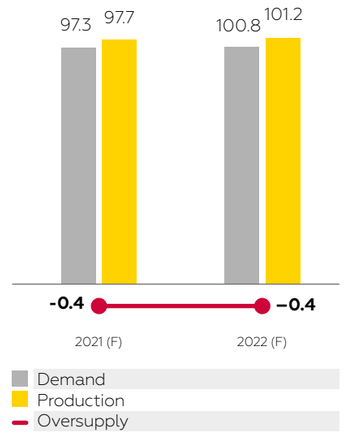
The IEA estimates that the global production of liquid hydrocarbons[6] fell by 6.5% year-on-year to 94.0 mmb per day in 2020.

The greatest reduction was in OPEC countries[7] 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 7.8% 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 11.1 mmb per day in December 2020.

EIA's Forecast of Global Liquid Hydrocarbons Demand and Output, mmb per day



Source: forecast by U.S. Energy Information Administration as at January 2021

Commercial Crude Inventories in OECD Countries, bb

Source: IEA

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 7.1% year-on-year to 3.1 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 1.18 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.

[1] Demand for liquid hydrocarbons hereinafter refers to consumption of petroleum products from oil and gas condensate; consumption of oil as fuel; and consumption of hydrocarbon components from unconventional sources (biofuel, GTL, CTL, etc.).

[2] Production volume in October 2018 was set as the baseline level of oil production for all OPEC+ countries, with the exception of Russia and Saudi Arabia, whose baseline level was set at 11 mmb per day.

[3] Excluding Estonia, Latvia and Lithuania.

[4] 13 member countries as at 31 December 2020.

[5] Includes production in other countries, global biofuel output, and volume growth during refining.

[6] Output of liquid hydrocarbons hereinafter refers to production of crude oil, gas condensate, gas condensate liquids, and production of hydrocarbon components from unconventional sources (biofuel, GTL, CTL, etc.). Global production of liquid hydrocarbons includes volume growth during refining.

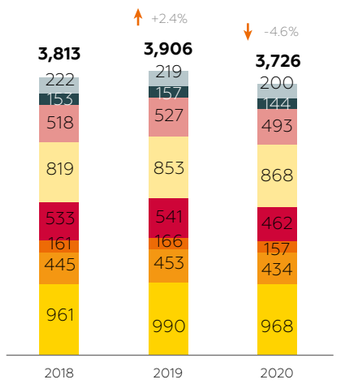
[7] 13 member countries as at 31 December 2020.

GLOBAL GAS MARKET

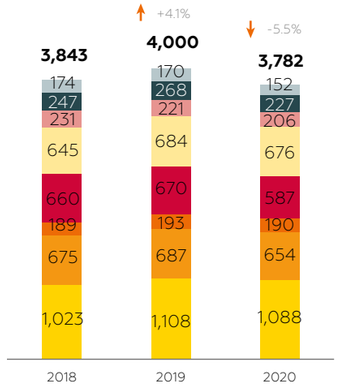
The global demand for gas in 2020 dropped by 4.6% year-on-year to 3.73 tcm[1], driven by reduced business activity due to the pandemic-related restrictions. Another factor contributing to decreased gas consumption was the growing role of renewables in the electric power industry. The demand, however, was supported by lower gas prices in regional markets, transition from 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 15.2 bcm) to 868 bcm, mainly driven by China.

Gas Consumption by Region, bcm



Gas Production by Region, bcm



In Europe, gas consumption fell by 6.3% year-on-year (a decrease of 33.4 bcm) to 493.1 bcm (13.2% 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 (26.0% of global consumption), went down by 2.2% year-on-year (a decrease of 22.2 bcm) in 2020 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[2], which fell by 5.5% year-on-year to 3.78 tcm. Production dropped in all regions, most significantly in the Middle East (by 82.8 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 1.09 tcm. 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 206.2 bcm. The Asia-Pacific region recorded the smallest reduction in gas production (by 7.9 bcm or 1.1% 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[3] 0.97 tcm 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.

With the recovery of the world economy in 2021 and 2022, IHS Markit projects the global gas demand to grow by 1.5% and 1.3% year-on-year, respectively, while gas consumption is expected to increase to 3.78 tcm in 2021 and 3.83 tcm in 2022.

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[5]. 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 13.4% of global gas consumption in 2020 (vs 12.6% in 2019)[6].

Asia contributed the most to the growing LNG trade in 2020, with supplies to the region rising by 4.3% year-on-year to reach 256.7 mmt. LNG exports to China increased by 12.2% year-on-year to 69.2 mmt, while 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 13.8 mmt, Italy – by 9.2% year-on-year to 9.1 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 5.1% year-on-year to 14.0 mmt).

Following the 2019 reduction, the Middle East and North Africa[7] reported a slight rise in their LNG imports – by 0.6% year-on-year to 7.1 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 were new 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 mmtpa each;
- second and third trains of the Freeport LNG facility (Gulf Coast, Texas) with a capacity of 5.1 mmtpa each;
- second and fifth to tenth trains of the Elba Island LNG plant (Chatham County, Georgia) with a total capacity of 1.75 mmtpa.

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 mmtpa and 3 mmtpa, respectively.

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

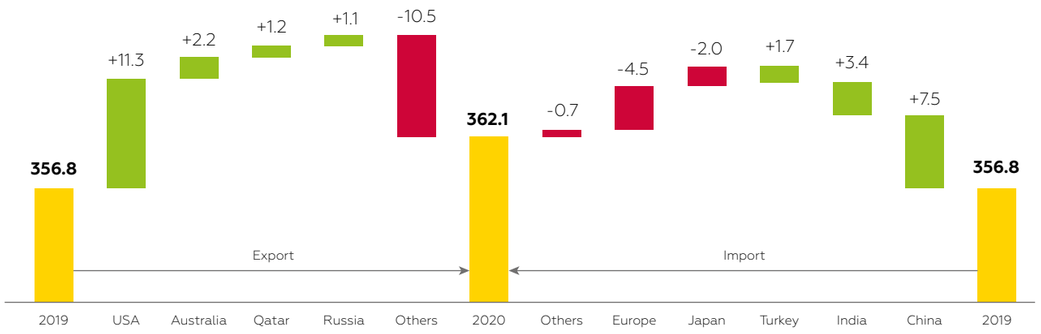
In 2020, the largest decline in LNG exports was recorded in Trinidad and Tobago (a decrease of 2.3 mmt to 10.7 mmt), Malaysia (down by 2.2 mmt to 24.0 mmt), and Egypt (down by 2.1 mmt to 1.3 mmt).

The reporting year saw only one final investment decision (the fewest number in 23 years)[8] on LNG plant projects: the 3 mmtpa 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 19.7 mmt[9], with new facilities commissioned in India (the 5 mmtpa Mundra regasification terminal) and Brazil (the Port of Sergipe 5.6 mmtpa floating regasification unit) and two new importers – Myanmar (a 1.1 mmtpa terminal) and Croatia (a 1.9 mmtpa terminal).

[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.
[5] IHS Markit conversion rate – 1,379.
[6] Estimate, based on IHS Markit data.
[7] Egypt, Israel, Jordan, Kuwait, United Arab Emirates.
[8] 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.
[9] 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.

Increase in LNG Exports and Imports in 2020 by Country, mmt



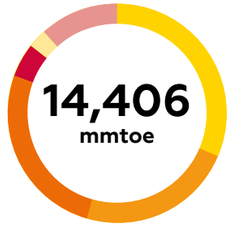
Source: IHS Markit

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.

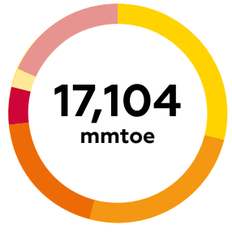
Global Energy Consumption by Fuel Type in 2019, %



Oil	31.4%
Gas	23.2%
Coal	26.2%
Nuclear energy	5.0%
Hydropower	2.6%
Other renewable energy sources	11.6%

Source: IEA

Global Energy Consumption by Fuel Type in 2040, %



Oil	28.9%
Gas	25.3%
Coal	19.4%
Nuclear energy	5.3%
Hydropower	2.9%
Other renewable energy sources	18.2%

Sources: forecasts by the IEA, OPEC, U.S. Department of Energy, IHS Markit, BP Plc, and Rosneft

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[1], 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[2] 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.

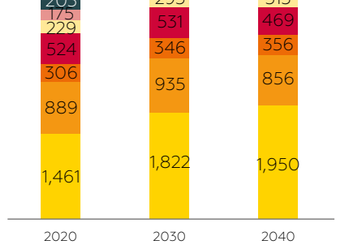
Strong growth in demand for gas will be supported by its superior environmental performance as compared to other fossil fuels.

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).

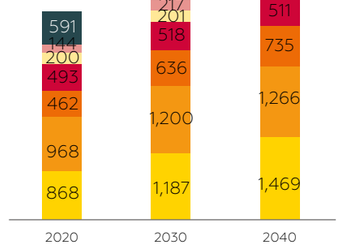
North America will remain the leader in natural gas production (1.4 tcm of gas in 2040, 28% of global production).

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.

Oil Demand by Region, mmt



Gas Demand by Region, bcm



Asia Pacific
North America
Middle East
Europe
Central and South America
Africa
CIS
International aviation and

Sources: forecasts by the IEA, OPEC, U.S. Department of Energy, IHS Markit, BP Plc, and Rosneft

[1] IEA, OPEC, U.S. Department of Energy, IHS Markit, BP Plc.

[2] Includes the consumption of petroleum products from oil and gas condensate and consumption of oil as fuel.

RUSSIAN OIL INDUSTRY

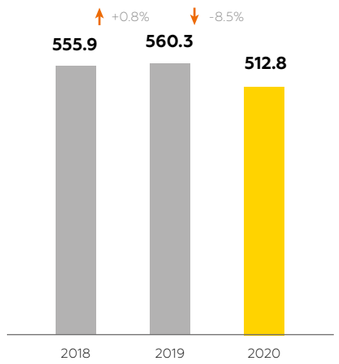
Russia is a top three oil producer globally (alongside the USA and Saudi Arabia). In 2020, oil and gas condensate production in Russia stood at 512.8 mmt, down by 8.5% year-on-year. The reduction in oil production in Russia was in compliance with the OPEC+ decision in April 2020 to significantly decrease production against the baseline level to balance global demand. Russia's baseline level for oil production (excluding gas condensate) was set at 11 mmb 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 3.8% 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 8.0% year-on-year to 285.3 mmt; 55.6% of Russia's total production) and Volga Federal District (down by 10.7% year-on-year to 106.2 mmt; 20.7% of Russia's total production). In the Ural Federal District, crude oil production decreased in the Khanty-Mansi Autonomous Area – Yugra (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).

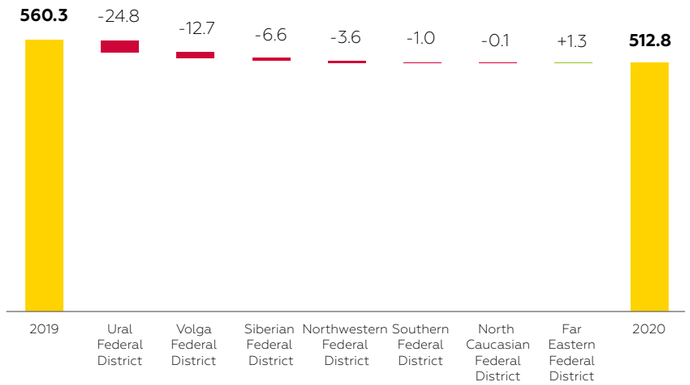
Oil and Gas Condensate Production in Russia, mmt



Source: CDU TEK

In the Southern Federal District, oil and gas condensate production went down by 6.8% year-on-year to 13.6 mmt; 2.7% of Russia's total production) most significantly 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; 2.1% 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).

Evolution of Oil and Gas Condensate Production by Federal District, mmt



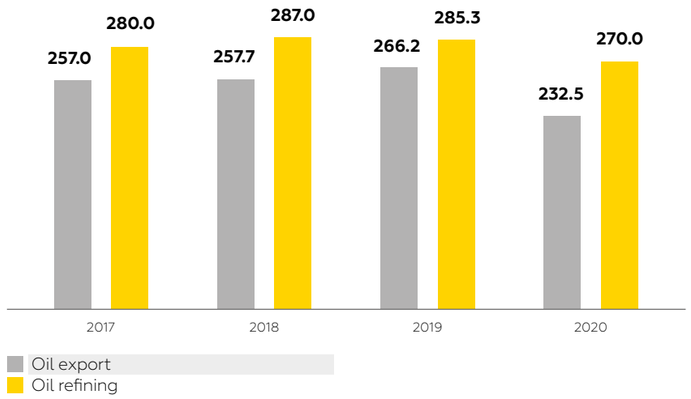
Source: CDU TEK

In 2020, oil and gas condensate 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 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 Komi by 11.2% year-on-year to 13.0 mmt (2.5% of Russia's total production).

In the North Caucasian Federal District, oil production contracted to 0.9 mmt (down by 12.9% year-on-year; 0.2% of Russia's total production), including in the Stavropol Territory to 0.7 mmt (down by 8.8% year-on-year; 0.1% of Russia's total production), in the Republic of Dagestan – to 0.12 mmt (down by 25.8% year-on-year; 0.02% of Russia's total production), in the Chechen Republic – to 0.05 mmt (down 29.1% year-on-year, 0.01% Russia's total production), in the Republic of Ingushetia – to 0.05 mmt (down by 7.5% year-on-year, 0.01% of Russia's total production).

Russian Oil and Gas Condensate Exports and Refining, mmt



Source: CDU TEK

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 232.5 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 11.8% year-on-year to 219.2 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 Kozmino 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.

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. bcm[1]. Rosneft accounted for around 8.4% of the nation's total production, or 58.3 bcm[2].

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[3] 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[4] grew by 1.2 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, metals, 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 %.

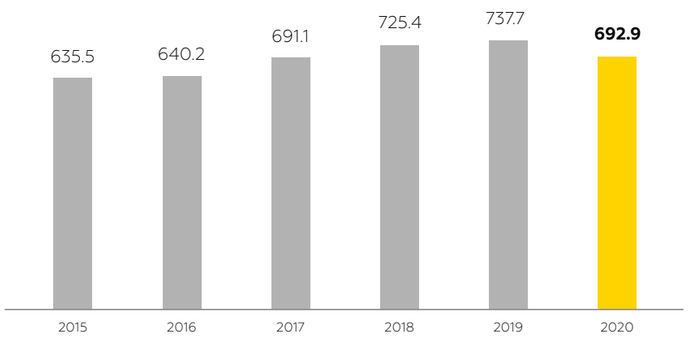
Regulated gas prices in Russia differ by region, generally depending on the distance from the gas production hub in the Yamal-Nenets Autonomous Area.

The indexation benchmark for regulated gas prices is the Forecast of Social and Economic Development of the Russian Federation published by the Ministry of Economic Development of the Russian Federation.

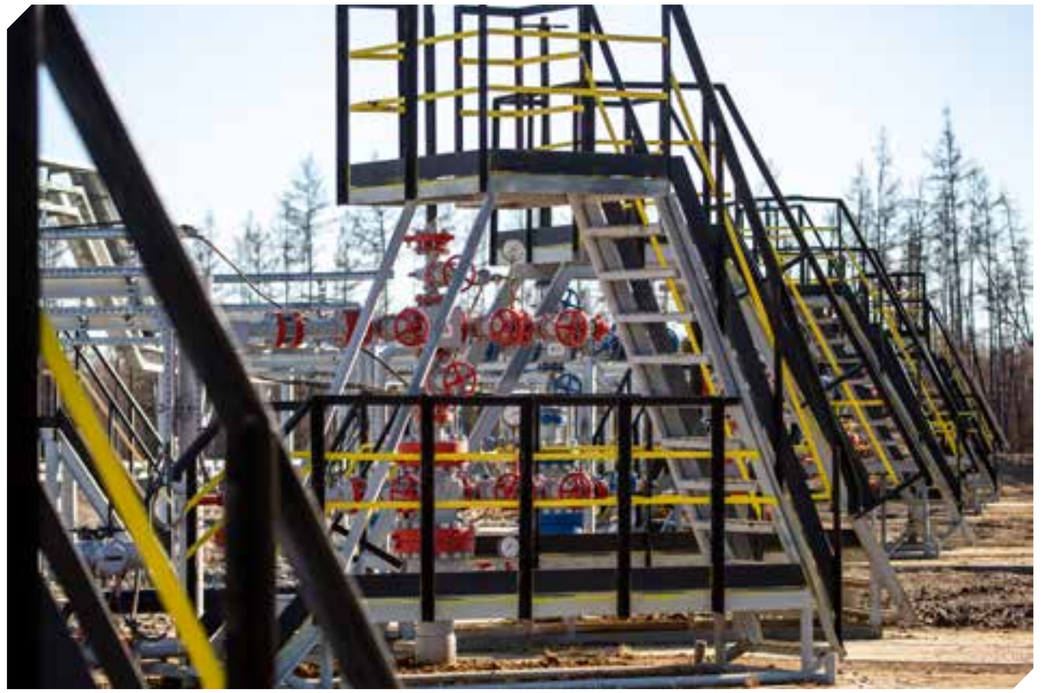
As the owner of the Unified Gas Supply System, Gazprom provides independent companies with services of gas transportation via trunk gas pipelines. The transportation charges are set by the FAS (previously by the FTS)[5]. Gas transportation service prices are based on a tariff consisting of two fees, 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.

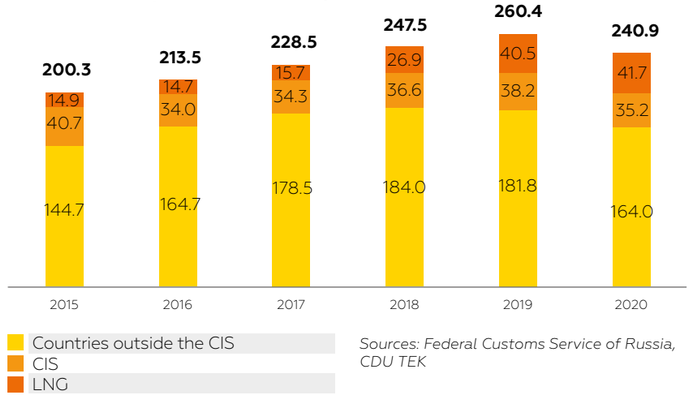
Natural and Associated Gas Production in Russia, bcm



Source: CDU TEK



Natural Gas Exports from Russia, bcm



Sources: Federal Customs Service of Russia, CDU TEK

[1] Data by CDU TEK is based on temperature of 20°C, and pressure of 101,325 Pa. Data by international agencies: temperature of 15°C, and pressure of 101,325 Pa.

[2] Excluding gas used in hydrocarbon liquids production.

[3] 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.

[4] 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.

[5] 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 12M 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.

Actual Growth in Regulated Gas Prices in Russia

	2016	2017	2018	2019	2020
Price increase for consumers other than households, %	0.0	July: 3.9	August: 3.4	July: 1.4	August: 3.0
Price increase for households, %	July: 2.0	July: 3.9	July: 3.4	July: 1.4	August: 3.0

Indexation of Regulated Prices (Tariffs) for Infrastructure Sector Products (Services) for 2021–2023, forecast

Metric	2021	2022	2023
Wholesale price indexation for all categories of consumers other than households	July: 3%	July: 3%	July: 3%
Wholesale price indexation for households	July: 3%	July: 3%	July: 3%

Source: Forecast of Social and Economic Development of the Russian Federation for 2021 and for the 2022 and 2023 Planning Periods (dated 26 September 2020)

COMPETITIVE ANALYSIS

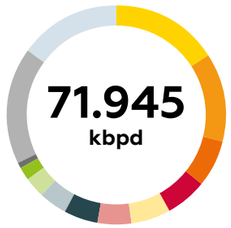
HYDROCARBON EXPLORATION AND PRODUCTION

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 totalled 38,644 mmboe (5,221 mmtoe) as at 31 December 2020[1], 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.

38,644 mmboe
Proved hydrocarbon reserves (SEC)

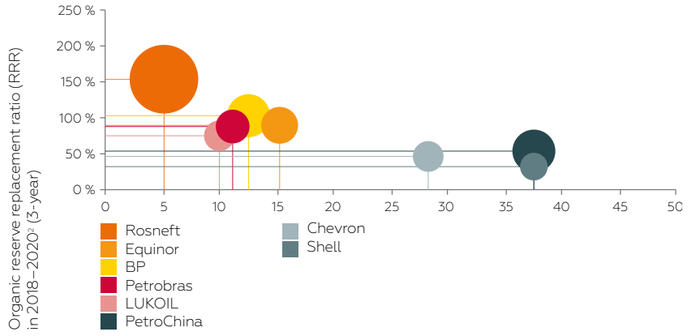
Global oil production, kbpd



USA	16 %
Saudi Arabia	13 %
Russia (excl. Rosneft)	7 %
Rosneft	6 %
Iraq	6 %
Canada	5 %
China	5 %
Brazil	4 %
Iran	3 %
Norway	2 %
Venezuela	1 %
Others	17 %
Other OPEC nations	15 %

Source: Wood Mackenzie.

Reserve replacement and F&D costs

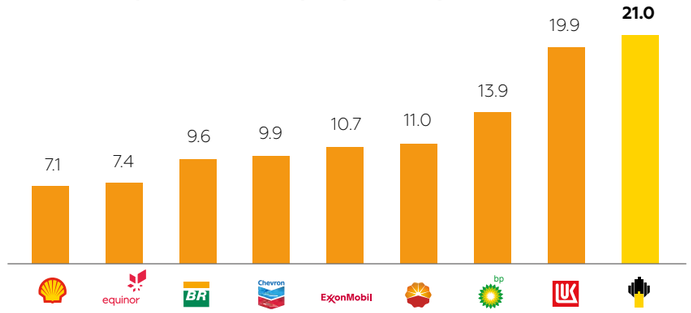


Organic finding and development (F&D)[2] costs in 2018–2020[2]. USD/boe
Circle size shows organic reserve growth in 2018–2020.

Source: company reports.

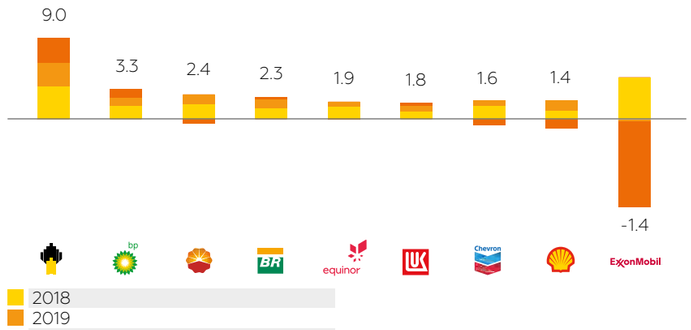
As at 31 December 2020, the Company's reserves under the PRMS (Petroleum Resources Management System) standards, according to DeGolyer & MacNaughton, totalled 43,484 mmboe (5,884 mmtoe) in the 1P category, 83,761 mmboe (11,308 mmtoe) in the 2P category, and 126,216 mmboe (17,028 mmtoe) in the 3P category.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

Reserves-to-production ratio (SEC) in 2020, years[3]



Source: company reports.

Organic reserves growth (SEC),bboe[3]



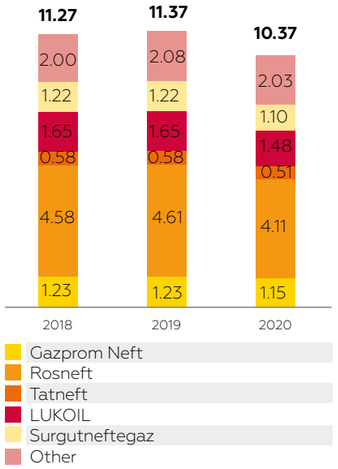
Source: company reports.

[1] After acquisitions/divestments, including fuel gas.
[2] Including associates and joint ventures. PetroChina data does not include associates or joint ventures.
[3] Including associates and joint ventures. PetroChina data does not include associates or joint ventures.

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.

Oil and gas condensate production in Russia, mmb per day



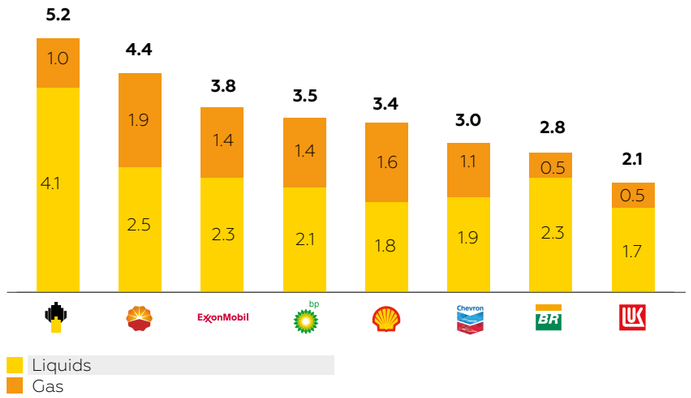
Source: CDU TEK

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.

Hydrocarbon production in 2020, mmboe per day



Source: company reports for 2020.

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, %

Rosneft	7.5%
PetroChina	2.8%
Chevron	1.1%
Petrobras	0.9%
Shell	0.2%
Gazprom	0.1%
LUKOIL	–0.7%
BP	–1.0%
ExxonMobil	–1.7%

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, Komsomolsk, and Angarsk refineries are the key suppliers of motor fuels for the Eastern Siberian and the Far Eastern regions, ensuring uninterrupted supply and curbing price growth that would inevitably be the case if petroleum products were delivered from Central Russian refineries.

In general, unlike those of most of the Russian producers, the Company's oil refineries are located far from export markets, which limits the economic efficiency of oil refining. However, the Company continues its efforts to connect the refineries to Transneft's oil trunk pipeline system.

The oil refineries continue upgrade and maintenance projects related to their existing capacities.

In Oil Refining and Petrochemicals, we have been successfully implementing an operational efficiency programme. As part of the Rosneft–2022 Strategy, we work systematically to reduce operating costs at our production facilities, among other things by introducing advanced technologies to cut energy consumption in line with ISO 50001 (Energy Management Systems).

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 enhanced environmental performance. The Company is also expanding the sales geography of Euro-6 and AI-100 gasolines 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 German refining market. Its capacities provide, on average, an oil refining depth of 93% and a refinery complexity 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, MiRO, 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, Surgutneftegas, 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 seaport 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.

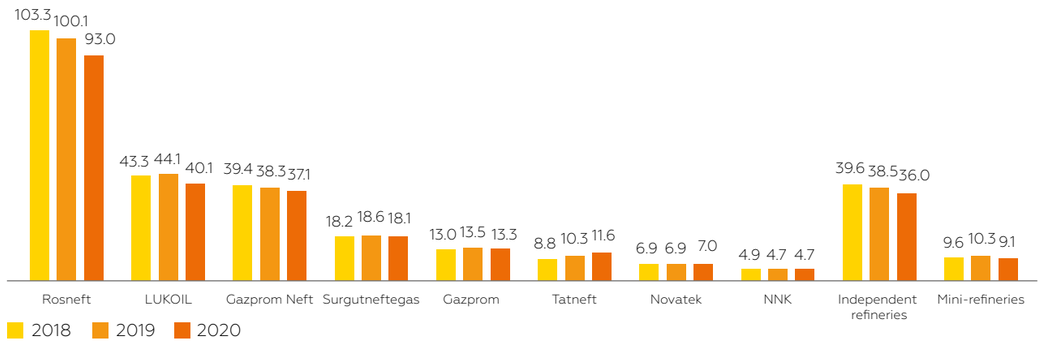
The Company consistently supplies petroleum products to the domestic market in required quantities. Rosneft is a major player in the Russian wholesale motor gasoline and diesel fuel market. We operate the largest retail network in Russia, offering petroleum products in all federal districts. The Company relies on extensive infrastructure, both own 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 this market. It supplies petroleum products directly from three German refineries partially 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, Surgutneftegas, 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



Sources: CDU TEK, Rosneft's reports.

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 includes building a portfolio of long-term supply contracts, participating in LNG production projects as well as in Russia's gas motor fuel development programme, 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 business and one of the most important focus areas, since it enables the Company to expand its competitive advantages in the domestic market.

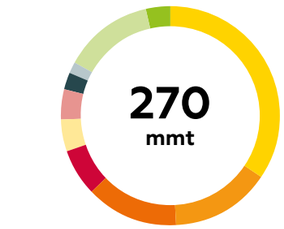
Rosneft is also building up its trading potential and trading competencies in the international LNG market.

In addition, the Company is successfully expanding in new environmentally-oriented business segments. Zvezda Shipbuilding Complex, created by a consortium led by Rosneft, is building "green" tankers to high environmental standards, with their main and additional power supply units able to run on eco-friendly LNG. Russia's first "green" Aframax tanker Vladimir Monomakh was launched at the shipyard in May 2020. In July 2020, Zvezda became the only Russian shipyard to obtain an international licence to build LNG carriers with a membrane storage system. In December 2020, it was licensed to build nuclear-powered vessels under the applicable Russian regulations. Zvezda had successfully passed inspections of the Interregional Territorial Department for Siberia and the Far East of the Federal Environmental, Industrial and Nuclear Supervision Service, which made it the only Russian shipyard allowed to build Project 10510 "Leader" ice-breakers.

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 Krasnodar 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 CO_2 regulations in the EU, at Bayernoil and MiRO refineries in Germany we have successfully implemented projects to import and blend with diesel fuel a new bio-component – 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.

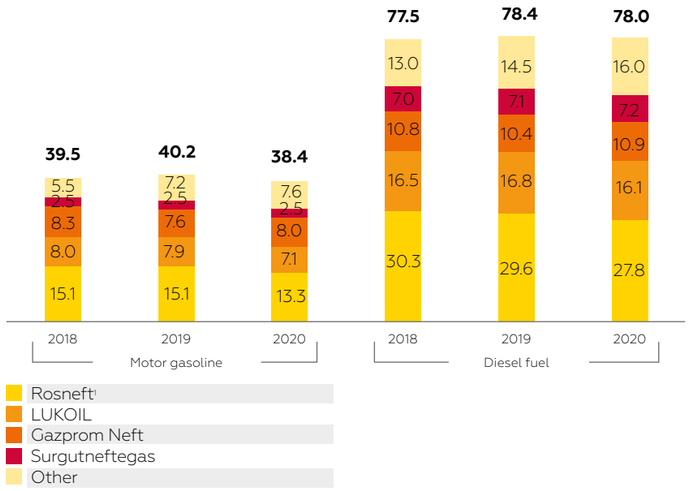
Russia's oil refining breakdown, mmt



Rosneft	93.0
LUKOIL	40.1
Gazprom Neft	37.1
Surgutneftegas	18.1
Gazprom	13.3
Tatneft	11.6
Novatek	7.0
NNK	4.7
Independent refineries	36.0
Mini-refineries	9.1

Sources: CDU TEK, Rosneft's reports.

Russia's motor fuel production, mmt



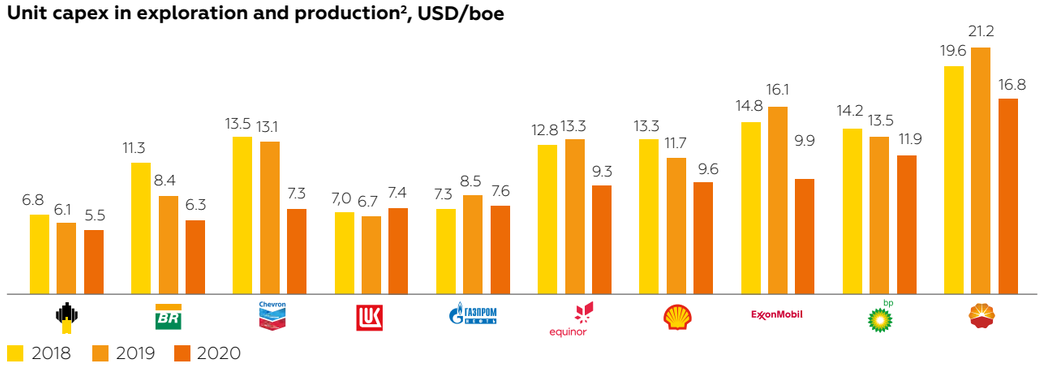
OPERATIONAL AND FINANCIAL EFFICIENCY

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 1P 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.

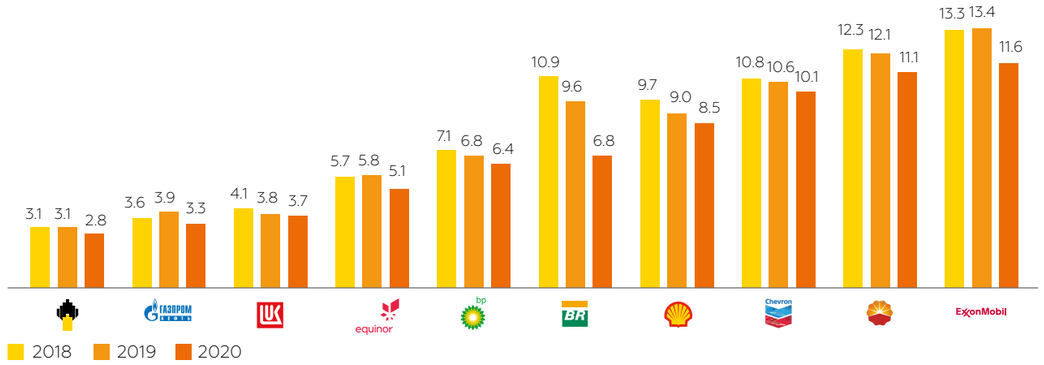
Unit capex in exploration and production[2], USD/boe



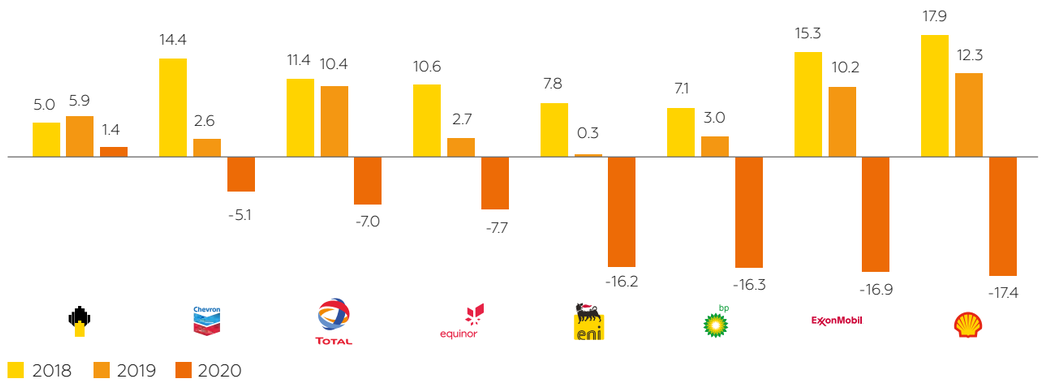
[1] Reporting data. Rosneft's diesel fuel volumes do not include marine fuel.

[2] Petrobras unit capex in exploration and capex in Brasil

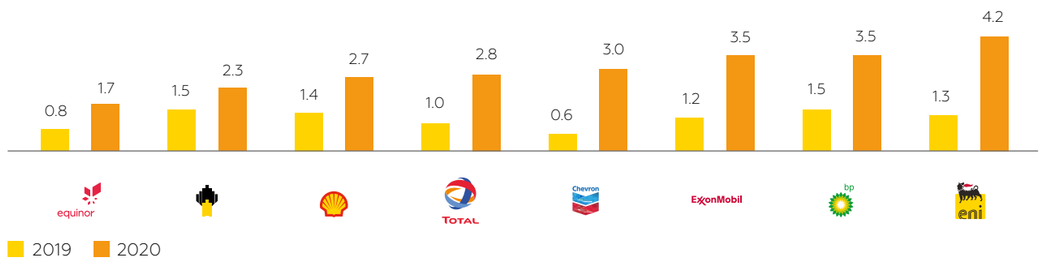
Unit production costs[1], USD/boe



Net income in 2018–2020 (majors), USD/boe[2]



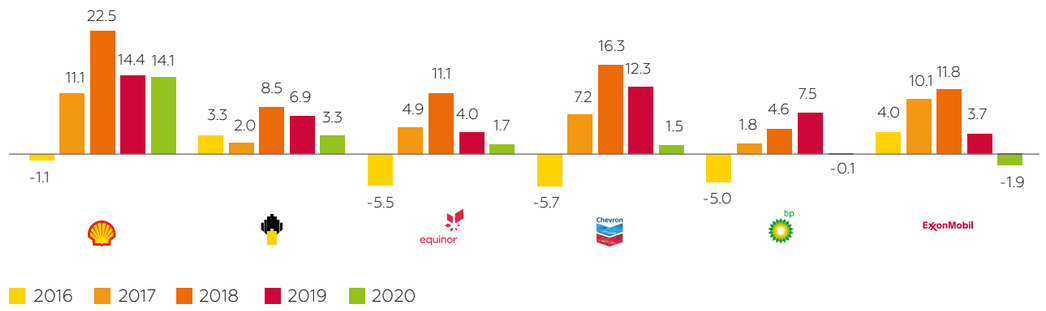
Net debt / EBTIDA in 2019–2020



[1] Petrobras data, unit capex in Brazil

[2] Per boe of hydrocarbon liquids production, including associates and joint ventures.

Free cash flow 2016–2020, comparative analysis (majors)[3], USD/boe



Over many years, Rosneft has demonstrated a positive free cash flow, which makes us stand out among most competitors, whose free cashflow performance tends to be highly volatile and sometimes negative during periods that follow asset acquisition or at the start of investment projects.

During the turbulent 2020, the Company delivered positive net income and the lowest net debt / EBTIDA 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

CLIMATE AGENDA AND CARBON MANAGEMENT

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 CO_2 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 CO_2 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

[3] Per boe of hydrocarbon liquids production, including subsidiaries.

Management Subcommittee to assess the results of its GHG initiatives. The subcommittee comprises heads of operations, energy, economic and environmental functions.

As carbon management increases in importance, in 2020 the Company decided to transform the subcommittee into the Carbon Management 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.

OVERVIEW OF KEY TAXATION CHANGES IN THE RUSSIAN FEDERATION WITH THE LARGEST IMPACT ON THE COMPANY'S FINANCIAL AND BUSINESS OPERATIONS

TAXATION IN THE OIL INDUSTRY

COMPLETION OF THE TAX MANOEUVRE AND INTRODUCTION OF THE TAX ON ADDITIONAL INCOME FROM HYDROCARBON EXTRACTION (AIT)

The reporting year saw the government continue to take steps towards completing the tax manoeuvre, namely a phased reduction in export duties on oil, gas condensate and petroleum products until they are reduced to zero in 2024, with an equivalent increase in MET for oil and gas condensate, and the introduction of the reverse excise tax on petroleum feedstock.

Additionally, some fields continued to be subject to the AIT regime providing for a lower MET as compared to the general tax regime and a 50% AIT rate applicable to the tax base calculated as free cash flow from a subsurface development project after return on investment (as prescribed in the Russian Tax Code). As at 31 December 2020, the total number of subsurface sites transferred to AIT was 36 (excluding non-producing sites in 2020). In 2020, these subsurface sites produced 29 mmt of oil.

INCENTIVES FOR PROJECTS IN NORTHERN RUSSIA

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 coefficients (C_{GR}) 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 (N_{BUG}) 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 Irkutsk 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 the exception of jet fuel and heavy marine fuel, by 3.2–5.8% as planned.

From 1 April 2020, the middle distillate category used for excise tax purposes was significantly expanded to comprise nearly all heavy 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

Excisable goods	from 1 January to 31 December 2019	from 1 January to 31 March 2020	from 1 January to 31 December 2020
Motor gasoline			
• Non-compliant with EURO-5	13,100	13,100	13,100
• Non-compliant with EURO-5	12,314	12,752	12,752
Straight-run gasoline	13,912	14,720	14,720
Diesel fuel	8,541	8,835	8,835
Jet fuel	2,800	2,800	2,800
Motor oils	5,400	5,616	5,616
Benzene, paraxylene, orthoxylene	2,929	3,058	3,058
Middle distillates	9,241	9,535	16,191[1]
Heavy marine fuel[2]	2,100	2,100	-

[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.

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 Urals 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 (Pbas) 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 as 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 (C_{inv}) 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.

4

SUSTAINABLE DEVELOPMENT

4

SUSTAINABLE Development

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 goverance 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. Rosneft Headquarters and 66 Group Subsidiaries received certificates of conformance with these international management system standards after the completion of independent audits in 2020.

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 also 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. Leaders demonstrate 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.

The HSE priorities for 2020 were:

- Developing leadership and safety culture;
- Embedding the Golden Rules of Safety;
- Improving contractor safety;
- Reducing road traffic accidents;
- Implementing Process Safety improvements;
- Improving the Risk-based approach to operational activities;
- Developing a 2035 Carbon Management Plan;
- Development of an Environmental Vision to 2030.

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 were held on 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 video 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 participate in 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.

130,000+
employees
completed the "Golden Rules of Safety" training conducted by internal trainers

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:

- Reduction of injury rates and incident severity from road traffic accidents;
- Compliance with HSE legal requirements for driving;
- Continuous improvement of road traffic safety performance indicators ;
- 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 2020-2022 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 and response barriers to plan and implement programs and activities. This is both to reduce the number of major accidents resulting from leaks and integrity incidents as well as to minimize any consequence resulting from their occurence.

In 2020, the Company launched the start of a new 5-year pipeline integrity program (2020 - 2025) for risk assessing and improving the reliability of pipelines. with twenty-three (23) oil and gas production subsidiaries being part of the Program. The main goals of the Program are to:

- Reduce field pipeline failure rate by 20 % vs 2019;
- Increase the scope of in-line inspections to pro-actively monitor the condition of pipelines;
- Select, test and implement new technologies that ensure corrosion and scale protection;
- Develop and implement tools for operational control and analysis of the operation and condition of the field pipeline fleet.

The scope of this program includes the reconstruction of 7,000 km of pipelines and completing maintenance repairs to 6,000 km of pipelines on the transportation network

RISK-ORIENTED APPROACH

The HSE risk management process was updated to include uniform assessment criteria and decision-making levels as well as the introduction to the risk 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 occupational safety risks for employees and contractors in the operations, as well as reduce incidents that can negatively impact the environment.

In 2020, there was significant focus to analyze the strength and condition of safety risk barriers at facilities located in the Arctic zone of the Russian Federation and permafrost regions, as well as in tank farms.

23
oil and gas subsidiaries
participate in the 2020–2025 Pipeline Reliability Improvement Programme

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.

ENVIRONMENTAL RESPONSIBILITY

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.

~RUB 120 bln
spent by Rosneft on green investments in 2018–2020

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 CO_2-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 %
- the achievement of 'zero routine flaring' of associated gas by 2035.

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.

14%
reduction in air pollutant emissions in 2020

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.

4.7+ mmt drilling waste
processed by Rosneft in 2020

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 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 Taimyr 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 million juveniles of Siberian sturgeon, muksun and peled raised in fish hatcheries as part of river ecosystem preservation measures. All juveniles were released into the rivers of the Ob-Irtysh basin.

PERSONNEL AND SOCIAL PROGRAMMES

No Company goal can be achieved without our core asset – highly qualified personnel motivated to work effectively, whatever the market environment.

In 2020, the average headcount of Rosneft Group Subsidiaries was 342.7 thousand employees[1], which is up 27.3 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[2] and the acquisition or inclusion of several new assets in the Company's business plan[3].

The average employee age increased by 0.3 years to 40.6 years vs 40.3 years as at the end of 2019. 43.9 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).

Average headcount in 2020 (as per the business plan)

Exploration and Production, including gas	25.3%
Commerce and Logistics	17.5%
Corporate Services	16.3%
In-House SerZvices (Oilfield Services)	16.0%
Oil Refining and Petrochemicals	15.6%
Other	4.1%
Research	3.9%
Head Office (Rosneft)	1.3%

Average headcount as at 31 December 2020 (as per the business plan)

Exploration and Production, including gas	24.7%
Commerce and Logistics	17.9%
Corporate Services	16.2%
In-House Services (Oilfield Services)	16.0%
Oil Refining and Petrochemicals	15.7%
Other	4.1%
Research	4.1%
Head Office (Rosneft)	1.2%

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,

[1] As per the Company's business plan.

[2] RN-Yuganskneftegaz (+0.6 thousand employees), Kharampurneftegaz (+0.7 thousand employees), RN-Okhrana Group (+1.2 thousand employees), etc.

[3] Sibintek Group subsidiaries (+19.3 thousand employees), Petersburg Fuel Company (+1.3 thousand employees) and Samaraneftegeofizika (+1.0 thousand employees).

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 for Regional Sales chaired by the relevant 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.

Vostok Oil project staffing

A priority of the Vostok Oil project staffing is timely and proper training of workforce and professionals qualified for the project.

With that view, in 2020, the Company and the Krasnoyarsk Territory ministry of education developed and implemented a comprehensive programme of the regional subsidiaries interaction with the local secondary vocational education entities and the Institute of Petroleum and Natural Gas Engineering of the Siberian Federal University. The programme covers the following update and development of the oil and gas curricula in line with the business needs; provision of up-to-date software and equipment to the educational institutions for efficient administration of training; a programme of student and teacher internship at the Group Subsidiaries' facilities in the Krasnoyarsk Territory.

To ensure sufficient training of the Subsidiaries' personnel for Vostok Oil project purposes, as well as boost the efficiency of the hands-on training provided to vocational and higher education students of the industry-specific fields, in 2020, the Company developed and approved the concept of a corporate training centre at RN-Vankor, Eastern Siberia. The concept involves equipment of the corporate training centre with advanced facilities for theoretical and applied training (computer-based simulation, distance learning systems, VR rooms, theme-based labs). The programme is to cover 51 classrooms seating over 1,500 students.

The Company plans to create a training facility with 16 training sites/workshops for hands-on training in key production and service operations (drilling, oil and gas production, oilfield services, energy, transport) as well as health and safety training (first aid for those injured at production sites, industrial safety, fire safety, electrical safety, transport safety, environmental safety, including oil and petroleum products spill response, etc.).

In addition, the corporate training centre now includes social amenities (residential hotel, canteen, sports and health centre).

On average, some 68 thousand man-courses, including hands-on training, are expected to be completed at the corporate training centre every year.

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, Eastern Siberia (part of the Vostok Oil strategic investment project);
- 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 Orenburgneft.

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 751 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 and Petrochemicals, In-House Services, Corporate Services and Shipbuilding and Ship Repair units (the second round).

The first round welcomed 5,634 mentors of blue-collar employees and 1,564 mentors of young specialists from 89 Group Subsidiaries, with 191 and 215 mentors from the above groups making it to the second round.

We also held an online conference for winners and runners-up of the Best Mentor 2019 competition, with 30 best mentors from 26 Group Subsidiaries attending as participants.

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.

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.

PROFESSIONAL STANDARDS

In 2020, the Company continued to implement professional standards.

In pursuance of Directive of the Russian Government No. 5119p-P13 dated 14 July 2016, Rosneft's Board of Directors held two meetings in the reporting year to discuss the roll-out 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 communities, recruiting, or changing job descriptions. The assessment helps check managerial, corporate, professional and technical skills across all personnel categories: managers, specialists and blue-collar employees.

Its aim is to identify knowledge gaps, determine priority development areas, optimise training costs, and improve qualifications and performance.

We launched a corporate training and development portal to collect personnel assessment results and integrate them into the shared HR database of Rosneft Group Subsidiaries, Head Office, and training resources.

The corporate and managerial skills assessment relies on the dedicated model approved by the Chief Executive Officer. The model takes into account the Company's culture, values and the description of managerial competencies. In 2020, the Company used the model to evaluate 11.19 thousand employees.

The assessment of professional skills uses materials drafted in the course of the target innovative project (TIP) to introduce a skills-based approach to personnel development across all business segments.

The project involves specialised universities, such as Gubkin Russian State University of Oil and Gas (oil refining and procurement projects), Tomsk Polytechnic University (oil and gas production and offshore projects) and Ufa State Oil Technical University (petrochemicals and oil refining projects), as well as leading Russian and foreign consulting firms.

As part of the initiative, we developed and introduced professional competencies along with employee assessment and development tools in the following areas: offshore projects, oil refining, oil and gas production, marketing and distribution, logistics and transport, capital construction, economics and finance, procurement, energy efficiency, gas, design and survey at research institutes, oil refining, gas processing, petrochemicals and energy at corporate research and design institutes. In 2020, we continued to implement relevant projects across the following functions: internal audit, HR management and social programmes, petrochemicals, 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, relaying and automation equipment maintenance technician, boiler operator, boiler equipment repairman and internal combustion engine operator. Six more internal regulations are to be developed in 2021.

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.

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 gymnasiums 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 ramp-ups.

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.

Rosneft classes help digitalise education at partner schools, upgrade facilities and equipment, boost the efficiency of training and career guidance activities, and support gifted students and teachers committed to ongoing professional development.

In 2020, the Company supported 122 classes in partnership with 64 secondary schools in 57 towns and settlements located in 27 Russian regions. The classes saw some 2,776 attendees.

In order to expand the continuing education opportunities for schoolchildren and teachers and support digitalisation in educational institutions where Rosneft classes are held, the Company provided 55 partner schools with distance learning equipment.

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 Stairway to Success, a series of workshops that took place in 57 towns and settlements

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 34 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-courses aimed at developing professional, corporate and managerial competencies. 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. 3,634 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 Millionshchikov 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 to, 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 130 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 carried on 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;
  - a meeting between the Company's HR and social service management and leaders of trade union organisations affiliated with ITUO Rosneft;
- 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:

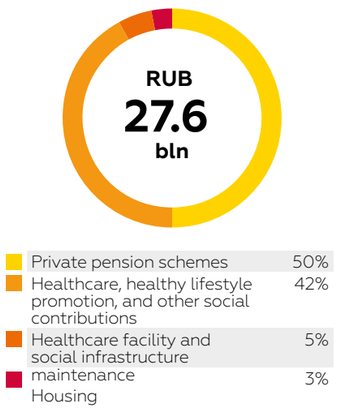
- the Russian Government approved the Temporary Rules of Rotation-based Work amid the COVID-19 Pandemic and later extended them to 2021;
- the Russian Trilateral Commission approved, and the State Duma adopted in the first reading, a draft amendment to the Russian Tax Code on recognising costs for health 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, %



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[1];

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.

3.4 thousand of the Company's veterans received additional financial aid in 2020

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.

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 Dalnevostochny 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 1.5 thousand.

With its comprehensive housing programme, Rosneft also contributes to the implementation of the national Housing programme.

1,158
employees of the Company improved their living conditions under the subsidised mortgage programme in 2020

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 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.

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:

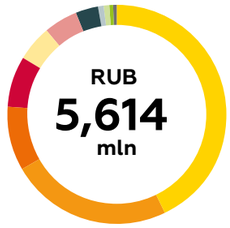
- promote social and economic development in our regions of operation;
- foster partner relation with local governments;
- help advance the federal education policy;
- support federal programmes for healthcare, physical training and sports, science and technology, environmental protection, etc.

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,

Allocation of Funds in 2020, %



Physical education and sports, including children's, promotion of healthy lifestyles	43.0%
Infrastructure development in regions, districts, and municipalities	23.8%
Kindergartens	9.3%
Education and science	7.6%
Culture and revival of cultural heritage	5.3%
Other (including pensioners, low-income families, youth organisations, municipal events, social and agricultural institutions, environmental projects)	4.9%
Healthcare	3.3%
Charities, NGOs, humanitarian aid	1.0%
Support for veterans, the disabled, and people in need	0.8%
Support for indigenous peoples of the North	0.6%
Orphanages	0.3%

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 diseases 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.

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 mln 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 MediaTEK 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.

In 2020, Rosneft spent RUB 1,220.6 mln on sponsorship activities

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, the Company continued its comprehensive programme to protect polar bears living in Russian zoos, which has been running since 2013. By late 2020, Rosneft provided sustenance for 34 polar bears in 16 zoos across the country.

By late 2020, Rosneft provided sustenance for 34 polar bears in 16 zoos across the country

With the support of Rosneft, the P. P. Shirshov Institute of Oceanology of the Russian Academy of Sciences was able to look further into the life of Black Sea dolphins. The research is the first of its kind since the early 1980s and is essential for acquiring data on the overall state of the Black Sea. In addition, the Company supports a number of projects on studying polar bears, reindeer, sable, and Atlantic walrus.

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[1] fuel and energy consumption totalled 18.9 million tonnes of coal equivalent (mmtce)[2], 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

Segment	Fuel and energy consumption			In ktce / RUB mln	Share, %
	electricity, th. kWh / RUB mln	heat, th. Gcal / RUB mln	fuel, kt / RUB mln		
Oil and gas production	37,750,767 / 133,233	2,752 / 7,125	1,547 / 3,453	7,093 / 143,811	37.4
Oil refining	6,001,792 / 19,863	19,460 / 19,806	4,093 / 15,529	9,786 / 55,198	51.6
Petrochemicals and gas processing	2,308,307 / 6,335	6,799 / 5,604	405 / 1,170	1,843 / 13,109	9.7
Gas production and distribution	340,630 / 1,746	113 / 264	61 / 102	142 / 2,112	0.7
Marketing and distribution	319,479 / 1,674	70 / 86	5 / 32	55 / 1,792	0.3
Services	92,343 / 452	248 / 451	2 / 21	48 / 923	0.4
Total	**46,813,318 / 163,303**	**29,442 / 33,336**	**6,111 / 20,307**	**18,967 / 216,946**	**100**

ENERGY SAVING PROGRAMME

In 2020, the Company embarked on its 2020–2024 Energy Saving Programme approved by the Board of Directors in March 2020. The Programme promotes a more efficient use of electricity and heat, as well as boiler and furnace fuel across key business lines. For actual fuel and energy savings in 2020, see the table below.

Actual fuel and energy savings in 2020

Segment	Savings in 2020			In ktce	Share, %
	electricity, th. kWh	heat, th. Gcal	fuel, tce		
Oil production	1,356,788	2	957	164.1	41.0
Oil refining	33,649	236	175,129	212.2	54.0
Petrochemicals	3,458	40	9,373	15.3	4.0
Gas distribution	26,931	0	0	3.2	0.8
Marketing and distribution	4,612	0	144	0.7	0.2
In-house services	1,554	1	365	0.7	0.2
Total	**1,426,991**	**279**	**185,967**	**396.3**	**100.0**

[1] Information on the most energy-intensive assets operated directly by Rosneft, for 2020.

[2] Natural units of electricity and heat are converted into tonnes of coal equivalent in accordance with GOST R 51750-2001, and those of fuel – in accordance with Resolution of the Federal State Statistics Service (Rosstat) No. 46.

ENERGY EFFICIENCY AND ENERGY SAVING POLICY

In accordance with its Energy Efficiency and Energy Saving Policy and the 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 dated 3 February 2020 to create an automated instrumental database for fuel and energy resources and develop/deploy in-house software for energy use regulation, planning and reporting;
- performed an internal assessment of energy management systems at 21 Group Subsidiaries in Exploration and Production, and Oil Refining, Gas Processing and Petrochemicals, with individual roadmaps drafted to address the identified gaps in 2020–2022. Another assessment is scheduled for 2021;
- 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 Taas-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 hold ISO 50001 certificates.

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 Srednebotuobinskoye field of Taas-Yuryakh Neftegazodobycha;
  - 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-Urengoysky 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 lines commissioned at Orenburgneft and RN-Yuganskneftegaz.

On top of that, the Company renovated a 1.36 km CHP-Okha 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, subject to an ongoing revision, together with the test questions, following pilot tests involving Energy Department experts;
- work started to draft professional qualification guidelines for the eleven most common blue-collar energy professions in Exploration and Production, and 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.

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.

The pilot testing of an ice conditions monitoring 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 between Rospan International and 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.

In 2020, Rosneft launched commercial operation of a proprietary hydrotreating catalyst. A commercial batch of these unique catalysts was loaded into a diesel fuel hydrotreater at the Ryazan Refinery. 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.

The Komsomolsk Refinery (part of Rosneft's refining segment) launched the final stage of building a hydrocracking complex with an integrated diesel fuel hydrotreating unit. When launched with a design capacity of 3.65 mmtpa, this hydrocracking and hydrotreating complex will increase the Komsomolsk Refinery's refining depth to 92%.

In 2020, Rosneft commissioned Russia's first pilot testing facility for hydrotreating catalysts built in 2019 at the Novokuibyshevsk Catalysers Plant. Its operation will have a significant economic effect as the Company will spend less buying third-party catalysts and for logistics reasons. For example, the Company's refineries need approximately 2 kt of hydrotreating catalysts each year putting the annual costs at ca. RUB 2.5 bln. The new technological capabilities will considerably reduce Russia's reliance on imported catalysts for refining purposes. The new pilot testing facility features nine main production lines and five auxiliary units

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 anti-icing agent in the production of the high-quality, odourless (as opposed to propylene-based isopropanol), frost-free car windscreen wiper fluid for the Company's retail network. Isopropanol is also used as a basis for highly effective antiseptics designed to combat the spread of infections, which pre-determines a surge in demand for isopropanol in Russia and worldwide. An industrial-grade acetone-to-isopropanol unit and in-house unit for isopropanol-based windscreen wiper fluid are to be constructed at Rosneft's Novokuibyshevsk Petrochemical Company that has the relevant petrochemical profile.

The development of proprietary research-intensive specialist software is another strategic focus area for the Company. It has created RN-GEOSIM 1.0 software suite for geological modelling and, starting from 2021, plans to deploy it across the Group Subsidiaries. The developed complex can replace 50% of imported geological modelling software.

The Company has also completed the development of a new version of RN-KIM hydrodynamic simulator boasting new capabilities.

Other software – a hydraulic fracturing simulator – has been used to design more than 21 thousand full-scale hydraulic fracturing operations. This simulator is commercialised for external users, with its licences available for purchase to 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 suite for geomechanical modelling of borehole stability while drilling, it was upgraded to version 2.0. The new version features extra functions for real-time geomechanical drilling support and building dynamic wellbore stability models.

The suite was pilot-tested by the Group Subsidiaries.

FOSTERING THE INDUSTRIAL CLUSTER

In 2020–2025, the industrial cluster based on the Company's capacities, will be focusing on:

- establishing R&D and manufacturing infrastructure to support re-engineering, innovations, and import substitution;
- running pilot projects and tests in line with the Company's Target Innovative Projects;
- supplying capacities to support localisation projects in cooperation with foreign technology partners as well as joint ventures with Russian R&D centres and enterprises.

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 Target Innovative Projects are already producing great results with an URPSV-10000 preliminary water discharge and oil treatment unit (intellectual property of Rosneft) manufactured and delivered to RN-Nyaganneftegaz and a strategy for the development and pre-production of mobile modular technological solutions for water-oil emulsion preparation being drafted. Cooperation with the R&D centre is not limited to manufacturing new equipment only. For example, the cluster's pilot facilities deal with the automation and robotisation of daily operations involved in repairing the tubing and electric submersible pumps and in well servicing and workover.

The industrial cluster development strategy provides for expanding the geography and diversifying the range of services provided. To deliver the strategy, the last year saw the development of the Company's offering with a focus on the maintenance, repair and rental of tubing, electric submersible pumps for RN-Vankor and Chekmagushevsky production area of Bashneft-Dobycha. The Company has also certified and received licence to manufacture and repair tank containers required to ensure year-round supply of fuels and lubricants to the Vostok Oil project. Repair and maintenance of oilfield equipment is now available to East Siberian Oil Company, Slavneft-Krasnoyarskneftegaz, Tyumenneftegaz and Samotlorneftegaz.

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:

- 625 th. cub m dredged to deepen the waterways;
- in excess of 56,432 cub m of soil replaced;
- over 3.5 kt of sheet piles and 1,803 piles installed;
- 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, icebreakers, 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 icebreaking 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.

SUPPLIER AND CONTRACTOR RELATIONSHIPS

In recent years, Rosneft has been a major consumer of goods, works and services in Russia. The annual spend by the Company (Rosneft and Group Subsidiaries) on externally procured goods, works and services amounted to RUB 2.76 trln.

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 qualification[1], 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).

Over 464 thousand suppliers are registered on the trading platform[2].

To enhance transparency and efficiency of minor procurement (worth below RUB 500 thousand), TEK-Torg's electronic trading platform is expanding its Corporate Internet Shop (CIS).

For reference

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 procedures 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 13 workshops/events on the Company's procurement activities in 2020. The workshops were held in Ivanovo, Sochi, Khabarovsk, Ulyanovsk, Tuapse, Nizhnevartovsk, the Republics of Bashkortostan and Tatarstan, the Volgograd, Sakhalin and Tomsk regions, and the Krasnoyarsk Territory.

The Company continues with the Import Substitution and Equipment Localisation Programme for Rosneft's Needs for 2019–2021 with an outlook for 2028. The Regulations on Procurement of Goods, Works and Services provide for the Company's right to prioritise Russian-made goods, works and services where and as required by the applicable laws.
The Company also regularly carries out purchases of Russian-made equipment of its own accord.

The Company continues the roll-out of a Shared Service Centre (SSC) in Samara with a view to centralising and pipelining procurement operations and category management functions. In 2020, the following functions were successfully transferred to the SSC:

- contractor accreditation, publishing procurement documents, monitoring due delivery time, purchase and supply plans approval;
- contract management and reference data support for centralised list of items, reporting on procurement processes.

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.

To recruit and train young professionals, the Company maintains its cooperation with the 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.

In cooperation with the operator of TEK-Torg's electronic trading platform, the Company 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.

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.

[1] In January–May 2020.
[2] Including those held online/remotely due to the pandemic.

RESEARCH, DESIGN, AND INNOVATIONS

RESEARCH 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.

Total R&D costs in 2020 amounted to RUB 26.8 bln

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 and injection wells and multi-stage hydraulic fracturing (MSHF). 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 corporate software package as part of the Company's R&D activities. The module was used by RN-Yuganskneftegaz to calculate the optimal drilling score for 2021–2025.
- RN-Yuganskneftegaz continued to deploy the newly developed MSHF technology in an ultra-low-permeability source rock reservoir at the Bazhenov suite (YuS0 formation). Nine horizontal MSHF wells were commissioned in 2020. Their average initial flow rate amounted to 55 t per day in a flow mode (or 6.8 t per day per hydraulic fracturing stage), which is in line with the best global practices. MSHF wells demonstrated 1.5–3 times better performance as compared to the previous project development phase. Also in 2020, we finalised our technology designed to locate potentially productive areas of the Bazhenov suite. With this technology, we updated a map of potentially productive areas of the Bazhenov suite. The map will be used by RN-Yuganskneftegaz to drill over 20 horizontal MSHF 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 Frolov 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 Frolov 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 digitalise 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 geological 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 modelling, but also allow us to actively apply artificial intelligence technologies in field development.
- Rosneft developed RN-GEOSIM 0, a geological modelling software system (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 modelling process management and can automatically update geological models with new field data

- received. RN-GEOSIM is anticipated to cover up to 80% of the Company's needs for geological modelling.
- Rosneft developed RN-Simtep 0, a software product for modelling oil and gas production processes. Currently, the product is being tested at corporate research and design institutes. Going forward, RN-Simtep will cover up to 80% of the Company's needs for production process modelling and eventually tap into oil refining and petrochemicals processes.
- New features were added to the RN-PETROLOG corporate software suite for interpretation of core samples and well log data. These features allow uploading large projects (more than 10 thousand wells), connecting external modules, processing metadata of a petrophysical project, obtaining statistics on data availability in the project, filtering well data in the project tree (making flexible data requests). The Company intends to drastically reduce its dependence on foreign vendors by developing proprietary petrophysical software and integrating it into its digital universe.
- The Company organised a series of competitions for Russian programmers. Hackathons[1] help Rosneft to draw attention of the global IT community to solving industry-specific applied problems. In 2020, the number of hackathon topics was increased to three, which reflects to the Company's growing interest in IT technologies and their potential applications to address current challenges of the industry.
  - The first IT marathon event, Hackathon of Three Cities, was held on 24–25 September in Ufa, Kazan and Samara simultaneously. Over 250 students and postgraduates comprising 52 teams were solving a classic "postman problem" (finding the shortest route to deliver "letters" to all addressees), but in the context of oil and gas.
  - The competitions continued with a hackathon for robotics programmers in Ufa State Aviation Technical University on 16–17 October. The purpose of the hackathon was to find new approaches to solving operating problems with the use of robots and robot-based mechanisms, as well as to promote a career in robotics among students of Russian higher education institutions. The teams were writing a programming algorithm for a four-axial robot manipulator (to perform manufacturing equipment disassembly tasks), designing and 3D printing a robot-based gripper tooling. The organisers provided the contestants with all the required technical devices.
  - The IT marathon ended with Rosneft Proppant Check Challenge (RPCC). Its online finals took place on 28 November. Representatives of 35 universities from 28 countries participated in the challenge. This was an absolute record for IT competitions held in Russia's oil and gas industry.
  - During the 2.5-month online Proppant Check Challenge, 942 contestants (822 teams) were estimating the linear size and quantity of proppant grains by analysing a series of images. Ten teams that presented the best PC and smartphone solutions to the Company's experts qualified for RPCC finals.
- 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 wellbores.

In 2020, RN-SIGMA capabilities were expanded considerably, with the following features added: geomechanical drilling support in real-time mode, wellbore 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. The 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.

- In 2020, the Company developed RN-VEKTOR, a proprietary coil tubing simulator. 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 parker plug placing and drilling, acid treatment, geophysical 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 24 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 control 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.

- While developing an information modelling technology for oil and gas production and refining facilities, the Company created over 20 standardised CAD work stations, prototypes of IT systems for geotechnical monitoring and feasibility assessment of project design documents, a centralised design documentation archive and a 3D image directory. This technology will drastically increase the automation of design processes in oil and gas production and refining and will provide for a single database of information models used in design, construction and operation.

ARCTIC SHELF

- Two research expeditions were organised in the Kara and Laptev Seas to conduct geophysical and environmental studies, perform maintenance of the measuring infrastructure deployed by the Company in the Arctic, and collect hydrological, meteorological and ice data. The Company will rely on its results to design facilities and perform operations across its license areas on the Arctic shelf.
- Meteorological surveys were conducted in the area of the Khastyr temporary field base (the Khatanga Bay, the Laptev Sea), with meteorological and actinometric data collected. Provisional local operating conditions for the Khatanga license area were developed.
- The Company developed a commercial technology to manufacture two dispersant compositions to be used in emergency oil clean-up operations at sea. The dispersant agents were tested on a large test facility in comparison with a foreign commercial dispersant. The test results confirmed that the newly developed dispersants are highly effective.
- Another expedition, Iceberg Spring 2020 in the Barents Sea, was organised as part of the corporate ice monitoring system development programme. During the expedition, the crew tested ice monitoring system components and staged six experiments on diverting potentially dangerous ice formations. Technical aids were developed to ensure iceberg safety of marine oil and gas field structures. The project won the first prize in the international contest for R&D, engineering and innovative projects aimed at development and exploration of the Arctic and its continental shelf.
- The Company launched a new project called Development of Regional Stratigraphic Modelling Technology for Underexplored Sedimentary Basins in the Arctic with the Use of Marine Shallow

[1] A hackathon is a forum for software developers where experts from various software development career fields (programmers, designers, managers) solve a certain problem collectively in a time-constrained environment.

- Wells Data. During the project's first stage in 2020, Rosneft drilled the northernmost stratigraphic wells on the Russian Arctic shelf. The results of the expedition were broadcast by Russia-1, Russia-24 and Discovery channels and presented in a number of federal print media. The initial analysis of core samples shows the unique nature of the acquired geological material, which will be used to make reliable predictions of oil and gas occurrence in the explored Arctic shelf waters and determine prospective targets in the Company's Severo-Karsky 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-1.5 pilot unit.
- It partnered with the National Intellectual Development Foundation to design and manufacture a pilot APG desulphurisation unit based on microporous membranes. The unit was added to the preliminary water discharge facility at Orenburgneft.

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 Novokuibyshevsk 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 Novokuibyshevsk Catalyst Plant produced the first commercial batches of an isodewaxing 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 techniques 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 specification 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 specification for neutralisers will be amended accordingly. These efforts will improve operational performance of crude oil distillation units (decelerate 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 composites and a technique to produce polymer composite pipe segments. It also developed a strength calculation methodology for 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 PDCPD-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 created 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 polydicyclopentadiene (PDCPD), such as an ultra-lightweight polymeric proppant 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 ballast (formation water) to the central preparation and gathering facility. The tool is based on a unique patented technology of mass transfer coalescers enabling the production of Quality Grade 3 crude oil (according to GOST R 51858-2002 Crude petroleum. General Specifications) with residual water content of less than 1.0%. The treated bottom water is up to the industry standards. The tests demonstrated productivity of 400 t per day with a potential to ramp up capacity. Implementation of the technology does not affect the engineering and technical infrastructure, as it is not expected to be connected to the existing oil and gas collecting pipelines. It means that all MPWDU equipment is mobile and can be transported between fields and warehouses.
- Rosneft is developing a 15 MW steerable thruster. It completed the preliminary design stage with "Released for Implementation" status and submitted applications for the protection of intellectual property created during the project implementation. The Company intends to finalise the design in 2021 following the assembly of the first steerable thruster.

ADAPTATION AND ADOPTION OF ADVANCED TECHNOLOGIES

As part of its efforts to adopt promising efficient technologies developed by Russian and foreign companies, the Company arranged for testing, adaptation, and adoption of innovations while running pilot projects in 2020. These tests helped evaluate their key features and conduct feasibility studies as to their fitness for the geological and operating environment of the Company's upstream subsidiaries. In 2020, 127 technologies were put to test by 19 Group Subsidiaries. A total of 314 tests were conducted as part of the pilot projects, resulting in 69 kt of incremental oil production. The Company and its relevant business units review the results, assess the economic viability of implementing proposed solutions, and prepare plans for their roll-out and implementation. As part of the implementation programme, the Company introduced and rolled out 72 new technologies which proved their viability following prior tests. Rosneft 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 mln, including to provide training to students

at the industry-related departments of the leading Russian universities. In 2020, the combined proven economic effect from the Target Innovative Projects implemented over the last three years exceeded RUB 40 bln.

ROSNEFT'S RESEARCH AND DESIGN CLUSTER IS THE LARGEST TECHNOLOGY CLUSTER IN EUROPE

Research fostered by Rosneft helped create Europe's largest (and unprecedented in the world) corporate system set to solve applied and fundamental problems of the Company and the whole oil and gas sector. To date, over 800 proprietary technologies have been developed and patented.

Rosneft currently operates 34 research and technology centres employing over 20 thousand highly qualified professionals and scientists. The Company's technology cluster is home to 44 competence centres for dedicated and research-intensive activities.

The scope of work and the range of competencies of corporate R&D facilities is growing every year. Currently, we are focused on R&D in bleeding-edge smart production technologies, robotic systems, new materials and design methods, big data systems, technologies for transition to green and resource-saving energy, and technical regulations.

Rosneft has taken the lead among Russian companies in this area with its proprietary geosteering service, which was created from scratch based on the oldest corporate Institute for Geology and Development of Fossil Fuels (IGiRGI). Savings resulting from the abandonment of foreign services totalled more than RUB 1.7 bln.

Over 300 internal regulations of Rosneft stem from its best technical solutions governing the operations of Group Subsidiaries, as well as partners, counterparties, equipment and service providers.

We have established targeted process to search for and roll out effective design solutions. Each year, Rosneft creates more than 100 design solutions to improve the reliability and technical efficiency of facilities subject to approval by the Company's Scientific and Technical Council.

For the purposes of systemic import substitution and cost optimisation, Rosneft's corporate institutes have developed a range of research-intensive technological software comprising more than 10 software products for all key oil and gas production processes.

In 2020, the corporate R&D institutes completed more than 1,500 projects ranging from geology and development to the design of field infrastructure and oil and gas processing and petrochemical facilities, reviewed by authorised state bodies.

The technology cluster's labs have examined 26 km of core samples – about 2.8 million studies of 100 thousand samples have been conducted to provide evidence of the Company's reserves growth, including hard-to-recover reserves, and to boost the efficiency of hydrocarbon production. 19 new fields and 208 new deposits have been discovered based on inputs from the institutes.

Our research centres for oil refining manufactured more than 10,000 tonnes of petrochemicals to provide the Company's own facilities with base oils, import-substituting additives for fuels and oils.

Together with Innopraktika, a non-governmental development institute, Moscow State University, and Rosgeologia, we made two unique expeditions to develop and explore the Arctic.

Pilot projects

Metric	Total projects / technologies	Projects tested / deployed	Costs, RUB thousand, incl. VAT	Total incremental oil production, kt	Economic effect, RUB thousand
Technology testing	127	314	392,063	69	370,448
Technology deployment	72	3,704	1,866,049	275	540,538

DIGITAL TRANSFORMATION

FOCUS ON DIGITAL TRANSFORMATION AND TECHNOLOGY

Digital transformation and innovations are at the forefront of Rosneft's efforts to develop information technology. To engage with the domestic market, embrace new technology and explore innovation opportunities in IT, the Company held Rosneft Pitch Day, an online exhibition of domestic IT solutions inviting Russian manufactures to showcase their IT achievements that can be of benefit to Rosneft's core operations. Following the event, the Company selected a number of technologies to be piloted at Rosneft such as those powered by IoT, big data, AI, wireless connectivity and blockchain.

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 Gubkin Russian State University of Oil and Gas, Lomonosov Moscow State University, MIPT, National Research University Higher School of Economics and others, specialised agencies, vendors and developers of IT solutions in Russia. To support import substitution initiatives in relation to IT hardware and software, the Company partners with Sberbank and Rostelecom.

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;
- developing solutions to digitalise management and production processes across the Company using AI technology.

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 workover 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

- 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.

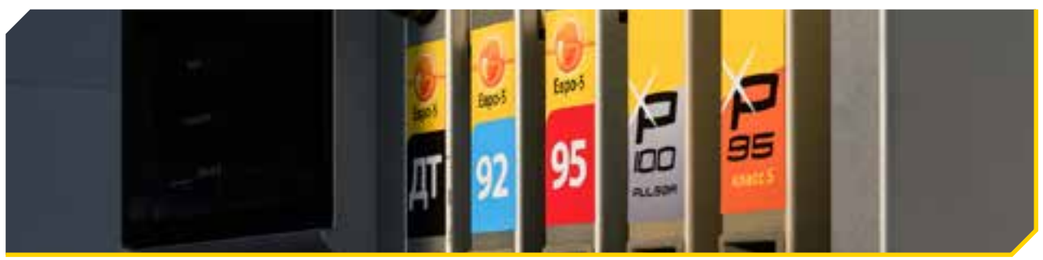
PETROCHEMICALS

- 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.

COMMERCE AND LOGISTICS

- 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.

REGIONAL SALES. DIGITAL FILLING STATION



- 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 roll-out 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.

CYBER SECURITY

Information security is a key factor underlying the Company's sustainable operation amid digitalisation and improvement of business management, control and industrial automation systems.

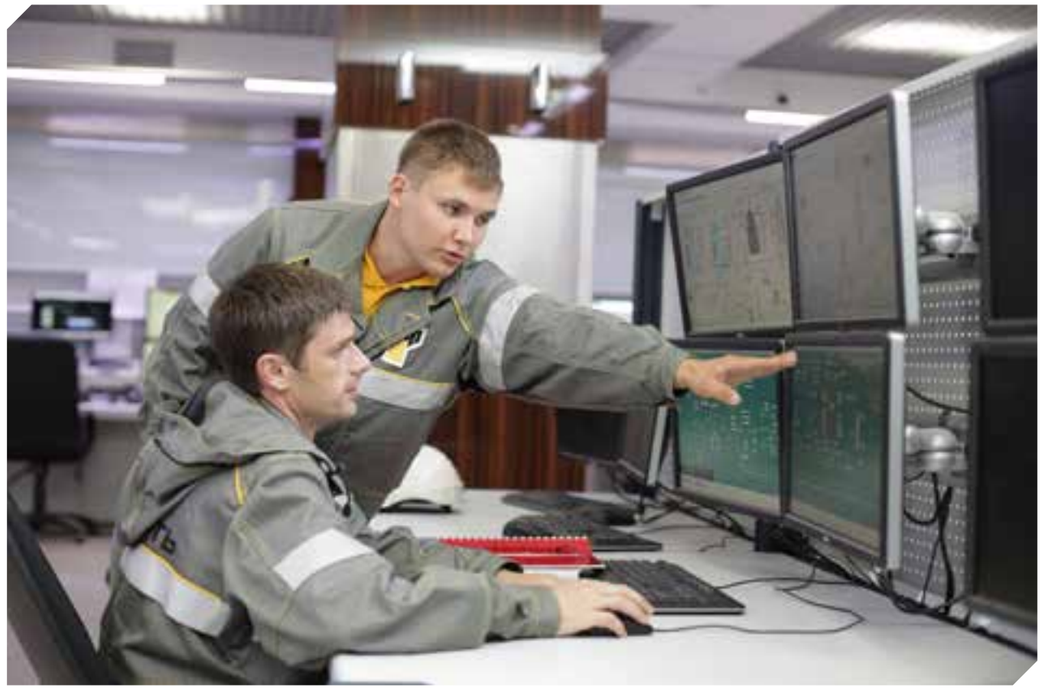
Since 2018, the Company has been implementing its information security strategy aimed to ensure secure digital development of the Company.

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.



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CORPORATE GOVERNANCE

5

CORPORATE Governance

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Gerhard SCHROEDER

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 bln[1] – 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.

[1] Including dividend payment for the first six months of 2019.

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.

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 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.

A substantial share of the Company's net income is distributed as dividends.

In 2020, our shareholders were paid

RUB 191.5 bln

We continue enhancing Shareholder's Personal Account, a powerful tool for shareholders to stay in contact with the Company.

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.

Rosneft is the largest taxpayer in Russia.

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.

Protection of shareholders and key stakeholders

The Company implements best internal control and risk management practices, develops technologies for industrial safety and information security, and ensures product safety, protecting its customers and contractors.

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 65% (for evaluation of compliance with the Bank of Russia's Code see Appendix 3 to this Annual Report).

GOVERNANCE AND CONTROL STRUCTURE

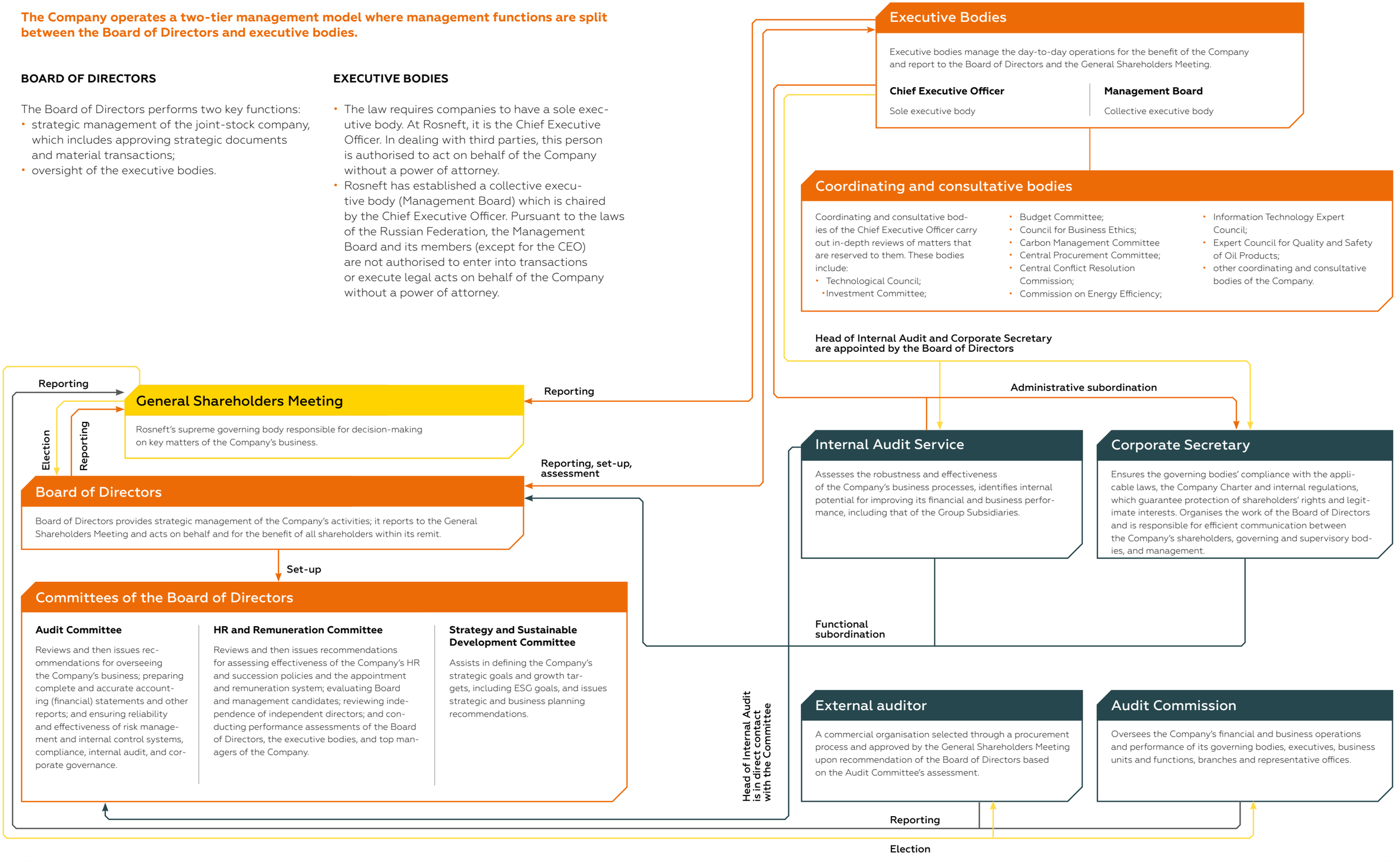
The Company operates a two-tier management model where management functions are split between the Board of Directors and executive bodies.

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.



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.

The procedure for convening, preparing for, holding and following up on the General Shareholders Meeting is set forth by Rosneft's Regulations on the General Shareholders Meeting.

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.

BOARD OF DIRECTORS

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.

Age

Under 45 years	1
46–55 years	2
56–65 years	2
66 or over	6

Composition

Independent	36%
Non-executive	55%
Executive	9%

Key competencies of directors

Director	Competencies								
	Strategy	**Oil and gas**	**Corporate governance and M&A**	**Law**	**Finance and audit**	**Risk management**	**Politics/ GR**	**HSE**	**HR**
Gerhard Schroeder	x			x			x		x
Igor Sechin	x	x	x	x		x	x		x
Matthias Warnig	x	x	x		x	x			x
Faisal Alsuwaidi	x	x	x						x
Hamad Rashid Al-Mohannadi	x	x	x			x			x
Oleg Viyugin	x		x		x		x		x
Robert Dudley	x	x	x		x	x		x	x
Bernard Looney	x	x	x		x	x		x	
Alexander Novak	x	x	x		x		x		
Maxim Oreshkin	x				x	x	x		
Hans-Joerg Rudloff	x		x		x	x			
Directors who left the Board of Directors on 2 June 2020									
Andrey Belousov	x	x	x	x	x	x	x		
Guillermo Quintero	x	x			x	x	x	x	x

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.
1998–2005: Chancellor of Germany.
Elected to the Board **in September 2017**.

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 Vergutungs- 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, Aide 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 ROSNEFTEGAZ and Inter RAO, and Chairman of the Supervisory Board of CSKA Professional Hockey Club[1].

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).

[1] 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

Born **in 1955**.
Graduated from the Bruno Leuschner Higher School of Economics (Berlin) **in 1981**.
1990–2006: was engaged in the financial activities of Dresdner Bank Group AG in Frankfurt, St Petersburg, and Moscow and held the positions of President, Chairman of the Board of Directors, and Chief Coordinator of Dresdner Bank AG in Russia.
2006–2016: Managing Director of Nord Stream AG (Switzerland).
2008 – present: Director of Interatis AG (Switzerland)
2015 – present: Executive Director of Nord Stream 2 AG (Switzerland).
Elected to the Board **in June 2011**.

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)[1].

Holds **92,633** shares of Rosneft (0.0009% of the Company's charter capital).

Faisal ALSUWAIDI

Member of the Strategy and Sustainable Development Committee, and HR and Remuneration Committee

Born **in 1954**.
Graduated from Merton Technical College (UK) **in 1978**.
2012–2018: President of Research and Development at Qatar Foundation.
2018 – present: Member of the Board of Trustees at Qatar University.
2018 – present: Representative of Qatar Investment Authority.
Elected to the Board **in June 2017**.

Holds no shares of Rosneft.

[1] 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.

Oleg Viyugin

Member of the Strategy and Sustainable Development Committee, and Audit Committee, independent director

Born **in 1952**.
Graduated from Lomonosov Moscow State University **in 1974**, holds PhD in Physics and Mathematics.
2004–2007: Head of the Federal Service for Financial Markets.
2007 – present: Professor of National Research University Higher School of Economics.
2013–2015: Senior Advisor for Russia and CIS at Morgan Stanley Bank (contractor agreement).
Elected to the Board **in June 2015**.

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 SAFMAR Financial Investments, member of the Board of Directors of Unipro, member of the Supervisory Board of National Settlement Depository and SF Holdings Co PLC.

Involvement in non-profit organisations

Active in the areas of strategic development, entrepreneurship, corporate governance and education; serves as a member of the Board of the Centre for Strategic Research, Agate Youth Entrepreneurship Foundation, member of the Boards of Trustees of EUSP Endowment Fund, NES Endowment Fund, and Forum Analytical Centre, and member of the Praesidium of National Corporate Governance Council.

Holds no shares of Rosneft.

Robert Dudley

Chairman of the Strategy and Sustainable Development Committee

Born **in 1955**.
Graduated from the University of Illinois **in 1977**.
Bachelor of Science in Chemical Engineering. Holds a Master of Science's degree in International Management from Thunderbird School of Management (USA) and MBA from Southern Methodist University (USA).
2003–2008: Chairman of the Supervisory Board, President, CEO at TNK BP Management.
2009–2020: Director and member of the Board of Directors at BP p.l.c.
2010–2020: CEO of BP Group.
2016–2020: Chairman of the Oil and Gas Community of the World Economic Forum.
2016 – present: Chairman of the Oil and Gas Climate Initiative.
2020 – present: BP RIL Consultant.
Elected to the Board **in June 2013**.

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.

Bernard Looney

Chief Executive Officer, BP p.l.c.

Born **in 1970.**
Graduated from University College Dublin (Ireland) in 1991, Stanford University (USA) **in 2005**.
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 Aker 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.

Alexander NOVAK

Deputy Chairman of the Strategy and Sustainable Development Committee

Born **in 1971**.
Graduated from Norilsk Industrial Institute **in 1993** and from Lomonosov Moscow State University **in 2009**.
2008–2012: Deputy Minister of Finance of the Russian Federation.
2012–2020: Minister of Energy of the Russian Federation.
2020 – present: Deputy Prime Minister.
First elected to the Board in June **2015** and served as a director **until June 2017**. Re-elected to the Board **in September 2017**.

Involvement in other companies

Chairman of the Boards of Directors of Rosseti and Transneft, member of the Board of Directors of Gazprom.

Involvement in non-profit organisations

Active in the areas of education and sports development, and energy sector; member of the Supervisory Boards of Rosatom and the Global Energy Association (international research and energy projects), Chairman of the Board of Trustees of Moscow Power Engineering Institute, member of the Boards of Trustees of Siberian Federal University and Gubkin Russian State University of Oil and Gas, and Chairman of WEC RNC, Russian Basketball Federation, Solovki Archipelago Preservation and Development Foundation, and International Sustainable Energy Development Centre under UNESCO auspices.

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.
2002–2006: 1st Category Economist, Lead Economist, Chief Economist, Sector Leader at the Balance of Payments Department of the Bank of Russia.
2006–2013: held various positions at commercial banks.
2013–2016: Head of the Long-term Strategic Planning Department (2013 to 2015), Deputy Minister of Finance of the Russian Federation (2015 to 2016).
2016 – January 2020: Minister of Economic Development of the Russian Federation.
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 Presidential 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**.
1998–2014: Chairman of the Management Board at Barclays Capital.
2002 – present: Chairman of Marcuard Holding.
2003 – 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 (Thyssen-Bornemisza Group) and director at Decolef and Guardian Capital.

Holds no shares of Rosneft.

Hamad Rashid AL-MOHANNADI

Member of the Strategy and Sustainable Development Committee

Born **in 1958**.
Graduated from Portland State University (USA) **in 1981**.
Between 1985 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;
- Chief Executive Officer of RasGas 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.

DIRECTORS WHO LEFT THE BOARD IN 2020

Andrey BELOUSOV

Member of the Strategy and Sustainable Development Committee[1]

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.
2008–2012: Director of the Department of Economics and Finance of the Russian Government.
2012–2013: Minister of Economic Development of the Russian Federation.
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 Exploracion de Venezuela S. A.
2016 – present: Director of GQO Consultants LTD.
Elected to the Board **in June 2015**.

Holds no shares of Rosneft.

[1] Strategic Planning Committee until April 2020.

Directors' Attendance at Board and Committee Meetings in 2020

Board of Directors			Audit Committee	HR and Remuneration Committee	Strategy and Sustainable Development Committee
Member of the Board of Directors	**Status (executive/non-executive/ independent)**	**Attendance**			
Gerhard Schroeder	Independent	31/32			
Igor Sechin	Executive	32/32			
Matthias Warnig	Independent	31/32	17/17	14/14	
Hamad Rashid Al-Mohannadi	Non-executive	32/32			15/15
Faisal Alsuwaidi	Non-executive	32/32		7/7	15/15
Oleg Viyugin	Independent	32/32	17/17		15/15
Robert Dudley	Non-executive	29/32			15/15
Bernard Looney	Non-executive	16/16			
Alexander Novak	Non-executive	31/32			15/15
Maxim Oreshkin	Non-executive	16/16			
Hans-Joerg Rudloff	Independent	32/32	17/17	14/14	
Directors who left the Board in 2020					
Andrey Belousov	Non-executive	15/16			5/5
Guillermo Quintero	Non-executive	15/16		7/7	

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.*

INDUCTION

The Company ensures prompt onboarding of new directors in line with the established induction procedure. In 2020, Maxim Oreshkin and Bernard Looney nominated by JSC ROSNEFTEGAZ and BP Russian Investments Limited were elected to the Board of Directors for the first time.

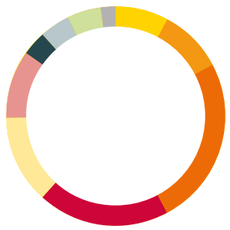
Rosneft's management promptly introduced the elected directors to the Company's day-to-day operations, strategy, corporate and organisational structure, and corporate governance practices. They have been briefed on the Succession Plan for Directors and Management Board members[2] and received an explanation of the confidentiality and insider information requirements, and the procedure for their participation in the meetings of the Board of Directors and its committees.

The induction procedure for Board members is described in Rosneft Regulations on the Induction of Rosneft Board Members.

[2] 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%)

The Board of Directors is governed by the Regulations on the Board of Directors of Rosneft Oil Company.

In 2020, the Board of Directors held 32 meetings (3 in person and 29 in the form of absentee voting) and considered 139 items (16 at in-person meeting and 123 at meetings held in the form of absentee voting).

BOARD RESOLUTIONS IN KEY FOCUS AREAS

Review of the Rosneft–2022 Strategy execution. The Board of Directors noted achievement of most of the Strategy's key goals for 2020.

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 fields, Erginsky and Chupalsky licence areas, and Russkoye field.

It **reviewed the Comprehensive Plan for the Enhancement of the RM&ICS in 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).

Self-assessment review of the Board's performance in 2019 and 2020.

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.

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.

Rosneft Oil Company's Regulation on Evaluation of Rosneft Board of Directors Performance.

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;
- reporting on the identification of company-wide financial and operational risks for 2021.

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/revision 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.

The committees of the Board of Directors plan their activities taking into account the schedule of the Board of Directors' meetings.

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 are appointed and perform their functions in accordance with Rosneft Regulations Procedure for Formation and Work of Rosneft Board of Directors Committees

Committees of the Board of Directors

Members of the Audit Committee

Hans-Joerg Rudloff – Chairman
(independent director)

Matthias Warnig
(independent director)

Oleg Viyugin
(independent director)

Members of the HR and Remuneration Committee

Matthias Warnig – Chairman
(independent director)

Hans-Joerg Rudloff
(independent director)

Faisal Alsuwaidi[1]

Members of the Strategy and Sustainable Development Committee

Robert Dudley – Chairman

Alexander Novak –
Deputy Chairman

Faisal Alsuwaidi[1]

Oleg Viyugin
(independent director)

Hamad Rashid Al-Mohannadi

[1] Faisal Alsuwaidi was elected to the Committees on 5 June 2020.

ACTIVITIES OF THE BOARD COMMITTEES

AUDIT COMMITTEE

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).

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:

- report on the status of the Comprehensive Plan for the Enhancement of the RM&ICS in 2019 and on approval of the Plan for 2020–2022;
- 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 RAS accounting (financial) statements – RUB 7,200,000, including VAT;
- audit of Rosneft's IFRS consolidated financial statements – up to RUB 79,906,950, 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.

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.

The matters related to financial statements and information provided by the auditor were first discussed during conference calls between the Committee members, management, and representatives of internal and external auditors.

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 effecitveness 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.

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 the operations of Rosneft and Group Subsidiaries in 2021.

In 2020, the HR and Remuneration Committee held 14 meetings in the form of absentee voting and considered 29 items.

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 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.

With respect to HSE matters, the Committee approved reports on the Company's HSE activities in 2019 and preliminary results in 2020.

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

Rosneft's executive bodies are:

Chief Executive Officer | **Management Board**

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.

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 Oil Company.

CHANGES IN THE BOARD COMPOSITION

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-Yuganskneftegaz;
- **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, totalling 11 members. Nine membership positions have been filled, while two remain vacant.

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.

2008–2012: Deputy Prime Minister of the Russian Federation.

2012 – present: Chief Executive Officer and Chairman of the Management Board.

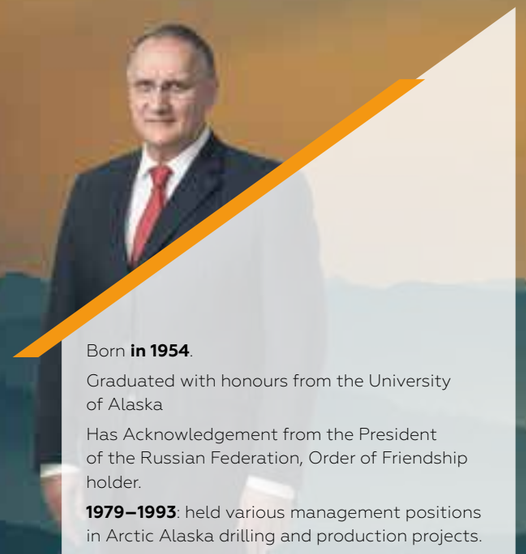
From June 2013: Deputy Chairman of Rosneft's Board of Directors.

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.

1993–1997: worked on oil projects in Yemen, Algeria, Australia, Thailand, Japan, Angola, Azerbaijan and Turkmenistan.

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 RN-Shelf-Far East, JSC Verkhnechonskneftegaz, LLC RN-GAZ, LLC RN-Upstream, member of the Board of Directors at PJSOC Bashneft, CJSC Rosshelf, JSC FESRC, LLC RN-Commerce, LLC RN-Commerce, and PJSC NGK 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, PJSOC Bashneft, LLC RN-Foreign Projects, Chairman of the Supervisory Board at PRJSC LINIK, member of the Board of Directors at OJSC NGK 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.

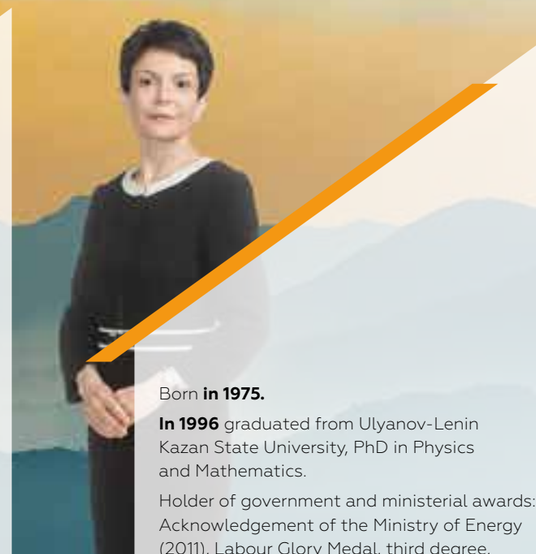
2018 – present: General Director of JSC Suzun and LLC Tagulskoye (concurrently), Deputy General Director for greenfield development at LLC RN-Vankor (concurrently).

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.

Holder of government and ministerial awards: Acknowledgement of the Ministry of Energy (2011), Labour Glory Medal, third degree, from the Ministry of Energy (2018), Order of Honour of the Russian Federation (2019).

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).

2013–2014: Acting President of 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 4,360 shares of Rosneft (0.00004 % 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.

2002–2004: Geologist, Chief Geologist, Geological Group Leader at CJSC Modelling and Monitoring of Geological Objects.

2004–2005: Senior Specialist, Geology and Geophysics Section, EP Analysis and Forecast Centre, CJSC YUKOS Exploration & Production.

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.

2017–2019: Vice President for Subsurface and Reservoir Management, JSC Neftegazholding.

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 shares of Rosneft (0.0002 % of the Company's charter capital).

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 Plekhanov St Petersburg Mining 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.

Holder of Acknowledgement of the Russian Ministry of Energy.

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-Pechoraneft, CJSC Kolvinskoe.

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.

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: Medal of the Order "For Merit to the Fatherland," second degree, (2018), Order "For Merit to the Fatherland," fourth degree, (2019).

2002–2012: held executive positions at various oil and gas industry companies.

2012–2013: General Director at OJSC RN-Ingushneft.

2013–2015: General Director at OJSC Samotlorneftegaz.

2015–2019: General Director at RN-Yuganskneftegaz, Director of Rosneft's Office in the Khanty-Mansi Autonomous Area – Yugra (Nefteyugansk).

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 Ufaorgsintez, member of the Board of Directors at Bashneft.

Holds no shares of Rosneft.

Vladimir CHERNOV

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 Novosibirsk State Academy of Water Transport, **in 2009** – from Tomsk Polytechnic University.

Holder of government and ministerial awards: Order of Honour of the Russian Federation (2019), Certificate of Merit of the Russian Ministry of Energy (2019).

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 NGKh-Nedra, LLC Taimyrneftegaz-Port, LLC Taimyrneftegaz-Estate, LLC PSMO-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.

2000–2004: Minister of the Russian Federation for Taxes and Levies.

2004–2012: Assistant to the Prime Minister of the Russian Federation.

2012–2013 годы: Advisor to the President of the Republic of Bashkortostan.

From 2013: Advisor to the President of Rosneft.

From March 2015: Head of Internal Audit at Rosneft.

2016–2020: member of Rosneft's Management Board.

June 2016 – present: Vice President, Head of Internal Audit Service of Rosneft

Gennady Bukaev was not authorised to participate in voting on matters within the Management Board's competence related to the Company's operations, which could be objects of audit / managerial decisions with regard to audited entities (subject to Board of Directors review).

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 Sibneft 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 for In-House Services at Rosneft.

2013–2020: 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 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 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**.

1990–1993: held various positions at the Soviet Ministry of Finance and the Russian Ministry of Economy and Finance.

1993–1995: held various positions in the Office of Securities of the International Joint-Stock Bank of Savings Banks.

1995–1996: member of the Management Board, Head of the Office of Securities of the International Joint-Stock Bank of Savings Banks.

1996–1999: held senior positions in ACB Center, CJSC Finance Company Finko Investment and Russian Industrial Bank.

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.**

Graduated from Gubkin Moscow Institute of the Petrochemical and Gas Industry **in 1985**, from Financial Academy under the Government of the Russian Federation **in 1996**, and from Moscow International Higher Business School MIRBIS **in 2002**.

Holder of government and ministerial awards.

1992–2005: held executive positions in various credit and finance organisations.

2005–2010: General Director of OJSC Ural Energy Management Company, OJSC TGK-10, OJSC Tyumen Energy Selling Company.

2008–2009: First Vice President of OJSC Integrated Energy Systems (IES Holding).

2010–2012: Deputy Minister of Energy of the Russian Federation.

From July 2012: Vice President of Rosneft.

From March 2013: 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.

Ural LATYPOV

Vice President, Head of Security Service

Born **in 1972.**

Graduated from the Bashkir State University **in 1997**.

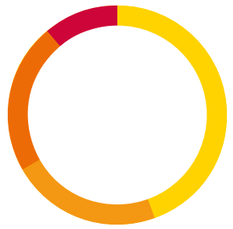
1996–2016: officer of law enforcement agencies.

2016–2019: Deputy Head of Security Service of Rosneft, Acting Vice President – Head of Security Service of Rosneft.

2019–2020: member of Rosneft's Management Board.

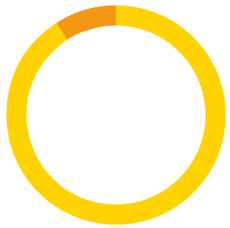
June 2019 – present: Vice President, Head of Security Service of Rosneft

Age Diversity on the Management Board



Under 45 years	4
46–55 years	2
56–65 years	2
66 or over	1

Gender Diversity on the Management Board



Men	91%
Women	9%

The members of the Management Board know Russian, English, French, German, Spanish, Portuguese, Dutch and Croatian.

Management Board Tenure

Management Board member	Membership start date	Period
Igor Sechin	From 2012	8 years
Zeljko Runje	From 2012	8 years
Didier Casimiro	From 2012	8 years
Ilgam Kuchukov	From 2020	Less than a year
Dina Malikova	From 2020	Less than a year
Andrey Polyakov	From 2019	1 year
Igor Tabachnikov	From 2020	Less than a year
Khasan Tatriev	From 2020	Less than a year
Vladimir Chernov	From 2020	Less than a year

MANAGEMENT BOARD'S ACTIVITIES IN 2020

In 2020, the Management Board held 86 meetings, reviewed 189 matters and adopted a number of decisions, including the following:

- the Vostok Oil project, with the Management Board recommending that the Board of Directors approve **the acquisition of a 100% stake in Taimyrneftegaz**;
- approved the transactions that would terminate the Company's participation in projects **in Venezuela**;
- approved four **field development and refinery construction** projects for the Group Subsidiaries;
- approved Rosneft's organisational structure (as amended);
- approved entering into:
  - **195 transactions** for oil and oil products deliveries to foreign and domestic markets, supply of gas and gas condensate, loans, as well as transactions with shares and stakes in the Group Subsidiaries, etc.;
  - **two** charity transactions;
  - **four transactions** for providing operator services (performing works) related to the production of crude oil, natural and associated petroleum gas, transshipment, storage, well drilling, etc.;
- **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/ consultative bodies: Information Technology Expert Council, Risk Management Committee, Carbon Management Committee, Expert Council on Pricing in Capital Construction, Commission for Emergency Prevention, Response and Fire Safety, Conflict Resolution Commission, and others, **as well as documents on**:
  - management of receivables and payables,
  - remuneration and social security of employees,
  - supply of goods, works and services,
  - government relations,
  - energy management, etc.

MANAGEMENT BOARD WORK PLANNING

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[1], the position of the Company's Corporate Secretary is held by Yury Kurilin[2].

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' resolution.

The Corporate Secretary's key functions are:

- improving the corporate governance system;
- arranging and holding general shareholders' meetings;
- 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 function is supported by the Company's separate business unit – Corporate Governance Department.

The Corporate Secretary's activities are governed by the Regulation on the Corporate Secretary.

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 and Interaction with Business Partners at BP Exploration Operating Company Ltd. (UK), Moscow Branch.

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.

[1] 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.

[2] 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 30,000;
  - chairing the Board committees and amounting to USD 50,000.

Rosneft's Regulations on Remunerations and Compensations Payable to Members of the Board of Directors sets out amounts payable to directors as fixed remuneration and additional compensation.

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-Mohannadi – 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);
- 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);
- 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);
- No remuneration for 2019–2020 corporate year was paid to Andrey Belousov, Robert Dudley, Guillermo Quintero, Alexander Novak, Igor Sechin.

Total remuneration payable to members of the Board of Directors over time

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.

Incentive system

Cash remuneration	Fringe benefits	Non-financial incentives

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.

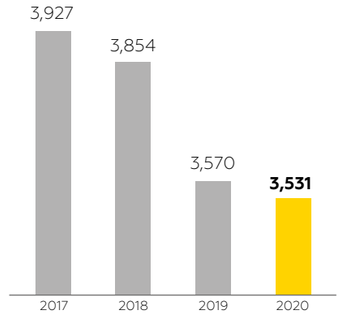
The KPI framework and its integration with the Company's Strategy are detailed in Section Company KPIs of this Report.

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[1], down by 1.1 % year-on-year.

Since 2017, the total remuneration payable to members of the Management Board went down by 10.1 %, or RUB 396 mln.

Total remuneration payable to members of the Management Board, RUB mln



[1] 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.

Rosneft's Regulations on Internal Control Rules for the Prevention, Detection and Suppression of Illegal Use of Insider Information in Rosneft and/or Market Manipulation.

The Corporate Secretary (see the Corporate Secretary section) is in charge of compliance with regulatory and internal requirements for countering the illegal use of insider information.

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.

For Shareholders:

Shareholder Relations Division, Corporate Governance Department, Rosneft

Phone: 8-800-500-11-00 (toll-free within Russia); +7 (495) 987-30-60;
Fax: +7 (499) 517-86-53
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.

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.

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 their interests with the interests of the Company:

- these persons shall refrain from any actions 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 Council for Business Ethics also contributes to managing conflicts of interest.

The Company continuously works to prevent corporate fraud. Special rules for its prevention are governed by 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 combating 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 Illegal 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.

"The Board of Directors reviews, on a regular basis, information on assessment and monitoring of potential conflicts of interest of the Head of Internal Audit and considers the Company's efforts to minimise this risk as adequate."

The rules for the avoidance and prevention of conflicts of interest are set forth in the Corporate Governance Code and the Code of Business and Corporate Ethics.

Special rules for the prevention of corporate fraud are governed by the Company's Policy on Combating Corporate Fraud and Involvement in Corruption Activities.

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 effort was also aligned with the National Anti-Corruption Plan for 2018–2020 approved by Presidential Executive Order No. 378 dated 29 June 2018 (Instruction of the Russian Government No. DM-P17-4575 dated 23 July 2018).

The new anti-corruption procedures were developed in accordance with the applicable international anti-corruption laws, Federal Law No. 273-FZ On Combating Corruption dated 25 December 2008, the guidelines of the Russian Ministry of Labour and the Federal Agency for State Property Management, as well as International Anti-Corruption Standard ISO 37001:2016 "Anti-bribery management systems — Requirements with guidance for use", and the ICC Guidelines on Conflicts of Interest in Enterprises.

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[1] and guiding principles, and regularly assesses the efficiency of such efforts; considered and approved[2] 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-Fraud and 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[3], (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[4], the Company in the reporting period:

- updated its employees on typical violations of anti-fraud and anti-corruption rules (including management of conflicts of interest) on a quarterly basis;
- on an ongoing basis informed the relevant units about new regulations and government initiatives aimed at combating corruption;
- assessed/reassessed the risk of corporate fraud and corruption on a quarterly basis in line with the approved methodology.
  - Clause 2.6 of the Recommendations for Public Joint-stock Companies to Organise Risk Management, Internal Controls, Internal Auditing, and the Work of Auditing Committees under Boards

[1] The Company's Policy on Combating Corporate Fraud and Involvement in Corruption Activities was approved by resolution of Rosneft's Board of Directors (Minutes No. 19 dated 21 May 2018).
[2] The results for 2019 were reviewed and approved by Rosneft's Board of Directors (Minutes No. 19 dated 3 April 2020).
[3] The Report for 2019 was approved on 8 June 2020 by the resolution of the Council for Business Ethics (Minutes No. 13).
[4] Approved by the Council for Business Ethics on 10 December 2018 (Minutes No. 7).

– of Directors (Supervisory Boards)[1] establishes a qualitative indicator of risk appetite for corporate fraud and corruption risk in order to reflect the Company's zero tolerance to this risk (Minutes of the Risk Management Committee of Rosneft No. 4–2020 dated 2 November 2020);

- conducted ongoing anti-corruption audits of draft internal regulations;
- published the quarterly All about Compliance information bulletin, and distributed the bulletin devoted to the International Anti-Corruption Day to all Rosneft employees on 9 December 2020.

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 are 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[2];
- 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: Managing Conflicts of Interest were updated (to reflect changes in key internal documents).

Participated in the 5th International Corruption in Business conference and workshop.

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.

37,000+
calls received by the Security Hotline in 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.

Corruption Control section

[1] Letter of the Bank of Russia No. IN-06–28/143 dated 1 October 2020.
[2] Minutes of the Council for Business Ethics No. 14 dated 12 August 2020.

AUDIT COMMISSION

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 interested-party transactions entered into in the reporting period.

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 officers serving on the Audit Commission.

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 Compensations Payable to Rosneft's Audit Commission Members.

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.

Holder of ministerial awards – Letter of recognition from the Minister of Finance of the Russian Federation (2007), For Excellent Work in Finance badge of the Ministry of Finance of the Russian Federation (2012).

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).

Holder of a ministerial award – Certificate of Merit of the Russian Ministry of Energy.

Chief Accountant – Head of Finance and Economics at JSC ROSNEFTEGAZ.

Tatyana Zobkova

Born in 1976.

Graduated from Moscow State Pedagogical University and National Research Nuclear University (MEPhI).

Lead advisor, deputy head of unit, head of unit, Deputy Director of Corporate Policy and Property Relations in the Fuel Producing Industries, Pricing and Audit in the Fuel & Energy Industry, Ministry of Energy of the Russian Federation.

Sergey Poma

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.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

In accordance with the Corporate Governance Code of the Bank of Russia[1], Russian regulatory requirements[2] and the best practices, the Company has established and is continuously improving its Risk Management and Internal Control System (RM&ICS).

In accordance with the Corporate Governance Code of the Bank of Russia, Russian regulatory requirements 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 System[3] 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 and non-financial reports for internal and/or external users in a timely manner

The main principles of the RM&ICS operation, approaches to identify and assess 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 regulations[4].

[1] Corporate Governance Code recommended by letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014.

[2] Federal Law No. 402-FZ On Accounting dated 6 December 2011, Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995, etc.

[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 2015.

[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 corporate reports on financial and business risks
- Approve risk appetite
- Monitor the RM&ICS reliability and performance

Operational level

Chief Executive Officer

- Validates RM&ICS focus areas
- Validates RM&ICS reports
- Validates risk appetite

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

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

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

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

RM&ICS independent monitoring and performance assessment

Internal Audit Service

- 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

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

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

RM&ICS Enhancement Initiatives	Results
Improving RM&ICS guidelines. Employee trainings	Temporary recommendations for managing risks related to business projects (including the Company's major projects), together with recommendations for assessing the probability of risk materialisation and the risk impact, were developed and communicated to heads of the Company's businesses. Employees of Rosneft and Group Subsidiaries and risk and internal control experts were trained in the RM&ICS.
Developing the Company's risk management and internal control infrastructure and procedures	The approach to identify and evaluate the Company's strategic risks, including the assessment of strategic threats for possible impact on the achievement of the Company's strategic targets as set out in its development strategy was updated. The Company's quantitative 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.
Implementing and maintaining the Internal Control System	Group Subsidiaries and processes were selected for a self-assessment of internal controls. The Company's employees were trained in self-assessment, including control procedure testing.
Improving the RM&ICS processes across Group Subsidiaries	The corporate-wide risk management system was implemented by nine Group Subsidiaries.
Improving information resources to support and maintain the RM&ICS	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.

INTERNAL CONTROL SYSTEM

The internal control system (ICS) is an integral part of the RM&ICS

- ICS is fully aligned with RM&ICS.
- The ICS is governed by the Company's Policy on the Risk Management and Internal Control System, Standard on the Internal Control System, and Regulations on Design, Implementation and Maintenance of the Internal Control System.
- 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.

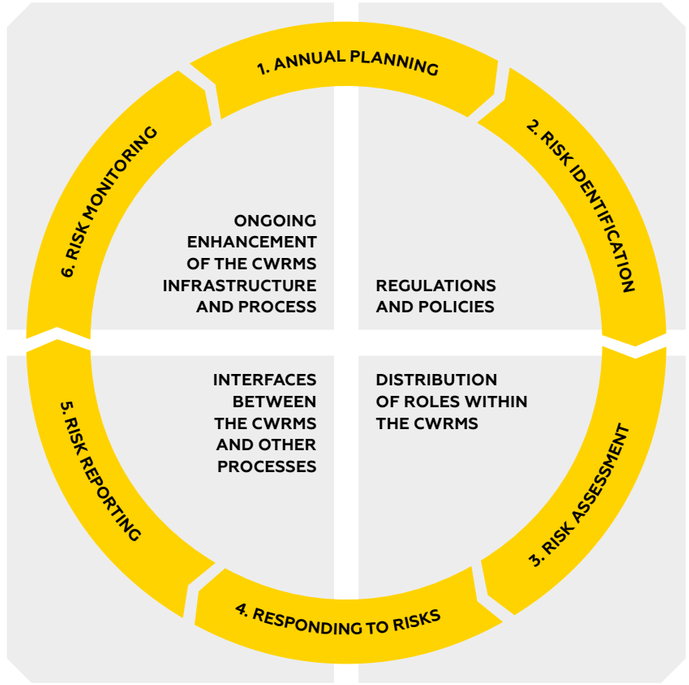
TO ACHIEVE THE ICS OBJECTIVES, THE COMPANY NEEDS TO:

1. Define and update key ICS focus areas in alignment with the Company's needs and stakeholder requirements
2. Assess business process risks, develop, adopt and follow controls, including the development of uniform guidelines to support efficient ICS operations
3. Identify shortcomings in existing controls, develop and implement initiatives to address the same; streamline and upgrade controls
4. Develop and implement tools to facilitate communication and information sharing among all RM&ICS stakeholders, including via information systems

The Company's management and employees ensure the ICS efficiency by managing the relevant functions and performing their job duties.

CORPORATE-WIDE RISK MANAGEMENT SYSTEM (CWRMS)

Key CWRMS components



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 System[1] and Standard on the Corporate-Wide Risk Management System[2].

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).

ROSNEFT'S RISKS[3]

Industry-wide risks

- Risk of accidents
- Risk of occupational injuries
- Risk of failure to achieve oil and gas condensate production targets
- Risk related to rising purchase prices for electric power
- Risk of failure to achieve natural gas price targets
- Risk of lower quality of refinery feedstock
- Risk of failure to comply with the repair plan in Oil Refining
- Risk of failure to achieve natural gas sales targets
- Risk of environmental damage (due to pipe ruptures on land and accidents on the Russian shelf causing adverse environmental impact)
- Risk of failure to achieve natural gas and gas condensate production targets
- Risk of accumulation of unclaimed liquid and non-liquid inventories

Financial risks

- Risk of tax claims and risk of losing tax benefits
- Market risks
- Credit risk related to crude oil, petroleum products, natural gas, petrochemicals and gas processing products supply contracts
- Counterparty risk related to long-term advance payment crude oil and petroleum products supply contracts
- Risk of default/cross-default

Legal and country risks

- Risk related to international projects in Commerce and Logistics (Nayara Energy)
- Risk of losing overseas assets in Commerce and Logistics
- Risk of breach of competition laws
- Risk of adverse judgements in legal proceedings to which the Company is a party

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.

External constraints

Since 2014, the USA, EU and some other countries have been imposing various economic constraints on the Russian Federation, among other things, affecting operations of certain companies in the Russian energy and other industries (including Rosneft and some of its subsidiaries).

Rosneft factors in and continuously monitors existing constraints to minimise their adverse effects, and consistently implements its Import Substitution and Equipment Localisation Programme in Russia.

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.

As part of its commitment to prevent any potential adverse impact on the environment, the Company makes every effort to protect, preserve and restore natural resources.

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.

The most material risks are reinsured with international firms rated A– or higher by S&P, AM Best or Fitch.

Rosneft insures its liability as required by federal laws, including Federal Law 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.

[1] 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 2015.

[2] Rosneft's Standard on the Corporate-Wide Risk Management System No. P4-01 P-01 put into effect by order No. 660 dated 22 October 2018.

[3] For Rosneft's key risks, see Appendix 2 to this Annual Report.

INTERNAL AUDIT

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.

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 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.

Rosneft's Internal Audit Service is mainly responsible for:

- developing an internal audit plan based on the risk-oriented approach;
- assessing the RM&ICS reliability and performance as well as its adequacy given the scale and complexity of the Company's business;
- assessing corporate governance;
- conducting audits and activities in line with the internal audit plan approved by Rosneft's Chief Executive Officer and endorsed by the Board's Audit Committee;
- performing other inspections and tasks as instructed by Rosneft's Board of Directors (its Audit Committee) and/or the Company's Chief Executive Officer;
- analysing audit targets to look into, and evaluate specific aspects of their activity;
- developing recommendations for streamlining business processes, including their integrity, risk management and internal controls;
- advising the Company's executive bodies on risk management, internal controls, and corporate governance (provided that the internal audit remains independent and impartial);
- monitoring the Company's progress in addressing breaches and shortcomings identified during audits;
- 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 meet the tasks assigned.

REPORTING AND ACCOUNTABILITY LINES OF INTERNAL AUDIT

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 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;
- facilitating the cooperation with Rosneft's and Group Subsidiaries' business units;
- administering internal audit policies and procedures.

The existing reporting lines whereby the Head of Internal Audit reports to the Board of Directors and the Company's executive bodies provide sufficient independence for performing internal audit functions.

Heads of the Internal Audit functional units do not participate in managing functional areas of the Company's business requiring management decisions on audited entities.

In 2020, the Head of Internal Audit also acted as:

- member of the Management Board of Rosneft (until September 2020);
- member of the Management Board of Bashneft (until June 2020).

For that reason, the Company provided for ongoing monitoring of potential conflicts of interest. To ensure independence and impartiality of internal audit, the Head of Internal Audit did not vote on matters requiring management decisions on audited entities and affecting the 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.

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, as part of the internal audit performance report.

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's Audit Committee. 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 procures 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.

Key Focus Areas in 2020

Core processes

Exploration and production	42%
Capital construction	20%
Commerce and logistics	14%
Oil refining and petrochemicals	15%
Regional sales	9%

Supporting processes

Industrial automation and IT	23%
Health, safety and environment	18%
Economics and finance	16%
Procurement	12%
Energy, localisation, and innovations	11%
Corporate services	20%

In 2020, the Internal Audit Service updated the Assurance Map representing a risk and control matrix across business processes broken down in three lines of defence.

The RM&ICS assessment results were reviewed by the Board's Audit Committee and the Board of Directors of Rosneft.

> Based on results from the 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.

In the reporting period, all employees of the Internal Audit Service underwent training in their core business areas, including internal audit, countering corruption and fraud, risk management and internal control, IT, and more.

The Company supported the master's curriculum in Internal Audit and Control run by the Financial Management Department at Gubkin Russian State University of Oil and Gas to train internal audit specialists for the oil and gas industry.

In the reporting period, the Internal Audit Service conducted regular in-house self-assessment on its internal audit quality. It was concluded following the self-assessment that the internal audit function was generally in line with the requirements of the Company's Policy on Internal Audit and other regulations on internal audit, the International Standards for the Professional Practice of Internal Auditing, and the Code of Ethics of the International Institute of Internal Auditors.

The Internal Audit Service ensures effective communication with the Board's Audit Committee, Rosneft's Chief Executive Officer (including through personal reports on material audit results), Rosneft's management, the Audit Commission, external auditor and the management of the Group Subsidiaries.

6

INFORMATION FOR SHAREHOLDERS AND INVESTORS

6

INFORMATION for shareholders and investors

SHARE CAPITAL

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[1].

The Company has over 190 thousand individual and corporate shareholders and about 500 GDR holders.

Key shareholders of the Company[2]

	31.12.2019	31.12.2020
JSC ROSNEFTEGAZ (shareholder)	50.00000001%	40.40%
BP Russian Investments Limited (shareholder)	19.75%	19.75%
QH Oil Investments LLC (shareholder)	18.93%	18.53%
National Settlement Depository (Nominee Central Depository)	10.98%	10.62%
LLC RN-NeftKapitalInvest	0%	9.60%
LLC RN-Capital	0%	0.76%
The Russian Federation represented by the Federal Agency for State Property Management	< 0.01%	< 0.01%
Other minority shareholders (including individuals, other legal entities, etc.)	0.34%	0.34%
Total	100%	100%

[1] One Global Depositary Receipt certifies the right to one ordinary registered share.

[2] Based on data from Rosneft's Shareholder Register. Regular updates on shareholders owning over 5% of Rosneft's charter capital are posted on the Company's official website: https://www.rosneft.ru/Investors/structure/share_capital/

Share Capital Structure as at 31 December 2020, %

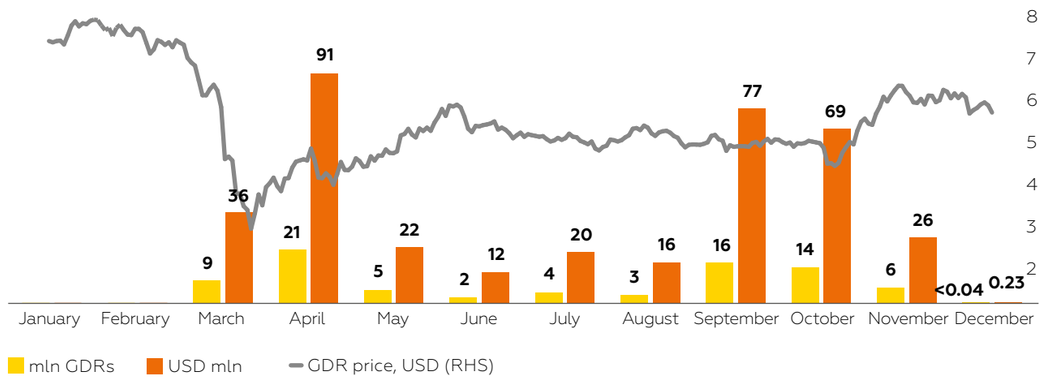
JSC ROSNEFTEGAZ, Russian Federation and Group Subsidiaries	50.76%
BP Russian Investments Limited (shareholder)	19.75%
QH Oil Investments LLC (shareholder)	18.53%
Free float	10.96%
Total	100%

BUYBACK

On 6 August 2018, the Board of Directors approved the terms of and launched the buyback of Rosneft shares, including in the form of GDRs certifying the rights to such shares, in the amount of up to USD 2 bln. The programme runs from the date of approval by the Board of Directors up to and including 31 December 2021. The number of shares and GDRs to be purchased under the programme is capped at 340,000,000. UBS acts as an independent agent making open-market transactions on behalf of the Company.

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 mln under 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.

Buyback programme in 2020 (mln shares/GDRs and USD mln) and GDR price (USD) on the London Stock Exchange (LSE)



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.

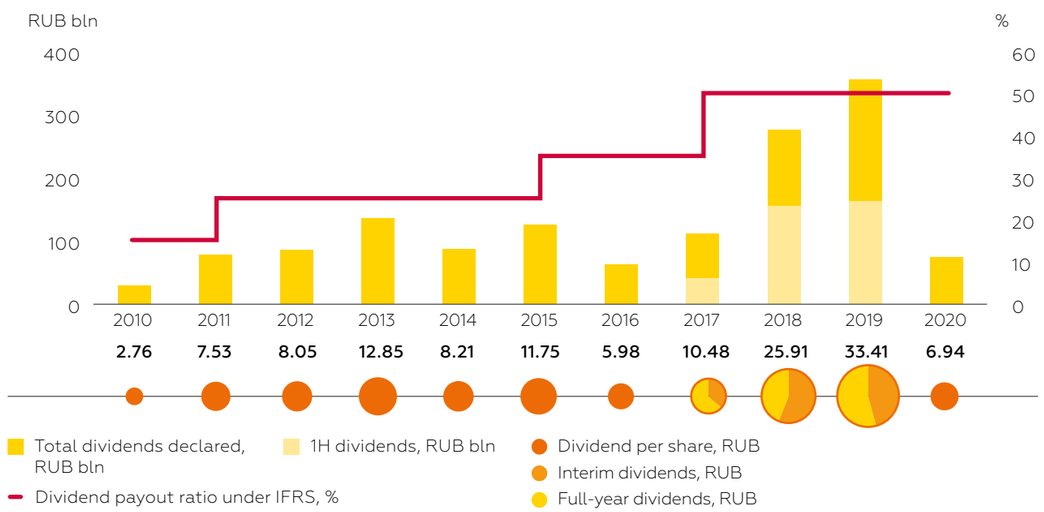
In 2020, the Company made no changes to its Dividend Policy.

In 2020, the Company paid **RUB 191.5 bln** as dividend for FY2019.

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 bln. 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 %.

Rosneft's dividend history



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 upon request and as established by the Russian laws;
- freely dispose of Rosneft's shares;
- exercise other rights granted under the Russian law.

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.

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;

To 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 thereon 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@reestrrn.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:

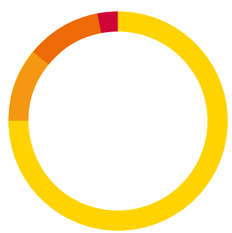
- use the registrar's services remotely and pay for them online;
- request and receive 2-NDFL earnings certificate in a convenient way;
- exercise their rights in relation to several Shareholder's Personal Accounts within one session (one account).

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).

Shareholders can log into their Shareholder's Personal Account

Answers to frequently asked questions can be found on the Company's website.

Shareholder requests in 2020, %



Phone calls	75%
Letters	11%
Requests on dividend payout	11%
E-mails	3%

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.

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 1.7 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.

Resolutions of the General Shareholders Meeting

Rosneft Regulation on Provision of Information to Rosneft Shareholders

Contact Details of the Registrar and its Service Offices

INSTITUTIONAL INVESTOR RELATIONS

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

Transparency and openness of the Company's ESG disclosure have gained international recognition. In 2020, Rosneft was once again included in the FTSE4Good Index of companies demonstrating strong ESG practices. Rosneft became the best Russian oil and gas company in the CHRB, Bloomberg and Refinitiv ESG ratings, and improved its position in TPI и MSCI rankings.

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

J.P.Morgan
CEEMEA Opportunities Conference (London)

BERENBERG PRIVATBANKIERS SEIT 1590
Berenberg Energy Transition Outlook 2020 Conference (London)

February

CREDIT SUISSE
25th Annual Energy Summit (Vail)

J.P.Morgan
GEM Corporate Conference (Miami)

UBS
Russian Corporate Days Conference (Stockholm and Frankfurt)

Disclosure of the Company's performance for 2019 Investor conference call involving heads of finance, economics, and operations

March

UBS
European Oil & Gas Conference

ATON
Oil Conference

Goldman Sachs
Russian Corporate Days Conference

April

Bank of America Merrill Lynch
Energy & Utilities Conference

MOSCOW EXCHANGE
Moscow Exchange Forum

May

Morgan Stanley
GEMs EEMEA Conference 2020

Disclosure of the Company's performance for Q1 2020 Investor conference call 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 & COMPANY
EMEA Commodities – Well Grounded Conference

Renaissance Capital
Annual Russia Investor Conference

ВТБ
VTB Capital Investments online session

August

HSBC
Роуд-шоу с инвесторами по итогам публикации результатов за 2 кв. 2020 г.

Disclosure of the Company's performance for Q2 2020 Investor conference call involving heads of finance, economics, and operations

September

UBS
Russian Corporate Days Conference

citi
2020 Virtual GEMS Conference

BERENBERG PRIVATBANKIERS SEIT 1590
CEEMEA Global Energy Conference

HSBC
2020 Global Emerging Markets Forum

October

HSBC
2020 Global Emerging Markets Forum

SBER CIB MOSCOW EXCHANGE
Russia: The Inside Track Conference

November

J.P.Morgan
Global Energy Conference

Goldman Sachs
CEEMEA Conference
Global Natural Resources Conference

Bank of America Merrill Lynch
Global Energy Conference 2020

ВТБ
RUSSIA CALLING Forum

Disclosure of the Company's performance for Q3 2020 Investor conference call involving heads of finance, economics, and operations

December

UBS
Global Emerging Markets Virtual Conference

WOOD & COMPANY
Emerging Europe Conference

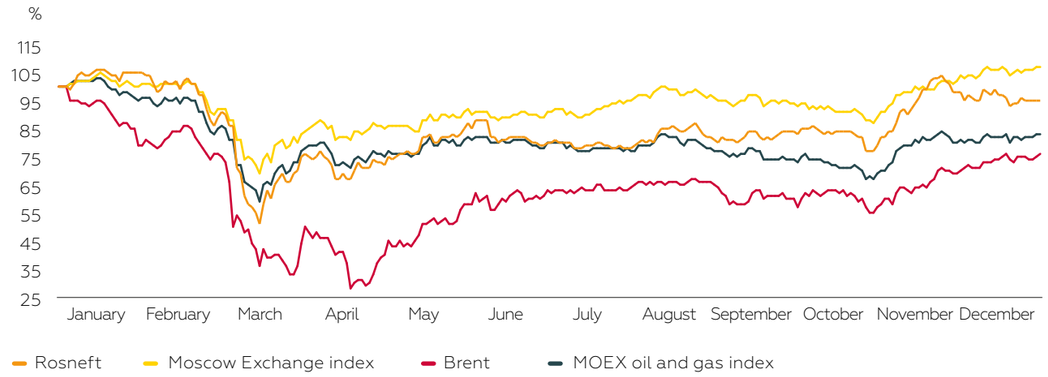
Index	Rosneft share and depositary receipt index weight as at January 2021, %
MSCI Russia	3.25%
FTSE Russia	3.34%
IMOEX	3.33%

List of the largest institutional equity and GDR investors as at 31 December 2020	Free float[1]
Capital Group	9.45%
BlackRock	4.41%
Vanguard	4.06%
Arrowstreet Capital, LP	3.55%
State Street Corp.	2.38%
GIC Pte Ltd.	1.94%
Pzena 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%

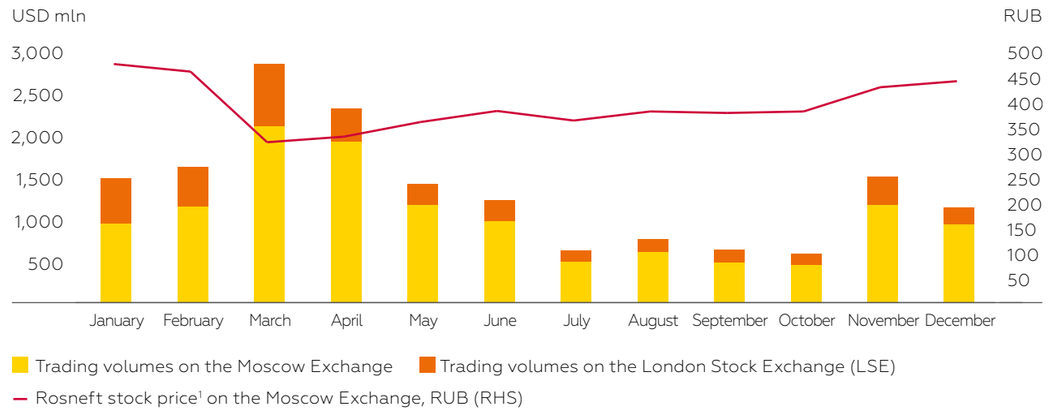
[1] Excluding strategic investors.

No	Bank	Recommendation, early 2020	Recommendation, late 2020
1	BCS	Buy	Buy
2	Renaissance Capital	Buy	Buy
3	ATON	Buy	Buy
4	SOVA Capital	Buy	Buy
5	Raiffeisen Bank	Buy	Buy
6	Gazprombank	Buy	Buy
7	Deutsche Bank	Buy	Buy
8	Bank of America Merrill Lynch	Hold	Buy
9	J. P. Morgan	Hold	Buy
10	Wood & Co	Hold	Buy
11	Goldman Sachs	Hold	Buy
12	Sberbank	Hold	Buy
13	Veles Capital	Buy	Buy
14	Citi	Buy	Hold
15	HSBC	Buy	Hold
16	Credit Suisse	Buy	Hold
17	UBS	Buy	Hold
18	Morgan Stanley	Hold	Hold
19	Alfa Bank	Under review	Under review
20	VTB Capital	Under review	Under review

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.

BBB–
credit rating by S&P Global, outlook stable

S&P Global

Baa3
credit rating by Moody's, outlook stable

Moody's

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[4], %
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[1]	7.90
07, 08	30	RUB	March 2013	March 2023[1]	7.30
06[5], 09[5], 10[5]	40	RUB	June 2013	May 2023[1]	7.00
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[1]	9.40
BO-08, BO-10, BO-11, BO-12, BO-13, BO-14	160	RUB	December 2014	November 2024[1]	9.40
BO-15[3], BO-16[3] BO-17[3], BO-24[3]	400	RUB	December 2014[2]	December 2020[1]	7.85
BO-18, BO-19, BO-20, BO-21, BO-22, BO-23, BO-25, BO-26	400	RUB	January 2015[2]	January 2021	6.30
001P-01	600	RUB	December 2016[2]	November 2026	4.35
001P-02	30	RUB	December 2016	December 2026	9.39
001P-03	20	RUB	December 2016	December 2026[1]	9.50
001P-04	40	RUB	May 2017	April 2027	8.65
001P-05	15	RUB	May 2017[2]	May 2025[1]	8.60
001P-06, 001P-07	266	RUB	July 2017	July 2027	8.50
001P-08	100	RUB	October 2017	September 2027	4.35
002P-01, 002P-02	600	RUB	December 2017	November 2027	4.35
002P-03	30	RUB	December 2017	December 2027	7.75
002P-04	50	RUB	February 2018	February 2028	7.50
002P-05	20	RUB	March 2018	February 2028	7.30
002P-06, 002P-07	30	RUB	April 2019[2]	March 2029	8.70
002P-08	25	RUB	July 2019	July 2029	7.95
002P-09	25	RUB	October 2019[2]	October 2029	7.10
002P-10	15	RUB	June 2020[2]	May 2030	5.80
003P-01, 003P-02	800	RUB	November 2020	November 2030	4.35

[1] No put option available.
[2] Coupon payments every three months.
[3] Bonds redeemed as at 31 December 2020.
[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.

INFORMATION DISCLOSURE

INFORMATION POLICY AND TRANSPARENCY

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[1] 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.

Rosneft's Information Policy

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

(CONSOLIDATED 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	As of December 31 2020	2019 (restated)[1]
Assets			
Current assets			
Cash and cash equivalents	18	**806**	228
Restricted cash	18	**17**	10
Other short-term financial assets	19	**817**	501
Accounts receivable	20	**468**	620
Bank loans granted		**131**	130
Inventories	21	**361**	438
Prepayments and other current assets	22	**322**	469
Total current assets		**2,922**	**2,396**
Non-current assets			
Property, plant and equipment	23	**10,401**	8,706
Right-of-use assets	24	**155**	160
Intangible assets	25	**80**	66
Other long-term financial assets	26	**275**	229
Investments in associates and joint ventures	27	**846**	801
Bank loans granted		**363**	291
Deferred tax assets	15	**54**	33
Goodwill	25	**82**	93
Other non-current non-financial assets	28	**172**	171
Total non-current assets		**12,428**	**10,550**
Total assets		15,350	12,946
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities	29	**1,546**	1,162
Loans and borrowings and other financial liabilities	30	**798**	795
Income tax liabilities		**14**	23
Other tax liabilities	31	**301**	379
Provisions	32	**68**	55
Prepayment on long-term oil and petroleum products supply agreements	33	**357**	332
Other current liabilities		**8**	9

[1] Certain amounts have been restated to reflect the effects of finalized purchase price allocation of 2019 acquisitions (Note 7).

	Notes	As of December 31 2020	2019 (restated)[1]
Total current liabilities		**3,092**	**2,755**
Non-current liabilities			
Loans and borrowings and other financial liabilities	30	**3,810**	3,033
Deferred tax liabilities	15	**1,072**	843
Provisions	32	**437**	343
Prepayment on long-term oil and petroleum products supply agreements	33	**1,401**	750
Other non-current liabilities	34	**51**	73
Total non-current liabilities		**6,771**	**5,042**
Equity			
Share capital	36	**1**	1
Treasury shares	36	**(370)**	–
Additional paid-in capital		**1,100**	635
Reserve for foreign exchange differences on translation of foreign operations		**(66)**	(185)
Other funds and reserves		**34**	31
Retained earnings	36	**4,007**	4,032
Rosneft shareholders' equity		**4,706**	**4,514**
Non-controlling interests	16	**781**	635
Total equity		5,487	5,149
Total liabilities and equity		15,350	12,946

Chief Executive Officer _____ I.I. Sechin, February_____, 2021.

ROSNEFT OIL COMPANY CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IN BILLIONS OF RUSSIAN RUBLES, EXCEPT EARNINGS PER SHARE DATA, AND SHARE AMOUNTS)

	Notes	For the years ended December 31 2020	2019 (restated)[1]
Revenues and equity share in profits of associates and joint ventures			
Oil, gas, petroleum products and petrochemicals sales	8	**5,628**	8,490
Support services and other revenues		**77**	86
Equity share in profits of associates and joint ventures	27	**52**	100
Total revenues and equity share in profits of associates and joint ventures		**5,757**	**8,676**
Costs and expenses			
Production and operating expenses		**767**	715
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs		**691**	1,566
General and administrative expenses		**127**	200
Transportation costs and other commercial expenses		**661**	733
Exploration expenses		**15**	11
Depreciation, depletion and amortization	23–25	**663**	687
Taxes other than income tax	9	**2,121**	2,666
Export customs duty	10	**334**	793
Total costs and expenses		**5,379**	**7,371**
Operating income		**378**	**1,305**
Finance income	11	**95**	143
Finance expenses	12	**(220)**	(227)
Other income	13	**533**	11
Other expenses	13	**(463)**	(156)
Foreign exchange differences		**(163)**	64
Realized foreign exchange differences on hedge instruments	6	**2**	(146)
Income before income tax		**162**	**994**
Income tax benefit/(expense)	15	**19**	(192)
Net income		**181**	**802**
Net income attributable to:			
Rosneft shareholders		**147**	705
non-controlling interests	16	**34**	97
Net income attributable to Rosneft shareholders per common share (in RUB) – basic and diluted	17	14.88	66.52
Weighted average number of shares outstanding (millions)		9,876	10,598

[1] 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)

	Notes	For the years ended December 31 2020	2019 (restated)[2]
Net income		**181**	**802**
Other comprehensive income – to be reclassified to profit or loss in subsequent periods			
Foreign exchange differences on translation of foreign operations		**119**	(88)
Foreign exchange cash flow hedges	6	**(2)**	146
Income from changes in fair value of debt financial assets at fair value through other comprehensive income		**3**	5
Increase in loss allowance for expected credit losses on debt financial assets at fair value through other comprehensive income		**1**	1
Equity share in other comprehensive loss of associates		**(1)**	(4)
Income tax related to other comprehensive income – to be reclassified to profit or loss in subsequent periods	6	**–**	(29)
Total other comprehensive income – to be reclassified to profit or loss in subsequent periods, net of tax		**120**	**31**
Other comprehensive income – not to be reclassified to profit or loss in subsequent periods			
Income from changes in fair value of equity financial assets at fair value through other comprehensive income		**3**	7
Income tax related to other comprehensive income – not to be reclassified to profit or loss in subsequent periods		**(1)**	(1)
Total other comprehensive income – not to be reclassified to profit or loss in subsequent periods, net of tax		**2**	**6**
Total comprehensive income, net of tax		**303**	**839**
Total comprehensive income, net of tax, attributable to:			
Rosneft shareholders		**269**	742
non-controlling interests		**34**	97

[2] 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)

	Number of shares (millions)	Share capital	Treasury shares	Additional paid-in capital	Reserve for foreign exchange differences on translation of foreign operations	Other funds and reserves[1]	Retained earnings	Rosneft share-holders' equity	Non-controlling interests	Total equity
Balance at January 1, 2019	**10,598**	**1**	**–**	**633**	**(97)**	**(94)**	**3,610**	**4,053**	**624**	**4,677**
Net income (restated)	–	–	–	–	–	–	705	705	97	802
Other comprehensive (loss)/income	–	–	–	–	(88)	125	–	37	–	37
Total comprehensive (loss)/income (restated)	**–**	**–**	**–**	**–**	**(88)**	**125**	**705**	**742**	**97**	**839**
Dividends declared (Note 36)	–	–	–	–	–	–	(283)	(283)	(99)	(382)
Change of interest in subsidiaries	–	–	–	1	–	–	–	1	3	4
Other movements (Note 16)	–	–	–	1	–	–	–	1	10	11
Balance at December 31, 2019 (restated)	**10,598**	**1**	**–**	**635**	**(185)**	**31**	**4,032**	**4,514**	**635**	**5,149**
Net income	–	–	–	**–**	**–**	**–**	**147**	**147**	**34**	**181**
Other comprehensive income	–	–	–	**–**	**119**	**3**	**–**	**122**	**–**	**122**
Total comprehensive income	**–**	**–**	**–**	**–**	**119**	**3**	**147**	**269**	**34**	**303**
Dividends declared (Note 36)	–	–	–	–	–	–	(172)	(172)	(63)	(235)
Acquisition of treasury shares (Note 36)	(1,098)	–	(370)	–	–	–	–	(370)	–	(370)
Change of interest in subsidiaries (Note 16)	–	–	–	469	–	–	–	469	174	643
Disposal of subsidiaries	–	–	–	–	–	–	–	–	1	1
Other movements (Note 16)	–	–	–	(4)	–	–	–	(4)	–	(4)
Balance at December 31, 2020	9,500	1	(370)	1,100	(66)	34	4,007	4,706	781	5,487

[1] 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)

		For the years ended December 31	
	Notes	2020	2019 (restated)
Operating activities			
Net income		**181**	802
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	23–25	**663**	687
Loss on disposal of non-current assets	13	**15**	16
Dry hole costs		**8**	3
Offset of prepayments received on oil and petroleum products long term supply agreements	33	**(300)**	(344)
Offset of prepayments made on oil and petroleum products long term supply agreements		**9**	138
Foreign exchange gain on non-operating activities		**252**	(105)
Realized foreign exchange differences on hedge instruments	6	**(2)**	146
Offset of other financial liabilities		**(160)**	(172)
Equity share in profits of associates and joint ventures	27	**(52)**	(100)
Changes in provisions for financial assets		**(14)**	41
Non-cash income from acquisitions and sales, net		**(512)**	–
Loss from changes in reserves and impairment of assets		**388**	108
Finance expenses	12	**220**	227
Finance income	11	**(95)**	(143)
Income tax (income)/expense	15	**(19)**	192
Changes in operating assets and liabilities			
Decrease/(increase) in accounts receivable, gross		**46**	(139)
Decrease/(increase) in inventories		**48**	(43)
(Increase)/decrease in restricted cash		**(7)**	2
Decrease/(increase) in prepayments and other current assets		**58**	(58)
Increase in long-term prepayments made on oil and petroleum products supply agreements including current portion		**(12)**	(67)
(Decrease)/increase in accounts payable and accrued liabilities		**(73)**	14
(Decrease)/increase in other tax liabilities		**(78)**	49
Decrease in other current liabilities		**(3)**	(9)
Increase in other non-current liabilities		**–**	3
(Decrease)/increase in current reserves		**(3)**	2
Proceeds under long-term oil and petroleum products supply agreements		**1,004**	–
Interest paid on long-term prepayment received on oil and petroleum products supply agreements		**(14)**	(8)
Net increase in operating assets of subsidiary banks		**(34)**	(61)
Net increase in operating liabilities of subsidiary banks		**227**	4
Net cash provided by operating activities before income tax and interest		**1,741**	**1,185**
Income tax payments		**(126)**	(202)
Interest received		**98**	77
Dividends received		**32**	50
Net cash provided by operating activities		**1,745**	**1,110**
Investing activities			
Capital expenditures		**(785)**	(854)
Acquisition of licenses and auction fee payments		**(4)**	(11)
Acquisition of short-term financial assets		**(378)**	(93)
Proceeds from sale of short-term financial assets		**100**	240
Proceeds from sale of long-term financial assets		**13**	12
Acquisition of long-term financial assets		**(51)**	(18)
Acquisition of interest and additional capital contribution to the associates and joint ventures		**(4)**	(4)
Acquisition of interest in subsidiaries, net of cash acquired, and joint arrangements	7	**(633)**	(12)
Proceeds from sale of interest in subsidiaries, net of cash acquired		**31**	5
Proceeds from sale of property, plant and equipment		**17**	6
Net cash used in investing activities		**(1,694)**	**(729)**
Financing activities			
Proceeds from short-term loans and borrowings		**623**	401
Repayment of short-term loans and borrowings		**(797)**	(689)
Proceeds from long-term loans and borrowings		**1,218**	393
Repayment of long-term loans and borrowings		**(588)**	(540)
Proceeds from other financial liabilities		**54**	185
Repayment of other financial liabilities		**(107)**	(57)
Interest paid		**(256)**	(280)
Repurchase of bonds		**(29)**	–
Proceeds from sale of non-controlling share in subsidiary	16	**644**	–
Other financing received		**3**	12
Dividends paid to Rosneft shareholders	36	**(172)**	(283)
Dividends paid to non-controlling shareholders		**(63)**	(99)
Net cash provided by / (used in) financing activities		**530**	**(957)**
Net increase/(decrease) in cash and cash equivalents		**581**	**(576)**
Cash and cash equivalents at the beginning of the year	18	**228**	832
Effect of foreign exchange on cash and cash equivalents		**(3)**	(28)
Cash and cash equivalents at the end of the year	**18**	**806**	**228**

Appendix 2.

(KEY RISK FACTORS)

No	Risk	Risk description	Risk owner	Risk management practices
Industry-wide risks				
1	Risk of accidents	The risk of the breakdown 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 (reparation 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 rising 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 Informatisation, Innovation and Localisation	• 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 mode; adjusting the production programme; • stopping the receipt of a given batch of oil and/or its redirection to storage facilities; filing complaints; • monitoring supplied feedstock quality; benchmarking the actual feedstock 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 oilfield pipelines; • planning and taking actions to remediate oil-contaminated land; • timely emergency response, oil spill containment and clean-up.

No	Risk	Risk description	Risk owner	Risk management practices
10	Risk of failure to achieve natural gas and gas condensate production targets	The risk is related to failure to achieve natural gas and gas condensate production targets	First Vice President for Oil, 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.
11	Risk of accumulation of unclaimed liquid and non-liquid inventories	The risk is related to an increase in 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.
Financial risks				
12	Risk of tax claims and risk of losing tax benefits	Risk of financial losses due to concerns brought forward by tax authorities or of the Company being no longer eligible for tax benefits	First Vice President	• Challenging tax authority claims, if any, in and out of court; • monitoring legal precedents; • checking primary documents for completeness, accuracy and compliance with applicable tax laws, including control of reports generated for tax authorities.
13	Market risks	Market risks include price, currency and interest rate 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.
14	Credit risk related to crude oil, petroleum products, natural gas, petrochemicals and gas processing products supply contracts	The risk is related to an increase in overdue receivables as a result of a counterparty's full or partial default on, or failure to timely fulfil its obligations owed to the Company under any revenue contract	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.
15	Counterparty risk related to long-term advance payment crude oil and petroleum products supply contracts	The risk is related to losses incurred as a result of a counterparty's full or partial default on or failure to timely fulfil their obligations to supply crude oil and petroleum products under prepaid contracts	Vice President for Commerce and Logistics	• Monitoring the coverage of outstanding amounts against the planned supplies; • discussing and monitoring shipment schedules.
16	Risk of default/ cross-default	Risk of being unable to timely and/or fully meet the Company's obligations under its debt financing agreements or long-term advance payment crude oil and petroleum products supply contracts	Financial Director	• Regular monitoring of compliance with financial covenants; • negotiations with lending banks, if necessary.

No	Risk	Risk description	Risk owner	Risk management practices
Legal and country risks				
17	Risk related to international projects in Commerce and Logistics	The risk is related to potentially unstable economic environment in the regions hosting international projects in Commerce and Logistics	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.
18	Risk loss of overseas assets in Commerce and Logistics	The risk is related to the potential loss of Commerce and Logistics' assets in the regions of operation due to unstable political and social environment	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.
19	Risk of breach of competition laws	Rosneft has a significant share in Russian wholesale markets for petrols, diesel and aviation fuel, and fuel oil and therefore is subject to additional competitive requirements and risks associated with amendments to, and potential violations of anti-trust laws	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 (including monthly production adjustments) are regularly sold on the exchange.
20	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

Appendix 3.

(REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE)

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

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.[1]

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.

[1] Specifies either the reporting year or, if the report on compliance with the principles and recommendations of the Corporate Governance Code contains data related to the post reporting period up to the date of the Report, the date of the Report.

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status[1] of compliance with a corporate governance principle	Explanations[2] on the failure to meet criteria for compliance with a corporate governance principle
1.1. The Company shall ensure equitable and fair treatment of all shareholders exercising their right to participate in managing the Company.				
1.1.1	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.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	To maintain effective relations with shareholders, Rosneft provides the following communication channels: a shareholder hotline, mail and email, fax. 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.
1.1.2	The procedure to notify shareholders of a General Shareholders Meeting and provide them with relevant materials enables them to get well-prepared.	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 who proposed agenda items and nominated candidates to the Company's Board of Directors and Audit Commission.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.1.3	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.	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 those.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.1.4	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.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.1.5	Each shareholder is able to exercise their voting right without hindrance, in the simplest and most convenient way.	1. The Company's internal regulation (corporate policy) authorises each General Shareholders Meeting participant to request a copy of their completed ballot certified by the ballot committee before the end of the respective meeting.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.1.6	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.	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 telecommunications equipment to provide shareholders with remote access to participate in the Meetings.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.2. Shareholders are provided with an equitable and fair opportunity to receive a share of the Company's profits in the form of dividends.				
1.2.1	The Company has developed and implemented a transparent and clear procedure to determine the amount of dividends and pay them out.	1. The Company's Dividend Policy has been developed, approved by the Board of Directors and disclosed. 2. If, in accordance with the Company's Dividend Policy, the amount of dividends is determined based on the Company's results recorded in its financial statements, the Dividend Policy shall employ the consolidated financial statements.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.2.2	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.	1. The Company's Dividend Policy clearly stipulates financial/economic circumstances under which the Company should not pay dividends.	■ Complied with ☐ Complied with in part ☐ Not complied with	

[1] 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.

[2] 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.

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
1.2.3	The Company does not allow any negative changes in the dividend rights of its current shareholders.	1. In the reporting period, the Company did not perform any actions causing negative changes in the dividend rights of its current shareholders.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.2.4	The Company makes every effort to prevent shareholders from receiving profit (gain) from the Company other than in the form of dividends and liquidation value.	1. In order to prevent shareholders from receiving profit (gain) from the Company other than in the form of dividends and liquidation value, the Company's internal regulations provide for controls that ensure timely identification and approval of transactions with affiliates (related parties) of substantial shareholders (persons entitled to exercise votes attached to voting shares), where the law does not formally recognise such transactions as related-party transactions.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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.				
1.3.1	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.	1. In the reporting period, the procedures to manage potential conflicts of interest between substantial shareholders were effective, and the Board of Directors paid due attention to conflicts between shareholders, if any.	■ Complied with ☐ Complied with in part ☐ Not complied with	
1.3.2	The Company does not perform any actions that will or may result in artificial redistribution of corporate control.	1. The Company has no quasi-treasury shares, or no quasi-treasury shares were used in voting during the reporting period.	☐ Complied with ■ Complied with in part ☐ Not complied with	Pursuant to the Russian Government's decision, Rosneft signed an agreement with a 100% government-owned company to sell all of Rosneft interest and cease participation in all of its projects in Venezuela, including the joint ventures of Petromonagas, Petroperija, Boqueron, Petromiranda and Petrovictoria, as well as oilfield services companies, commercial and trading 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 9.6% stake in its parent. In addition, the Company's Open Market Share Buyback Programme, which also covers GDRs, saw its 100% subsidiary acquire a further 0.76% stake. None of these shares were used in voting during the reporting period.
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.				
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.	1. 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.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
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.				
2.1.1	The Board of Directors is responsible for the appointment of executive bodies and their dismissal, including as a result of failure to perform properly. The Board of Directors also ensures that the Company's executive bodies act in accordance with the approved development strategy and the Company's business profile.	1. The Board of Directors has the powers stated in the Charter to appoint and dismiss members of executive bodies and to determine the terms and conditions of their contracts. 2. The Board of Directors has reviewed the report (reports) of the sole executive body and members of the collective executive body on the implementation of the Company's strategy.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.1.2	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.	1. In the reporting period, the Board of Directors addressed matters related to the strategy implementation and revision, approval of the Company's financial and business plan (budget), and review of criteria and indicators (including interim ones) as regards delivering on the Company's strategy and business plans.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.1.3	The Board of Directors formulates the principles of and approaches to risk management and internal control system in the Company.	1. The Board of Directors has formulated the principles of and approaches to risk management and internal control system in the Company. 2. In the reporting period, the Board of Directors assessed the Company's risk management and internal control system.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.1.4	The Board of Directors determines the Company's policy on remuneration and/or reimbursement of expenses (compensations) to its directors, executive bodies and other key managers.	1. The Company has developed and implemented the policy (policies) approved by the Board of Directors on remuneration and reimbursement of expenses (compensations) to its directors, executive bodies and other key managers. 2. In the reporting period, the Board of Directors addressed matters related to the above policy (policies).	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.1.5	The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company's bodies, shareholders and employees.	1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts. 2. The Company has developed a framework for identifying transactions involving a conflict of interest and a set of measures for resolving such conflicts.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.1.6	The Board of Directors plays a key role in ensuring the Company's transparency, full and timely information disclosure, and unhindered access of shareholders to the Company's documents.	1. The Board of Directors has approved a regulation on Information Policy. 2. The Company has determined persons responsible for the implementation of the Information Policy.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
2.1.7	The Board of Directors oversees the Company's corporate governance practices and plays a key role in the Company's material corporate events.	1. In the reporting period, the Board of Directors reviewed the Company's corporate governance practices.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.2. The Board of Directors is accountable to the Company's shareholders.				
2.2.1	Information on the performance of the Board of Directors is disclosed and provided to shareholders.	1. The Company's Annual Report for the reporting period includes information on attendance of meetings of the Board of Directors and Committees by individual directors. 2. The Annual Report includes information on key results of the Board of Directors' performance assessment carried out in the reporting period.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.2.2	The Chairman of the Board of Directors is available for contact with the Company's shareholders.	3. The Company has a transparent procedure enabling shareholders to submit their questions and opinions thereon to the Chairman of the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.3. The Board of Directors manages the Company in an effective and competent manner, and is able to make objective and independent judgements and decisions in the best interests of the Company and its shareholders.				
2.3.1	Elected to the Board of Directors are only those individuals who have an impeccable business and personal reputation, as well as the knowledge, skills and experience required for making decisions within the remit of the Board of Directors and performing its functions effectively.	1. The Company's procedure for assessing the Board of Directors' performance includes, among other things, the assessment of directors' professional expertise. 2. In the reporting period, the Board of Directors (or its Nomination Committee) assessed candidates to the Board of Directors in terms of their required experience, knowledge, business reputation, lack of conflict of interest, etc.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.3.2	The Company's directors are elected through a transparent procedure providing shareholders with sufficient information on candidates to form an opinion about their personal and professional qualities.	1. In all cases where the agenda of a General Shareholders Meeting held in the reporting period included election to the Board of Directors, the Company provided shareholders with biographical details of all candidates to the Board of Directors, results of their assessment by the Board of Directors (or its Nomination Committee), information on their compliance with the independence criteria as per Recommendations 102–107 of the Code, and their written consent to be elected to the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.3.3	The composition of the Board of Directors is balanced, including in terms of directors' expertise, experience, knowledge and business skills, and worthy of shareholders' trust.	1. As part of the Board of Directors' performance assessment in the reporting period, the Board of Directors reviewed its own needs for professional expertise, experience and business skills.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.3.4	The number of directors ensures the most effective arrangement of activities of the Company's Board of Directors, including by way of establishing Committees, and enables a candidate voted for by the Company's substantial minority shareholders to be elected to the Board of Directors.	1. As part of the Board of Directors' assessment carried out in the reporting period, the Board of Directors reviewed whether the number of directors was in line with the Company's needs and shareholders' interests.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.4. The Board of Directors includes a sufficient number of independent directors.				
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 counterparty or competitor, or the government.	1. In the reporting period, all independent directors met all of the independence criteria as per Recommendations 102–107 of the Code or were recognised as independent by the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.4.2	Candidates to the Board of Directors are assessed for compliance with the independence criteria, with independent directors being regularly checked against these criteria. Such assessments should be in line with the substance over form principle.	1. In the reporting period, the Board of Directors (or its Nomination Committee) formed an opinion regarding the independence of each candidate to the Board of Directors and submitted the relevant report to shareholders. 2. In the reporting period, the Board of Directors (or its Nomination Committee) at least once reviewed the independence of current directors specified in the Company's Annual Report as independent directors. 3. The Company has developed procedures determining actions to be taken by a director if they cease to be independent, including their obligation to notify the Board of Directors accordingly and in a timely manner.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.4.3	Independent directors make up at least one third of the elected directors.	1. Independent directors make up at least one third of the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.4.4	Independent directors play a key role in preventing internal conflicts in the Company and taking material corporate actions by the Company.	1. Independent directors (with no conflict of interest) make a preliminary assessment of material corporate actions involving a potential conflict of interest and submit the results thereof to the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
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 has been elected from among independent directors, 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.	1. The Chairman of the Board of Directors is an independent director, or a senior independent director has been appointed from among independent directors[1]. 2. The role, rights and responsibilities of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are duly specified in the Company's internal regulations.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.5.2	The Chairman of the Board of Directors ensures constructive atmosphere during meetings, facilitates open discussion of agenda items and oversees implementation of the Board of Directors' resolutions.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.5.3	The Chairman of the Board of Directors ensures that directors are provided with information required to make informed decisions on agenda items in a timely manner.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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 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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.6.2	Directors' rights and responsibilities are clearly stated and set forth in the Company's internal regulations.	1. The Company has adopted and published an internal regulation clearly specifying directors' rights and responsibilities.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.6.3	Directors have sufficient time to perform their duties.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.6.4	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.	1. As per the Company's internal regulations, directors have the right to access documents and make enquiries related to the Company and its controlled entities, and the Company's executive bodies are obliged to provide the relevant information and documents. 2. The Company has a formalised induction programme for newly elected directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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 are held as necessary, given the Company's scope of operations and objectives at any given time.	1. The Board of Directors held at least six meetings in the reporting year.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.7.2	The Company's internal regulations set out a procedure to prepare and hold meetings of the Board of Directors enabling directors to make proper preparations.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.7.3	The format of a meeting of the Board of Directors is determined taking into account the importance of agenda items. Resolutions on the most important matters are adopted at in-person meetings.	1. The Company's Charter or another internal regulation specifies that the most important matters (as per the list set out in Recommendation 168 of the Code) shall be reviewed at in-person meetings of the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	

[1] The Company specifies which of the two suggested approaches it uses and why.

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
2.7.4	Resolutions on the most important matters related to the Company's operations are adopted at meetings of the Board of Directors by a qualified majority vote or by a majority vote of all elected directors.	1. The Company's Charter specifies that resolutions on the most important matters, as per Recommendation 170 of the Code, shall be adopted at meetings of the Board of Directors by a qualified majority of at least three quarters of the votes or by a majority vote of all elected directors.	☐ Complied with ■ Complied with in part ☐ Not complied with	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 reviewed 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 impede 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 guarantee the protection of rights of all shareholder groups and reflect the Company's shareholding structure. The Company has no intention to change its approach in the medium term.
2.8. The Board of Directors establishes Committees for preliminary consideration of the most important matters related to the Company's operations.				
2.8.1	For preliminary consideration of matters related to the monitoring of the Company's financial and business operations, an Audit Committee composed of independent directors has been established.	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, including those set out in Recommendation 172 of the Code. 3. At least one member of the audit committee, who is an independent director, has knowledge and expertise in the preparation, analysis, evaluation and audit of accounting (financial) statements. 4. The audit committee held at least one meeting per quarter during the reporting period.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
2.8.2	For preliminary consideration of matters related to the development of an effective and transparent remuneration framework, a Remuneration Committee composed of independent directors and chaired by an independent director not being the Chairman of the Board of Directors has been established.	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.	☐ Complied with ■ Complied with in part ☐ Not complied with	The principle is not complied with inasmuch as the HR and Remuneration Committee of the Board of Directors 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 recommendation to have all Committees chaired by independent directors is impracticable. 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.

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
2.8.3	For preliminary consideration of matters related to human resources (succession) planning, expertise and performance of the Board of Directors, a Nomination (Appointment, HR) Committee mostly composed of independent directors has been established.	1. The board of directors has a standing nomination committee (or its objectives specified in recommendation 186 of the Code are implemented by a different committee[1]) with the majority of its members being independent directors. 2. 2. The Company's internal regulations specify the objectives of the nomination committee (or another relevant committee with combined functionality), including, among others, those set out in Recommendation 186 of the Code.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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.).	1. 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.	■ Complied with ☐ Complied with in part ☐ Not complied with	

[1] If the functions of the nomination committee are performed by another committee, the company specifies its name.

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
2.8.5	The composition of Committees enables comprehensive discussion of matters subject to preliminary consideration with due regard to varying opinions.	1. Committees of the board of directors are chaired by independent directors. 2. 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.	☐ Complied with ■ Complied with in part ☐ Not complied with	As recommended by the Code, the Audit Committee and the HR and Remuneration Committee of the Board of Directors are chaired by independent directors. Taking into account the recommendations and restrictions set out in the Code (on the minimum number of members (at least 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 recommendation to have all Committees chaired by independent directors is impracticable. The Strategic Planning Committee is not chaired by an independent director. At the same time, the Strategic Planning Committee arranges independent reviews and engages external experts for the Board of Directors to consider varying opinions when discussing the Committee's recommendations. Together with independent directors' involvement with the Strategic Planning Committee, these procedural guarantees ensure the diversity of opinions it takes into account before issuing recommendations. The Company has no intention to change its approach in the medium term.
2.8.6	Committee Chairmen report on their Committees' performance to the Board of Directors and its Chairman on a regular basis.	1. In the reporting period, Committee Chairmen regularly reported to the Board of Directors on their Committees' performance.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
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 aimed at evaluating the effectiveness of the Board of Directors, its Committees and directors, checking their performance against the Company's development needs, enhancing their activities and identifying areas for improvement.	1. In the reporting period, self-assessment or external assessment of the Board of Directors' performance included performance assessment of Committees, individual directors and the Board of Directors as a whole. 2. Results of the self-assessment or external assessment of the Board of Directors carried out in the reporting period were reviewed at an in-person meeting of the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	
2.9.2	Performance assessment of the Board of Directors, its Committees and directors is carried out on a regular basis at least once a year. To assess the Board of Directors' performance on an independent basis, an external organisation (consultant) is engaged at least once every three years.	1. To assess the Board of Directors' performance on an independent basis, the Company engaged an external organisation (consultant) at least once over the last three reporting periods.	■ Complied with ☐ Complied with in part ☐ Not complied with	At a meeting held on 19 December 2019, the Company's Board of Directors reviewed the results of the Board of Directors' independent performance assessment carried out by an external consultant, Ernst & Young Valuation and Advisory Services LLC.
3.1. The Company's Corporate Secretary ensures effective day-to-day interaction with shareholders, coordinates 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 sufficient knowledge, experience and expertise to perform their duties, as well as impeccable reputation, and enjoys shareholders' trust.	1. The Company has adopted and disclosed an internal regulation on Corporate Secretary. 2. The Company's website and Annual Report provide biographical details of the Corporate Secretary comparable to those of the Company's directors and executives.	■ Complied with ☐ Complied with in part ☐ Not complied with	
3.1.2	The Corporate Secretary is sufficiently independent from the Company's executive bodies and has the powers and resources required to perform their duties.	1. The Board of Directors approves the appointment and dismissal of the Corporate Secretary and their additional remuneration.	■ Complied with ☐ Complied with in part ☐ Not complied with	
4.1. Remuneration paid by the Company is sufficient 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 by the Company to directors, executive bodies and other key managers is sufficient to ensure their efficient work and enables the Company to attract and retain competent and qualified specialists. At the same time, the Company avoids paying higher-than-required remuneration or creating unreasonably wide remuneration gaps between any of the above persons and Company employees.	1. The Company has adopted an internal regulation (regulations) in the form of a remuneration policy (remuneration policies) for its directors, executive bodies and other key managers clearly stating approaches to their remuneration.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
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, supported by the Remuneration Committee, monitors the introduction and implementation of the remuneration policy in the Company, and revises and amends it as necessary.	1. In the reporting period, the Remuneration Committee reviewed the remuneration policy (policies) and its (their) implementation and, where necessary, submitted relevant recommendations to the Board of Directors.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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.	1. The Company's remuneration policy (policies) provides (provide) for transparent mechanisms to determine the amount of remuneration payable to its directors, executive bodies and other key managers, and covers (cover) all types of payments, benefits and privileges provided to them.	■ Complied with ☐ Complied with in part ☐ Not complied with	
4.1.4	The Company develops a policy on reimbursement of expenses (compensations) 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.	1. 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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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.	1. Fixed annual remuneration was the only form of cash remuneration paid to directors for their work in the reporting period.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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.	1. If the Company's internal regulation (regulations), namely its remuneration policy (policies), allows (allow) distribution of the Company's shares to directors, clear rules on share ownership by directors aimed at encouraging their long-term ownership shall be introduced and disclosed.	■ Complied with ☐ Complied with in part ☐ Not complied with	
4.2.3	The Company does not provide any additional payments or compensations to directors in the event of early termination of office due to a transfer of control over the Company or any other circumstances.	1. The Company does not provide any additional payments or compensations to directors in the event of early termination of office due to a transfer of control over the Company or any other circumstances.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
4.3. Remuneration system for members of executive bodies and other key managers of the Company links their remuneration to the Company's performance and their personal contribution thereto.				
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 thereto.	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. 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. 3. The Company has a procedure ensuring that bonuses wrongfully received by members of its executive bodies and other key managers are returned to the Company.	■ Complied with ☐ Complied with in part ☐ 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). 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 them is subject to the achievement by the Company of certain performance indicators.	☐ Complied with ☐ Complied with in part ■ Not complied with	As recommended by the HR and Remuneration Committee, the Company continues piloting 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 by the Company to 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 ☐ Complied with in part ☐ 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.				
5.1.1	The Board of Directors has formulated the principles of and approaches to the risk management and internal control system in the Company.	1. 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	
5.1.2	The Company's executive bodies ensure the establishment and maintenance of an effective risk management and internal control system in the Company.	1. The Company's executive bodies have ensured the distribution of risk management and internal control functions and powers among heads of units and divisions accountable to them.	■ Complied with ☐ Complied with in part ☐ Not complied with	
5.1.3	The Company's risk management and internal control system provides an accurate, fair and clear view of the Company's current situation and prospects, and ensures integrity and transparency of the Company's statements, as well as a reasonable and acceptable level of risk-taking.	1. The Company has approved an anti-corruption policy. 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 ☐ Complied with in part ☐ Not complied with	
5.1.4	The Company's Board of Directors takes the necessary steps to ensure that the Company's Risk Management And Internal Control System functions effectively and is in line with the relevant principles and approaches formulated by the Board of Directors.	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 System. Key results of this assessment are included in the Company's Annual Report.	■ Complied with ☐ Complied with in part ☐ 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. Functional accountability and administrative accountability of the internal audit unit are separated. The internal audit unit is functionally accountable to the Board of Directors.	1. For the internal audit purposes, the Company has established a dedicated internal audit unit functionally accountable to the Board of Directors or its Audit Committee, or engaged an independent external organisation with the same accountability principle.	■ Complied with ☐ Complied with in part ☐ Not complied with	
5.2.2	The internal audit unit assesses the effectiveness of the internal control, risk management and corporate governance systems. The Company applies generally accepted internal audit standards.	1. In the reporting period, as part of internal audit, the effectiveness of the internal control and risk management system was assessed. 2. The Company uses generally accepted approaches to internal controls and risk management.	■ Complied with ☐ Complied with in part ☐ Not complied with	
6.1. The Company and its operations are transparent to shareholders, investors and other stakeholders.				
6.1.1	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. 2. The Board of Directors (or one of its Committees) reviewed matters related to the Company's compliance with its Information Policy at least once in the reporting period.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	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 on the general corporate governance principles it uses, including by disclosing such information on the Company's website. 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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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 a regular basis and in a consistent and timely manner, in line with the principles of data accessibility, accuracy, completeness and comparability.	1. The Company's Information Policy specifies approaches and criteria used to identify information that may have a material effect on the valuation of the Company and its securities, and procedures ensuring timely disclosure of such information. 2. If the Company's securities are traded in established foreign markets, disclosures of material information during a reporting year are made in Russia and in such markets on a concurrent and equal basis. 3. If foreign shareholders own a substantial number of shares in the Company, disclosures during the reporting year were made in Russian and in one of the most widely used foreign languages.	■ Complied with ☐ Complied with in part ☐ Not complied with	
6.2.2	The Company avoids formal approach to information disclosures and discloses material information on its operations even if such disclosures are not required by law.	1. In the reporting period, the Company disclosed its IFRS financial statements for the full year and for the six months. The Company's Annual Report for the reporting period includes its full-year IFRS financial statements and auditor's report. 2. In accordance with Recommendation 290 of the Code, the Company discloses full information on its capital structure in the Annual Report and on its website.	■ Complied with ☐ Complied with in part ☐ Not complied with	
6.2.3	As a key communication tool to liaise with shareholders and other stakeholders, the Annual Report provides information needed to assess the Company's performance for the year.	1. The Company's Annual Report contains information on the key aspects of its operations and its financial results. 2. The Company's Annual Report contains information on environmental and social aspects of its operations.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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. In the reporting period, the Company did not refuse to provide shareholders with requested information, or such refusals were justified. 2. If and when required by the Company's Information Policy, shareholders are informed of the sensitive nature of the information provided and undertake to keep it confidential.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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 Company's Board of Directors.	1. The Company's Charter sets out a list of transactions or other actions deemed to be material corporate actions and specifies their relevant criteria. Decision-making with regard to material corporate actions is reserved to the Board of Directors. If and when the law expressly reserves such corporate actions to the General Shareholders Meeting, the Board of Directors provides shareholders with relevant recommendations. 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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
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.	■ Complied with ☐ Complied with in part ☐ Not complied with	

No.	Corporate governance principles	Criteria for compliance with a corporate governance principle	Status of compliance with a corporate governance principle	Explanations on the failure to meet criteria for compliance with a corporate governance principle
7.1.3	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. In doing so, the Company is guided not only by the formal regulatory requirements, but also by the corporate governance principles specified in the Code.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
7.2. The Company ensures that material corporate actions are taken in a manner enabling shareholders to receive full information on such actions in due time and influence them, and guarantees respect and due protection of shareholder rights when such actions are taken.				
7.2.1	Information on material corporate actions is disclosed, with an explanation of the relevant reasons, conditions and consequences.	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.	■ Complied with ☐ Complied with in part ☐ Not complied with	
7.2.2	Rules and procedures for taking material corporate actions are set forth in the Company's internal regulations.	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.	☐ Complied with ■ Complied with in part ☐ Not complied with	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.

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

Subparagraph j, paragraph 1 of Instruction of the President of the Russian Federation No. Pr-3668 dated 6 December 2011
Subparagraph b, paragraph 1 of Instruction of the President of the Russian Federation No. Pr-1092 dated 27 April 2012
Item 4, subparagraph c, paragraph 2 of Decree of the President of the Russian Federation No. 596 dated 7 May 2012 On the Long-Term National Economic Policy
Instruction of First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-6768 dated 13 November 2012
Directives of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016
Resolution of the Government of the Russian Federation No. 894-r dated 10 May 2017
Directives of the Government of the Russian Federation No. 6604p-P13 dated 18 September 2017

Rosneft is continuously optimising 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 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 assets scheduled to be divested in 2020–2023 (Minutes No. 7 dated 2 October 2020).
Information on the implementation of the non-core asset divestment programme is regularly posted on the online interdepartmental portal for state property management (the "Interdepartmental Portal").

Information about the divestment of non-core assets by Rosneft and Group Subsidiaries in 2020

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
1	1,000,000 ordinary shares in OJSC SEK		1170	9101100300/ 9110100203	1,000,000.00	1,000,000.00	0.00	
2	One third of the charter capital of DalSatCom		1170	91.01/91.02	3,365.00	11,328.32	7,963.32	Sales price determined during a tender
3	Land plot under filling station No. 25	Zem10	1210	90.01.1/90.02.1	303.26	359.86	56.60	Sales price determined during a tender
4	6 kV power line, 6,388 linear metres	INV-0001	1150	9101030100, 9101030600/ 9110030200	407.81	2,244.42	1,836.61	Sales price determined during a tender
5	Land plot	R-0003026	1150	91.01/91.02	30.66	5,181.30	5,150.64	Sales price determined during a tender
6	Production facility building, Pokhvistnevo urban district, Oktyabrsky settlement	9082-5	1150	9103/9104	68.03	1,940.17	1,872.14	Sales price determined during a tender
7	Auxiliary materials warehouse	30000001000084	1150	91.01/91.02	38.42	661.94	623.52	Sales price determined during a tender
8	Apartment	1-13-000179-r3256	1150	91.01.1/91.02.1	333.99	1,900.00	1,566.01	Sales price determined during a tender
9	Non-residential building (garage for special-purpose machinery)	1325_00005898	1150	91.01/91.02	20.69	536.75	516.06	Sales price determined during a tender
10	Facilities at 4A, Voznesenskogo St., Sorochinsk	U8-URS 11	1150	62.01; 91.01/91.02;01.09	117.26	2,379.50	2,262.24	Sales price determined during a tender
11	Administrative building	000055	1150	62.01; 91.01/91.02;01.09	531.00	6,884.13	6,353.13	Sales price determined during a tender
12	Facilities at 5, Transportnaya St., Pervomaysky settlement	NZDANYuYTT-1393, NZDANYuYTT-1391, NUDANYuYTT-1503, 1508_2-8/1, 1508_2-7/1, 1508_2-6/1	1150	62.01; 91.01/ 91.02; 01.09	7,930.06	11,485.21	3,555.15	Sales price determined during a tender
13	Non-residential building	106, 2478	1150	91.1/91.2	90.16	1,958.70	1,868.54	Sales price determined during a tender
14	Building structure	431390	1150	91.1/92.2	9,816.00	19,447.60	9,631.60	Sales price determined during a tender
15	River vessel	77434	1150	91-03/91-04	0.00	3,896.45	3,896.45	Sales price determined during a tender
16	Morshansk industrial site	730, 11224, 729	1150	91.01/91.02	918.76	1,425.69	506.93	Sales price determined during a tender
17	3-room apartment	000059830392500	1150	91.1/91.2	436.22	885.00	448.78	Sales price determined during a tender

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
18	3-room apartment	000057240050805	1150	91.1/91.2	244.06	1,956.00	1,711.94	Sales price determined during a tender
19	Warehouse No. 9	110002700894	1153	9110101001/ 0102	0.00	1,573.99	1,573.99	Sales price determined during a tender
20	Filling station No. 105	30000682, 30003892	1210	90.01.1/ 90.02.1	84.88	507.44	422.56	Sales price determined during a tender
21	2-room apartment, Zhigulevsk urban district	153254	1150	9103/9104	224.82	892.35	667.53	Sales price determined during a tender
22	3-room apartment, Zhigulevsk urban district	153255	1150	9103/9104	102.16	750.93	648.77	Sales price determined during a tender
23	4-room apartment, Zhigulevsk urban district	153256	1150	9103/9104	157.28	1,388.00	1,230.72	Sales price determined during a tender
24	Training centre building, 9, Privolzhskaya St., Zhigulevsk urban district	153093, 122899	1150	9103/9104	116.37	1,515.08	1,398.72	Sales price determined during a tender
25	Non-residential facility: materials warehouse at process machinery site of Zhigulevskneft oil and gas production office, Syzran	150265	1150	9103/9104	302.01	1,014.61	712.60	Sales price determined during a tender
26	Culinary (ready-to-eat food) store	60100000017221	1150	91.01/91.02	288.85	2,555.00	2,266.15	Sales price determined during a tender
27	Zeleny Mys recreation centre	05030100263, 05030100263, 05030100263, 05030100263, 05030100263	1150	911100005/ 912100005	661.25	3,783.22	3,121.97	Sales price determined during a tender
28	Communication station	00025	1150	91.0103010101/ 91.0203010101	231.53	1,801.97	1,570.44	Sales price determined during a tender
29	2-room apartment	102828	1150	91.0103010101/ 91.0203010101	1,641.93	1,411.82	-230.11	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
30	5-room apartment	402837	1260	910101010/ 910201010	228.82	2,740.60	2,511.78	Sales price determined during a tender
31	Building of store No. 18	701884	1150	910101010/ 910201010	0.00	1,172.63	1,172.63	Sales price determined during a tender
32	Building of store No. 1 with a warehouse	902446, 902714	1150	910101010/ 910201010	0.00	2,567.58	2,567.58	Sales price determined during a tender
33	Central dispatch service room	564127	1150	910101010/ 910201010	146.59	2,038.52	1,891.93	Sales price determined during a tender
34	Facilities at 3, Transportnaya St., Pervomaysky settlement	19912 , 0111_1-2	1150	62.01; 91.01/ 91.02; 01.09	617.39	2,101.65	1,484.26	Sales price determined during a tender
35	Part of the building occupied by a wholesale and retail base located on the first floor of a five-floor residential building, with a total area of 209.5 sq. m	U10-URS 1/1	1150	62.01; 91.01/ 91.02; 01.09	53.57	931.34	877.77	Sales price determined during a tender
36	Facilities at 12, Transportnaya St., Sorochinsk	NIKSOUTT-888893/1, NIKSOUTT-1558, nIKSOUTT-888893B, nIKSOUTT-888891, nIKSOUTT-139	1150	62.01; 91.01/ 91.02; 01.09	6,397.14	13,838.33	7,441.19	Sales price determined during a tender
37	Industrial site in Balabanovo	00034143, 00023354, 00000284 00000285, 00023357, 00023364, 00023352, 00023353	1150	91.01/91.02	13,020.39	50,558.49	37,538.10	Sales price determined during a tender
38	Filling station 64	99-277, 99969169, 99969170, 99969171, 99969172, 99969173, 99969174, 99969175, 99973762, 99973763, 99971031	1150	62.01; 91.01/ 02.01; 01.09	38.61	584.80	546.19	Sales price determined during a tender
39	Residential property	49Up	1150	91.01/91.02	165.71	2,735.00	2,569.29	Sales price determined during a tender
40	Production facility. Motor transport unit No. 3	6006, 6007, 6005, N1r-0337	1150	91.01/91.02	25.93	2,970.35	2,944.43	Sales price determined during a tender
41	Berezka recreation centre	00202200321	1150	91.1.1002/ 91.2.1002	2,605.40	8,142.74	5,537.34	Sales price determined during a tender
42	Filling station No. 9	731, 718, 722, 723, 719, 720, 721, 716, 715, 717, 740, 110, 741, 739, 3698, 3695, 732, Zem18	1150	91.01/91.02	42.77	2,979.77	2,937.00	Sales price determined during a tender
43	Filling station No. 72	2978, 2973, 2974, 2975, 2976, 2971, 2972, 2977, 2988, 2986, 2985, 2987, 2970, 2979, 2981, 2980, Zem4	1150	91.01/91.02	131.24	3,372.18	3,240.94	Sales price determined during a tender

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
44	Neftyanik store	110002862807 110002700899	1153	9110101001/ 9120101001	14,317.97	16,897.72	2,579.75	Sales price determined during a tender
45	Brewery	7500036A, 41004A, 41004V, 7500036G	1150	90.01.1/90.02.1	11,853.44	24,856.77	13,003.33	Sales price determined during a tender
46	Filling station No. 63 (Stavropol Territory, Aleksandrovsky district)	8948, 15925	1150	90.01.1/90.02.1	310.52	516.41	205.89	Sales price determined during a tender
47	Filling station No. 173 with a service centre (Stavropol Territory, Georgievsky district, Lysogorskaya village)	10445, 10453, 15010	1150	90.01.1/90.02.1	327.19	1,042.39	715.19	Sales price determined during a tender
48	Apartment	KEM00000876	1150	91.01/91.05	3,998.09	4,107.77	109.68	Sales price determined during a tender
49	Production facility at 3A, Promyshlennaya St., Temryuk	NGT-2060, NGT-2062, NGT-2064, NGT-2061, NGT-2063	1150	91.01/91.02.1.1	314.75	4,886.18	4,571.43	Sales price determined during a tender
50	Warehouse building, Sukhodol settlement	34759-5	1150	910101010/ 910201010	31.20	432.68	401.48	Sales price determined during a tender
51	Building of store No. 6 on the land plot	504324, 693225	1260	910101010/ 910201010	77.31	2,274.61	2,197.30	Sales price determined during a tender
52	Facilities of a diesel engine overhaul shop in Belebey	2602625, 2602710, 2602657, 860323	1260	910101010/ 910201010	1,512.73	15,831.34	14,318.61	Sales price determined during a tender
53	Carpentry building	847 312	1260	910101010/ 910201010	3,685.96	5,345.30	1,659.34	Sales price determined during a tender
54	Concrete batching facility building	518635	2160 1150	910101010/ 910201010	2,611.02	5,344.17	2,733.15	Sales price determined during a tender
55	Apartment	1-13-000184-r3117	1150	91.01.1/91.02.1	518.27	2,165.51	1,647.24	Sales price determined during a tender
56	Apartment	1-13-000186-r3364	1150	91.01.1/91.02.1	485.99	3,136.91	2,650.92	Sales price determined during a tender
57	Apartment, Irkutsk Region, Angarsk	6190703	61907	70606	1,783.00	1,672.65	-110.35	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
58	Filling station 82	Kam-514, Anp-13887	1150	62.01; 91.01/ 91.02; 01.09	155.58	1,840.32	1,684.74	Sales price determined during a tender
59	Filling station 100	Bl00001007, Anp-13839	1150	62.01; 91.01/ 91.02; 01.09	65.16	3,965.73	3,900.57	Sales price determined during a tender
60	Filling station 72	Rub-000251, Rub-807644	1150	62.01; 91.01/ 91.02; 01.09	298.69	6,027.55	5,728.86	Sales price determined during a tender
61	Filling station 199	Zar-000584, Anp-13894	1150	62.01; 91.01/ 91.02; 01.09	115.71	1,369.79	1,254.08	Sales price determined during a tender
62	Store (Strezhevoy, 80)	01010097	1150	91-03 /91-04	95.28	1,001.64	906.36	Sales price determined during a tender
63	Apartment	310000000565	1161	9110101001/ 9120141001	61.21	2,229.00	2,167.79	Sales price determined following negotiations with the buyer taking into account market valuation report
64	Apartment	310000000567	1161	9110101001/ 9120141001	372.71	2,548.00	2,175.29	Sales price determined following negotiations with the buyer taking into account market valuation report
65	Apartment	310000000569	1161	9110101001/ 9120141001	818.20	3,230.00	2,411.80	Sales price determined following negotiations with the buyer taking into account market valuation report
66	Apartment	310000000586	1161	9110101001/ 9120141001	584.07	2,600.00	2,015.93	Sales price determined following negotiations with the buyer taking into account market valuation report
67	Apartment	310000000588	1161	9110101001/ 9120141001	360.41	2,269.00	1,908.59	Sales price determined following negotiations with the buyer taking into account market valuation report

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
68	Apartment	310000000593	1161	9110101001/ 9120141001	479.70	2,691.00	2,211.30	Sales price determined following negotiations with the buyer taking into account market valuation report
69	Apartment	310000000604	1161	9110101001/ 9120141001	452.16	3,408.00	2,955.84	Sales price determined following negotiations with the buyer taking into account market valuation report
70	Apartment	310000000607	1161	9110101001/ 9120141001	786.90	2,900.00	2,113.10	Sales price determined following negotiations with the buyer taking into account market valuation report
71	Apartment	310000000608	1161	9110101001/ 9120141001	372.71	3,316.00	2,943.29	Sales price determined following negotiations with the buyer taking into account market valuation report
72	Apartment	310000000633	1161	9110101001/ 9120141001	219.20	1,961.00	1,741.80	Sales price determined following negotiations with the buyer taking into account market valuation report
73	Apartment	310000000635	1161	9110101001/ 9120141001	387.95	2,669.00	2,281.05	Sales price determined following negotiations with the buyer taking into account market valuation report
74	Apartment	310000000637	1161	9110101001/ 9120141001	21.72	2,713.00	2,691.28	Sales price determined following negotiations with the buyer taking into account market valuation report

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
75	Apartment	310000000638	1161	9110101001/ 9120141001	1,285.60	2,199.00	913.40	Sales price determined following negotiations with the buyer taking into account market valuation report
76	Apartment	310000000644	1161	9110101001/ 9120141001	82.38	2,101.00	2,018.62	Sales price determined following negotiations with the buyer taking into account market valuation report
77	Apartment	310000000646	1161	9110101001/ 9120141001	970.98	1,912.00	941.02	Sales price determined following negotiations with the buyer taking into account market valuation report
78	Apartment	310000000652	1161	9110101001/ 9120141001	238.09	1,769.00	1,530.91	Sales price determined following negotiations with the buyer taking into account market valuation report
79	Apartment	310000000653	1161	9110101001/ 9120141001	48.32	1,849.00	1,800.68	Sales price determined following negotiations with the buyer taking into account market valuation report
80	Apartment	310000000661	1161	9110101001/ 9120141001	48.88	2,048.00	1,999.12	Sales price determined following negotiations with the buyer taking into account market valuation report
81	Apartment	310000000664	1161	9110101001/ 9120141001	54.84	2,119.00	2,064.16	Sales price determined following negotiations with the buyer taking into account market valuation report

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
82	Apartment	310000000666	1161	9110101001/ 9120141001	85.67	3,079.00	2,993.33	Sales price determined following negotiations with the buyer taking into account market valuation report
83	Apartment	310000000675	1161	9110101001/ 9120141001	49.28	1,962.00	1,912.72	Sales price determined following negotiations with the buyer taking into account market valuation report
84	Apartment	310000000679	1161	9110101001/ 9120141001	49.28	2,044.00	1,994.72	Sales price determined following negotiations with the buyer taking into account market valuation report
85	Apartment	310000000690	1161	9110101001/ 9120141001	1,082.85	2,610.00	1,527.15	Sales price determined following negotiations with the buyer taking into account market valuation report
86	Apartment	310000000713	1161	9110101001/ 9120141001	1,036.30	3,961.00	2,924.70	Sales price determined following negotiations with the buyer taking into account market valuation report
87	Apartment	310000000715	1161	9110101001/ 9120141001	520.89	3,404.00	2,883.11	Sales price determined following negotiations with the buyer taking into account market valuation report
88	Apartment	310000000647	1161	9110101001/ 9120141001	644.82	2,450.00	1,805.18	Sales price determined following negotiations with the buyer taking into account market valuation report
89	Apartment	310000000673	1161	9110101001/ 9120141001	54.14	1,900.00	1,845.86	Sales price determined following negotiations with the buyer taking into account market valuation report
90	Apartment	310000000682	1161	9110101001/ 9120141001	84.74	2,760.00	2,675.26	Sales price determined following negotiations with the buyer taking into account market valuation report
91	Apartment	310000000683	1161	9110101001/ 9120141001	315.37	2,020.00	1,704.63	Sales price determined following negotiations with the buyer taking into account market valuation report
92	Apartment	310000000731	1161	9110101001/ 9120141001	357.09	2,840.00	2,482.91	Sales price determined following negotiations with the buyer taking into account market valuation report
93	Non-residential building – Brandenburg Office	10270	1150	1911111001/ 2915111000	0.00	1,185.87	1,185.87	Sales price determined during a tender
94	Wharf on the Vakh River	02-9150	1150	1911111001/ 2915111000	0.00	2,048.54	2,048.54	Sales price determined during a tender
95	Non-residential premises	1580, 1579	1150	91.01/91.02	1,069.77	1,927.59	857.82	Sales price determined during a tender
96	Fuel oil facilities of heating plant No. 1	907, 908, 904, 905, 906	1150	91.01/91.02	0.00	912.25	912.25	Sales price determined during a tender
97	Facilities at Sorochinsko-Nikolskoye field	1511_2-28611, 1511_2-28610, SOK_BUPT-_276_	1150	62.01; 91.01/ 91.02; 01.09	594.81	660.52	65.71	Sales price determined during a tender
98	Filling station No. 167	37B, 371, 372, 373, 374V	1150	91.01/91.02	0.00	554.99	554.99	Sales price determined during a tender
99	Arkadak oil depot	22A, 21A, 24A, 23A, 25A, 26A, 27A, 28A	1150	91.01/91.02	671.72	6,039.47	5,367.75	Sales price determined during a tender

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
100	Residential building – 1 floor, solid sawn lumber, consists of 4 rooms, with total area of 134.87 sq m, including residential area of 79.94 sq m	500134	1260	91.01/91.02	150.46	257.16	106.70	Sales price determined during a tender
101	Tire fitting shop	500260, 808638	1260	91.01/91.02, 91.03	47.81	183.20	135.39	Sales price determined during a tender
102	1-room apartment with an area of 41.2 sq m	803046	1260	91.01/91.02	324.55	2,452.40	2,127.86	Sales price determined during a tender
103	Aist motor ship	47702	1150	62.20; 91.01/91.10; 01.02	9.24	521.34	512.10	Sales price determined during a tender
104	Residential apartment with total area of 56.8 sq m, floor: 2	YuG-080259	1150	62.20; 91.01/91.10; 01.02	502.80	2,297.23	1,794.43	Sales price determined during a tender
105	Land plot under filling station No. 13	3407, Zem23	1210	90.01.1/90.02.1	317.49	353.85	36.36	Sales price determined during a tender
106	BST facility	101050, 203819, 101049	1150	90.01.1/90.02.1	724.50	5,339.62	4,615.12	Sales price determined during a tender
107	Construction and assembling unit facilities, Sukhodol settlement, Industrial Zone 4	10010010	1210	90.01.1/90.02.1	1,904.30	5,964.66	4,060.36	Sales price determined during a tender
108	Filling station No. 131	30000893	1210	90.01.1/90.02.1	99.89	697.83	597.94	Sales price determined during a tender
109	Filling station No. 87 (Stavropol Territory, Aleksandrovskoye village)	8952, 13163	1210	90.01.1/90.02.1	319.14	369.70	50.56	Sales price determined during a tender
110	Filling station No. 167 (Stavropol Territory, Aleksandriyskaya village)	9687, 14999	1150	90.01.1/90.02.1	288.27	2,481.70	2,193.43	Sales price determined during a tender
111	Filling station No. 195 (Stavropol Territory, Zolskaya village)	9782, 13739	1150	90.01.1/90.02.1	609.39	3,175.73	2,566.34	Sales price determined during a tender
112	Production facility at 21, Promyshlennosti St., Neftegorsk	91204719, 91204801	1150	90.01.1/90.02.1	1,720.64	3,235.24	1,514.60	Sales price determined during a tender
113	Wooden building of the construction and repair unit, 2, Neftyanikov St., Neftegorsk, Samara Region	3820-3	1150	90.01.1/90.02.1	424.28	2,184.92	1,760.64	Sales price determined during a tender
114	Filling station 3	00000945, 00002127	1150	91.01/91.02	916.67	9,549.22	8,632.54	Sales price determined during a tender
115	Apartment in Peterhof	100003	Page 10	9121209000, 70601810400-002850101	3,985.00	4,527.38	542.38	Sales price determined during a tender
116	Production facilities of the manufacturing shop for plastic/metal pipes, Samara Region, Otradny, Industrial Zone 3	20005052, 20005054, 20006029	1150	9103/9104	2,025.03	7,813.67	5,788.64	Sales price determined during a tender
117	Residential premises with an area of 50.4 sq m, floor 6, type of residential premises: apartment	60100000015323	1150	91.01/91.02	88.85	2,630.00	2,541.15	Sales price determined following negotiations with the buyer taking into account market valuation report
118	Administrative buildings	28040200305_01, 28040200305_02, 28040200305_03	1260	911100005/912100005	4,773.91	7,584.00	2,810.09	Sales price determined during a tender
119	Industrial site of Kromskaya oil depot (5, Elevatornaya St., Vozhovo village, Bolshekolchevskoye settlement, Kromskoy district, Orel Region)	1-98, PT2-480, 005	1150	91.01/91.02	1,762.91	2,900.90	1,137.99	Sales price determined during a tender
120	Building of a store	118122	1150	910101010/910201010	0.00	1,760.23	1,760.23	Sales price determined during a tender
121	Apartment, residential purpose, area of 88.1 sq m, Naryan-Mar	11000202	1260	91.01/91.02	706.86	4,809.68	4,102.82	Sales price determined during a tender
122	Filling station 73	YuOS-000139, YuOS-000137, YuOS-000144	1150	91.01/91.02/91.03	398.62	5,536.70	5,138.08	Sales price determined following negotiations with the buyer taking into account market valuation report
123	Garage	0000241, 0000247	1260	910101010/910201010	394.23	649.25	255.02	Sales price determined during a tender

No.	Asset	Inventory number (where applicable)	Balance sheet item showing the asset as at the reporting date preceding its divestment	Accounts (including analytics) that show income and expense from asset disposal (91.1xxx/91.2xxx)	Asset book value, RUB '000	Actual sales price, RUB '000 (net of VAT)	Difference between actual sales price and asset book value, RUB '000	Grounds for the difference
124	Water supply networks (water conduit in Mezhdurechye)	00-000217, 000000027, 000000030, 000000053, 0000000050	1150	91.01/91.02	370.46	20,906.58	20,536.13	Sales price determined during a tender
125	Facilities at 106, Gaya St., Buzuluk	SOK_BUPT-_233_ 'SOK_BUPT-_217_, SOK_BUPT-_235_	1150	62.01; 91.01/ 91.02; 01.09	340.48	3,799.89	3,459.41	Sales price determined during a tender
126	Non-residential building	v04147, 2424	1150	91.1/91.2	307.60	2,951.01	2,643.41	Sales price determined during a tender
127	Zalari section of the Kharik shop	0235, 0237, 0238, 0236	1150	91.1/91.2	965.00	2,408.01	1,443.01	Sales price determined during a tender
128	Car maintenance station	99-138, 00000007	1150	62.01; 91.01/ 91.02; 01.09	76.05	236.33	160.28	Sales price determined during a tender
129	Arch warehouse	30033A	1150	1911111001/ 2915111000	0.00	768.56	768.56	Sales price determined during a tender
130	Warehouse	10210A	1150	1911111001/ 2915111000	0.00	1,133.76	1,133.76	Sales price determined during a tender
131	Land plot	00008993	1150	91.1 / 91.2	81.11	1,397.17	1,316.06	Sales price determined during a tender
132	Canteen in Klintsy	00000647, 1528	1150	91.01/ 91.02	45.17	1,055.57	1,010.41	Sales price determined during a tender
133	Nizhne-Maltsevskaya oil depot	100147, 100150, 100148, 41100153, 100149, 100151, 100154, 318	1260	91.01/ 91.02	238.80	2,625.70	2,386.90	Sales price determined during a tender
134	Filling station No. 47	147, Zem14	1150	91.01/91.02	120.31	3,824.37	3,704.06	Sales price determined during a tender
135	Apartment	310000000582	1161	9110101001/ 9120141001	255.44	2,010.00	1,754.56	Sales price determined following negotiations with the buyer taking into account market valuation report
136	Apartment	310000000707	1161	9110101001/ 9120101001	50.94	1,820.00	1,769.06	Sales price determined following negotiations with the buyer taking into account market valuation report
137	Neftegaz-70 transport and towing vessel	84105-R50103940	1150	91.01/91.02	1,566.43	10,983.85	9,417.42	Sales price determined during a tender
138	Motor ship	100225029	1150	62.20; 91.01/ 91.10; 01.02	5,551.95	2,096.76	-3,455.19	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
139	Land plot	100000003532-3533	1150	62.20; 91.01/ 91.10; 01.02	4,060.47	3,713.64	-346.83	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
140	Facilities	100236110, 100119062, 100119053, 100118896, 100118831, 100118825, 100120765, 100118842, 100118805, 100167907, 100173916, 100236054, 100236055, 100119090, 100118968, 100118975, 100118878, 100118890, 100118801, 100118826	1150	62.20; 91.01/ 91.10; 01.02	5,688.12	27,240.00	21,551.88	Sales price determined during a tender
141	Apartment	103334318-1	1150	62.20; 91.01/ 91.10; 01.02	2,207.53	3,390.42	1,182.89	Sales price determined during a tender
142	Upgrade of the Mamontovskaya oil depot – operator station for loading light petroleum products	11000033	1150	62.20; 91.01/ 91.10; 01.02	888.04	1,800.00	911.96	Sales price determined following negotiations with the buyer taking into account market valuation report
TOTAL					1,154,065.35	1,551,442.30	397,376.95	

2. Procurement of goods, works and services

2.1. Approval of the Regulation on Procurement. Procurement transparency improvement

Federal Law No. 223-FZ
On Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 18 July 2011
Instruction of the Government of the Russian Federation No. ISh-P13-8685 dated 17 December 2012
Paragraph 2 of List of Instructions of the Government of the Russian Federation No. DM-P9-8413 dated 12 December 2015
Instruction of the Government of the Russian Federation No. DM-P13-1100 dated 1 March 2016 (paragraph 89 of the Government Action Plan for Stable Social and Economic Development of the Russian Federation in 2016)
Directives of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016
Directives of the Government of the Russian Federation No 7704p-P13 dated 11 October 2016
Directives of the Government of the Russian Federation No. 1519p-P13 dated 20 February 2019
Directives of the Government of the Russian Federation No. 10464p-P13 dated 18 November 2019
Directives of the Government of the Russian Federation No. 2850p-P13 dated 3 April 2020

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[1] (the full version of the Regulations is posted on the Company's official website at http://zakupki.rosneft.com/node/459132 and in the Integrated Information System at http://zakupki.gov.ru), which:

- sets out the Company's procurement principles: information openness and transparency, equality, fairness and non-discrimination, no unwarranted restrictions on bidders, targeted and cost-efficient expenditures, prevention of corruption or any abuse in the procurement process;
- describes key elements of the procurement process for goods, works and services, including procedures for preparing and carrying out procurements and procedures for signing and performing procurement contracts;
- 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://zakupki.rosneft.ru). The Company also monitors the compliance with applicable standards and annually reviews procurement results for their compliance with the standards.
Pursuant to Directives of the Government of the Russian Federation No. 7704p-P13 dated 11 October 2016, the Company's Regulations on Procurement of Goods, Works and Services provides for the possibility of factoring as a means of financing the procurement of goods, works or services (paragraph 10.4.7.6).
Pursuant to Directives of the Government of the Russian Federation No. 10464p-P13 dated 18 November 2019, the Company updated its standard procurement documents to allow for specific means of securing vendor obligations under procurement contracts, including suretyship.
Pursuant to Directives of the Government of the Russian Federation No. 1519p-P13 dated 20 February 2019, the Company developed and approved internal documents providing for a continuous improvement of procurement management procedures.
The Company's Regulations on Procurement of Goods, Works and Services is in line with Directives of the Government of the Russian Federation No. 2850p-P13 dated 3 April 2020, and decision-making by contract supervisors as to whether apply sanctions for failure to perform or improper performance of contractual obligations will be based on the assessment of implications for the Company and actual circumstances of the contract implementation taking into account the COVID-19 outbreak.
Relevant information is regularly posted on the Interdepartmental Portal.

2.2. Improving efficiency of procurements from small and medium-sized enterprises (SMEs), including procurement of innovative and hi-tech products

Resolution of the Government of the Russian Federation No. 867-r dated 29 May 2013
Instruction of the Government of the Russian Federation No. DM-P13-77 dated 13 January 2018 to provide information under subparagraph c, paragraph 1 of Instruction of the President of the Russian Federation No. Pr-2763 dated 31 December 2017
Directives of the Government of the Russian Federation No. 4252p-P13 dated 16 June 2016
Directives of the Government of the Russian Federation No. 4111p-P13 dated 8 May 2019

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 http://zakupki.rosneft.com/consult);
- development and approval of the following internal documents:

1. Regulations on Procurement of Goods, Works and Services;
2. Regulations on Activity of Advisory Board Carrying Out Public Audit of Efficiency of Purchases From Small and Medium-Sized Business Entities;
3. Regulations on the Procedure and Rules of the One-Stop-Shop System for the Introduction of Innovative Products;
4. Innovation Classification Principles setting out uniform rules and criteria for classifying the Company's goods, works and services as innovations subject to Order of the Ministry of Energy of the Russian Federation No. 1026 dated 25 December 2015;
5. Rosneft's Guidelines for Assessing the Life Cycle of Procured Goods, Works and Services establishing the procedure for applying the 'product life cycle cost' assessment criterion;

- amendments to the corporate procurement regulations specifying the procedure for SMEs to bid for procurement contracts of the Company;
- invitation to vendors (including SMEs) to propose innovative solutions through the One-Stop-Shop System on Rosneft's website (more details are available at https://www.rosneft.com/Development/Scienceandinnovation/Innovation_management/One-Stop-Shop_System/);
- development and approval of the Innovative Product Procurement Plan;
- as provided for in applicable procurement laws of the Russian Federation, all procurements from SMEs are organised online on the TEK-Torg Electronic Trading Platform (and posted in Rosneft's section);
- pursuant to Directives of the Government of the Russian Federation No. 4111p-P13 dated 8 May 2019, the Company's Regulations on Procurement of Goods, Works and Services was amended to provide for the possibility of factoring as a means of financing the procurement of goods, works or services from SMEs, regardless of how such procurements are organised.

Following 2020:

- while Rosneft was subject to Federal Law No. 223-FZ (January to May), the total value of contracts made between Rosneft and SMEs (including those made by the Group Subsidiaries on behalf of Rosneft), including payments due in 2020, amounted to RUB 14.6 bln, or 74.71%, (attributable to the 20% target) and RUB 9.6 bln, or 49.39% (attributable to the 18% target).
- Rosneft signed contracts for the provision of goods, works, services, and innovative products, including from SMEs, for RUB 3 bln, and of that amount, contracts for RUB 0.44 bn were signed with SMEs.

Relevant information is regularly posted on the Interdepartmental Portal.

[1] By its Order No. 223 dated 3 April 2020, Rosneft amended its Regulations on the Procurement of Goods, Works and Services.

2.3. Increasing procurements of Russian-made products

Instructions of the President of the Russian Federation following the meeting of the State Council Presidium dated 20 February 2009 Paragraph 4 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014
Instructions of the Government of the Russian Federation No. AD-P9-9176 dated 8 December 2014 and No. ISh-P13-1419 dated 5 March 2015
Instruction of the Government of the Russian Federation No. ISh-P13-1872 dated 1 April 2016 Paragraph 4, section II of the Minutes of the Meeting of the Government Commission on the Use of Information Technologies for the Improvement of Welfare and Business Environment No. 1 dated 9 February 2018
Directives of the Government of the Russian Federation No. 1346p-P13 dated 5 March 2015
Directives of the Government of the Russian Federation No. 3425p-P13 dated 1 June 2015
Directives of the Government of the Russian Federation No. 4972p-P13 dated 11 July 2016
Directives of the Government of the Russian Federation No. 6558p-P13 dated 5 September 2016
Directives of the Government of the Russian Federation No. 830p-P13 dated 6 February 2017
Directives of the Government of the Russian Federation No. 2602p-P7 dated 17 April 2017
Directives of the Government of the Russian Federation No. 7923-P13 dated 26 September 2018
Directives of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018
Directives of the Government of the Russian Federation No. 584p-P13 dated 26 January 2019
Directives of the Government of the Russian Federation No. 9984p-P13 dated 1 November 2019
Directives of the Government of the Russian Federation No. 9712p-P13 dated 25 October 2019
Directives of the Government of the Russian Federation No. 6781p-P13 dated 31 July 2020

The Company's Board of Directors developed and approved an action plan (a set of measures) aimed at consistent substitution of imported products (including works and services) with equivalent and technically similar products, works and services of Russian origin to be used in investment projects and day-to-day operations provided that such substitution is economically feasible and technologically justified (Minutes No. 35 dated 5 June 2015).
The Company's Regulations on Procurement of Goods, Works and Services are fully compliant with Directives of the Government of the Russian Federation No. 3425p-P13 dated 1 June 2015, No. 4972p-P13 dated 11 July 2016 and No. 830p-P13 dated 6 February 2017, enable the Company to make long-term contracts for the supply of any products and provide for the procurement of competitive Russian software for Rosneft's activities.
The Company's Regulations on Procurement of Goods, Works and Services contain section 13.1 Priority of Goods, Works and Services Supplied by Russian Vendors that provides for:

- the priority of goods, works and services supplied by Russian vendors as set out in the applicable laws;
- the customer's discretion to specify certain priorities and conditions for the tendered contract if such conditions are expressly stated in the procurement documents or directly set out in applicable laws.

Additionally, the Company developed and implemented the Import Substitution and Equipment Localisation Programme for Rosneft's Needs for 2019–2021 with an outlook for 2028.
Pursuant to Resolution of the Government of the Russian Federation No. 925 dated 16 September 2016 On Priority of Goods, Works and Services Supplied by Russian Vendors Over Goods, Works and Services Supplied by Foreign Vendors (Resolution No. 925), the Company amended its procurement documents accordingly and added Russian origin confirmation forms for the goods, works and services supplied by Russian vendors.
The Company updated its action plan (a list of measures) for import substitution and localisation to comply with Directive of the Government of the Russian Federation No. 830p-P13 dated 6 February 2017 and the Guidelines approved by Order of the Russian Ministry of Economic Development No. 219R-AU dated 11 August 2016. Key actions (measures) were included in Rosneft's Long-Term Development Programme as updated and approved by resolution of the Company's Board of Directors (Minutes No. 14 dated 21 December 2020).
Relevant resolutions (Minutes No. 6 dated 24 August 2018) were made by the Company's Board of Directors to comply with Directives of the Government of the Russian Federation No. 2602p-P7 dated 17 April 2017.
Pursuant to Directives of the Government of the Russian Federation No. 7923-P13 dated 26 September 2018, the Board of Directors (Minutes No. 14 dated 25 January 2019) instructed the Management Board to inform, annually and in due time, federal executive bodies (Ministry of Industry and Trade, Ministry of Energy and Ministry of Economic Development) and the Government of the Russian Federation of the total value of contracts made by Rosneft and the Group Subsidiaries with defence industry companies for the procurement of civilian products (including works and services) for the Fuel Producing Industries, other than those under defence procurement contracts, no later than 30 days prior to Rosneft's Annual General Shareholders Meeting. Relevant reports were sent to the federal executive bodies on 2 June 2020.
Provisions of Directives of the Government of the Russian Federation No. 584p-P13 dated 26 January 2019 and No. 9984p-P13 dated 1 November 2019 were incorporated into the Company's Regulations on Procurement of Goods, Works and Services, which provides, pursuant to Resolution No. 925, for the priority of Russian-made products, including (i) those used in the implementation of national projects and the trunk pipeline upgrade and expansion plan; and (ii) advanced Russian-made means of protection against radiation, chemical and biological hazards. Additionally, the Company adopted and regularly updates a list of goods to be stocked by Rosneft and the Group Subsidiaries for the purpose of civil defence and employee protection in case of natural and man-made disasters.
Pursuant to Directives of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018 and No. 9712p-P13 dated 25 October 2019, the Board of Directors (Minutes No. 13 dated 3 February 2020) instructed the Management Board to report, annually and in due time, to the Ministry of Digital Development, Communications and Mass Media of the Russian Federation on the priority use of Russian software in a form approved by the Company.
In line with Directives of the Government of the Russian Federation No. 6781p-P13 dated 31 July 2020, the Company adopted the Regulations on the Procurement of Goods, Works and Services and the Album of Document Forms of Template Procurement Documents providing for special/additional requirements to bidders to be introduced as part of a specific procurement procedure, including for automotive products. The Company has a long track record of voluntary compliance with the measures stipulated by the said directives.
Relevant information is regularly posted on the Interdepartmental Portal.

3. Dividend recommendations

Resolution of the Government of the Russian Federation No. 774-r dated 29 June 2006 (as amended by Resolution of the Government of the Russian Federation No. 2083-r dated 12 November 2012)	According to the Dividend Policy approved by the Company's Board of Directors on 5 June 2015 (Minutes No. 35 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

Resolution of the Government of the Russian Federation No. 1214 dated 31 December 2010 On Improvement of the Governance Procedures at Open Joint-Stock Companies in Federal Ownership and Federal State Unitary Enterprises Paragraph 3 of List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014 Directives of the Government of the Russian Federation No. 2007p-P13 dated 6 April 2015 Paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-47pr dated 2 June 2015 Directives of the Government of the Russian Federation No. 5024p-P13 dated 31 July 2015	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 2010 On Improvement of the Governance Procedures at Open Joint-Stock Companies in Federal Ownership and Federal State Unitary Enterprises (Resolution No. 1214) and Directives of the Government of the Russian Federation No. 2007p-P13 dated 6 April 2015 and No. 5024-P13 dated 31 July 2015. As for specific sections of the annual report template for joint-stock companies in federal ownership approved by Resolution No. 1214, it should be noted that: • Rosneft did not enter into any major transactions in 2020 (paragraph 10 of Resolution No. 1214); • In compliance with paragraph 70.3 of Regulations of the Bank of Russia No. 454-P dated 30 December 2014, the list of related party transactions entered into by Rosneft in 2020 is posted on Rosneft's official website at https://www.rosneft.ru/Investors/information/transactions/ (paragraph 11 of Resolution No. 1214); • Rosneft received no subsidies from the federal budget (paragraph 13 of Resolution No. 1214) in 2020.

5. Strategy development and update, efficiency, and long-term planning

5.1. Formulation and approval of the Innovation Development Programme

Subparagraph b, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-307 dated 7 February 2011 Directives of the Government of the Russian Federation No. 1221p-P13 dated 24 March 2011 Presidential Address to the Federal Assembly dated 12 November 2010 Meeting Minutes of the Government Commission for Advanced Technology and Innovation No. 1 dated 30 January 2012 Subparagraphs 32, 33 and 34, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013 Summary of the meeting of the Government of the Russian Federation dated 30 January 2014, Minutes No. 3 Subparagraph b, paragraph 2, section 2 of Minutes of the Meeting of the Presidential Council for Economic Modernization and Innovation Development No. 2 dated 17 April 2015 Instruction of the Government of the Russian Federation No. DM-P36-7563 dated 7 November 2015 Directives of the Government of the Russian Federation No. 1471p-P13 and No. 1472p-P13 dated 3 March 2016 Directives of the Government of the Russian Federation No. 3262p-P13 dated 27 April 2018	Pursuant to subparagraph b, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-307 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 for 2030 (Minutes No. 16 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

Instruction of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017 Directives of the Government of the Russian Federation No. 9177p-P13 dated 12 December 2017 Instruction of the Government of the Russian Federation No. ISh-P13-1925 dated 5 April 2018 Directives of the Government of the Russian Federation No. 7050p-P13 dated 30 August 2018	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 2018, 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. 9177p-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

Recommendations for Innovation Development Programmes approved by resolution of the Government Commission for Advanced Technology and Innovation (Minutes No. 4 dated 3 August 2010)
Item 2, paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-98pr dated 3 October 2013
Subparagraphs 32 and 34, paragraph 1 of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013
Instruction of the Government of the Russian Federation No. DM-P13-9589 dated 30 December 2013
Directives of the Government of the Russian Federation No. 4955p-P13 dated 17 July 2014
Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015
Paragraph 6, section 2 of the Action Plan for Labour Productivity Improvement approved by Resolution of the Government of the Russian Federation No. 1250-r dated 9 July 2014
Directives of the Government of the Russian Federation No. 7389p-P13 dated 31 October 2014
Paragraph 2.3, section I of Minutes of the Meeting of the Military and Industrial Commission with the Government of the Russian Federation No. 4 dated 25 April 2014
Directives of the Government of the Russian Federation No. 3666p-P13 dated 11 June 2015
Subparagraph b, paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-1627 dated 1 July 2014
Instructions of the Government of the Russian Federation No. ISh-P8-6196 dated 15 August 2014 and No. OG-P8-5496 dated 22 July 2014
Directives of the Government of the Russian Federation No. 7439p-P13 dated 5 November 2014
Directives of the Government of the Russian Federation No. 4531p-P13 dated 28 June 2016
Directives of the Government of the Russian Federation No. 276p-P13 dated 17 January 2019
Directives of the Government of the Russian Federation No. 11528p-P13 dated 25 December 2019
Directives of the Government of the Russian Federation No. 11528p-P13 dated 30 July 2020

In 2017, Rosneft's Board of Directors approved the Rosneft–2022 Strategy (Minutes No. 8 dated 21 December 2017) aimed at major changes in the Company's business through advanced management approaches and new technologies while increasing returns on the Company's existing assets.
The Rosneft-2022 Strategy responds to all of the current challenges faced by the energy industry.
The Strategy aims to improve business profitability and increase returns through a more intensive development of core assets, concentration on key projects, accelerated roll-out of new technology and new management models, and transformations necessitated by digital era challenges.
While developing the Rosneft-2022 Strategy, the Company conducted an in-depth analysis of external environment and challenges faced by each business segment. The Company formulated strategic initiatives across all business segments enabling development and accomplishment of its growth priorities. The key provisions of the Rosneft–2022 Strategy are available on Rosneft's official website. For key information and provisions of the Rosneft–2022 Strategy, see section 1 of the Annual Report.
In 2018, Rosneft's Board of Directors approved additional initiatives to support the Rosneft–2022 Strategy in view of the Address of President of the Russian Federation Vladimir Putin to the Federal Assembly (Minutes No. 17 dated 28 April 2018). Progress against the Rosneft–2022 Strategy is annually 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 Instruction of the President of the Russian Federation Vladimir Putin No. Pr-3086 dated 27 December 2013 and Directives of the Government of the Russian Federation No. 4955-P13 dated 17 July 2014. On 9 December 2014 (Minutes No. 12), the Board of Directors approved the Long-Term Development Program, Rosneft's Standard on the Long-Term Development Programme Implementation Audit and the Regulations on the Company's KPI System.
In line with Directives of the Government of the Russian Federation No. 6739p-P13 dated 30 July 2020, Rosneft's Standard on the Long-Term Development Programme Implementation Audit was updated and approved by the Board of Directors (Minutes No. 16 dated 25 December 2020).
As provided for in the employment contract of Rosneft's Chief Executive Officer, he is obliged to ensure the implementation of the approved Strategy and Long-Term Development Programme of the Company.
Starting from 2015, the Company annually prepares a report on the implementation of the Long-Term Development Programme for the previous period and employs an independent auditor to audit its implementation. Audit results are annually reviewed by the Company's Board of Directors and presented at the Annual General Shareholders Meeting.
The Long-Term Development Programme is updated annually.
In 2020, the Long-Term Development Programme was updated to account for:
- the Company's performance in 2019 and an independent auditor's recommendations following a limited audit on the implementation of the Long-Term Development Programme in 2019;
- changes in the tasks and initiatives for the development of Rosneft's businesses and corporate functions under the influence of external factors, including the macro environment in global energy markets and its influence on long-term goals of the Company;
- resolutions made by the Board of Directors in respect of the Company's development plans.

The Long-Term Development Programme contains initiatives developed pursuant to the Directives of the Government of the Russian Federation (No. 4955p-P13 dated 17 July 2014, No. 7558p-P13 dated 12 November 2014, No. 1346p-P13 dated 5 March 2015, No. 2303p-P13 dated 16 April 2015, No. 7389p-P13 dated 31 October 2014, No. 1472p-P13 dated 3 April 2016, No. 4531p-P13 dated 28 June 2016, No. 4750p-P13 dated 4 July 2017, and No. 830p-P13 dated 6 February 2017) and includes a set of measures to increase labour productivity, information about demand for human resources, and a section dedicated to the development initiatives in the Russian Far East.
Efficiency improvement indicators aimed at introducing the lean production methodology are integrated into the existing KPI system for the Company's top managers and heads of business units.
Provisions of the Long-Term Development Programme is aligned with key provisions of Russian government programmes pertaining to the Company's lines of business.
The Company met the requirements of Directives of the Government of the Russian Federation No. 276p-P13 dated 17 January 2019. Its current Long-Term Development Programme accounts for key provisions of the Address of President of the Russian Federation Vladimir Putin to the Federal Assembly and Decree of the President of the Russian Federation No. 204 of 7 May 2018. Provisions of strategic and national programmes of the Russian Federation are taken into account in annual updates of the Long-Term Development Programme (Minutes of the Meeting of Rosneft's Board of Directors No. 19 dated 1 April 2019).
For information on the Long-Term Development Programme and audited results of its implementation in 2020, see section 1 of the Annual Report.
In line with Directives of the Government of the Russian Federation No. 12119p-P13 dated 25 December 2019, in 2020 the Board of Directors considered whether the Company had ongoing or planned major investment projects (Minutes No. 16 dated 19 March 2020). For information on the Company's major investment projects in 2020, see the Annual Report,
Relevant information is regularly posted on the Interdepartmental Portal.

5.4. Reduction of operating expenses

Subparagraph 5, paragraph 1 of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014
Directives of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015
Item 4, paragraph 2 of Minutes of the Meeting Convened by Prime Minister of the Russian Federation No. DM-P13-2pr dated 18 January 2016
Instruction of the Government of the Russian Federation No. ISh-P13-2047 dated 11 April 2016
Directives of the Government of the Russian Federation No. 4750p-P13 dated 4 July 2016

Rosneft fully complies with Instructions of the President of the Russian Federation and the Government of the Russian Federation regarding annual reduction of operating expenses.
The Company developed an action plan (a list of initiatives) aimed at reaching the expense (cost) reduction target and included this plan in Rosneft's Long-Term Development Programme.
The relevant indicator is integrated in the KPI system for Rosneft's top managers.
The progress of operating expense reduction initiatives was audited as part of the audit of the Long-Term Development Programme and reviewed at the meeting of the Company's Board of Directors.
In 2020, annual average operating expenses were reduced by at least 2% year-on-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 Interdepartmental Portal.

5.5. Development of internal regulations

Paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014
Instructions of the Government of the Russian Federation No. ISh-P13-1818 dated 23 March 2015 and No. ISh-P13-4148 dated 24 June 2015
Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015
Paragraph 2 of Instruction of the President of the Russian Federation No. Pr-769 dated 26 April 2016
Paragraph 6 of Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016
Letter of the Federal Agency for State Property Management No. RB-11/9968 dated 20 March 2017

In accordance with the guidelines approved by the Government of the Russian Federation (No. ISh-P13-4148 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;
- Regulations on the Procedure for Developing (Updating) and Implementing Rosneft's Innovation Development Programme;
- Regulations on the Procedure and Rules of the One-Stop-Shop System for the Introduction of Innovative Products;
- Standard on Innovation Efficiency Management;
- Regulations on the Petroleum Product Quality Management System.

Rosneft complies with the provisions of the Directives in full.
Relevant information is regularly posted on the Interdepartmental Portal.

Paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-47pr dated 2 June 2015
Directives of the Government of the Russian Federation No. 5024p-P13 dated 31 July 2015

As resolved by the Company's Board of Directors pursuant to Directives of the Government of the Russian Federation No. 5024p-P13 dated 31 July 2015 and in accordance with the guidelines approved by Resolution of the Ministry of Economic Development No. 400R-AU dated 22 December 2015 pursuant to Instruction of the Government of the Russian Federation No. ISh-P13-5231 dated 31 July 2015, the Company's Management Board approved and enacted the following documents:
- Regulations on the Procedure for Charitable Activities in Rosneft and Group Subsidiaries;
- Regulations on Sponsorship in Rosneft and Group Subsidiaries;

Relevant information is regularly posted on the Interdepartmental Portal.

5.6. Performance optimisation through integration

Paragraph 4 of Minutes of the Meeting Convened by Deputy Prime Minister of the Russian Federation Dmitry Rogozin No. RD-P13-45pr dated 15 June 2012
Paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-1032 dated 7 May 2014, Instruction of the Government of the Russian Federation No. ISh-P13-3464 dated 13 May 2014 and Paragraph 4 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014
Directives of the Government of the Russian Federation No. 5110p-P13 dated 8 August 2014 and No. 1796p-P13 dated 26 March 2015

In 2015, treasury functions of Rosneft's Group Subsidiaries were centralised and merged into the Integrated Treasury supported by the Company's financial department and JSC Russian Regional Development Bank (RRDB).
Business processes pertaining to solvency management, budgeting and acceptance of financial transactions in the Group Subsidiaries were formalised and set out in respective policies and internal regulations of the Company.
Relevant information is regularly posted on the Interdepartmental Portal.

5.7. Alignment of corporate activities with the Bank of Russia's Corporate Governance Code

Instruction of the Government of the Russian Federation No. DM-P36-46pr dated 28 August 2014
Instruction of the Government of the Russian Federation No. ISh-P13-5859 dated 31 July 2014
Directives of the Government of the Russian Federation No. 5667p-P13 dated 2 September 2014
Directives of the Government of the Russian Federation No. 989p-P13 dated 20 February 2015

Based on the analysis of Rosneft's corporate governance standards and provisions of the Bank of Russia's Corporate Governance Code, the Company developed and approved an action plan (roadmap) to align its activities with key provisions of the Code.
The basic principles of Rosneft's corporate governance framework are set out in Rosneft's Corporate Governance Code and aligned with the best global practices.
The roadmap status was reviewed by Rosneft's 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 13 December 2019 (Minutes No. 10 dated 16 December 2019).
In 2019, all the initiatives scheduled by the roadmap were implemented in full.

5.8. New export contracts providing for rouble as a settlement currency

Subparagraph 1, paragraph 1, section I of Minutes of the Meeting of the National Financial Stability Board No. 7 dated 10 April 2015
Directives of the Government of the Russian Federation No. 4807p-P13 dated 23 July 2015

On 30 September 2016 (Minutes No. 7 dated 3 October 2016), the Company's Board of Directors considered that new export contracts should provide for the possibility of using Russian rouble as a settlement currency and decided on a reasonable minimum share of export transactions denominated in roubles in accordance with Directives of the Government of the Russian Federation No. 807p-P13 dated 23 July 2015.
The possibility of rouble settlements is provided for in most of petroleum sale contracts signed by the Group Subsidiaries with buyers from the CIS countries.
As for contracts with buyers from other jurisdictions, the possibility of rouble settlements is provided for with due assessment of customer loss and sales reduction risks (customers refusing to sign contracts due to extra costs associated with currency conversion) and the risk of Russian rouble devaluation that might lead to a reduction in total revenue from petroleum product exports.

5.9. Remuneration of the Company's management and employees and KPI system development

Instruction of the President of the Russian Federation No. Pr-825 dated 6 April 2009
Instructions of the Government of the Russian Federation No. VP-P13-1823 dated 6 April 2009, No. VP-P13-2099 dated 20 April 2009, No. VZ-P13-4252 dated 28 July 2009, No. ISh-P13-2232 dated 8 April 2010 and No. KA-P13-8297 dated 4 December 2010
Item 3, paragraph 2 of Minutes of the Meeting Convened by First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-98pr dated 3 October 2013
Paragraph 5 of List of Instructions of the President of the Russian Federation No. Pr-1474 dated 5 July 2013
Directives of the Government of the Russian Federation No. 2579p-P13 dated 25 April 2014
Instruction of the Government of the Russian Federation No. ISh-P13-2043 dated 27 March 2014
Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015
Subparagraph b, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014
Instruction of the Government of the Russian Federation No. DM-P13-9024 dated 4 December 2014
Directives of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015
Directives of the Government of the Russian Federation No. 9054p-P13 dated 2 October 2019

The Company introduced a KPI-based incentive system for its management in 2009. Also enacted were the Regulations on Annual Bonuses for Rosneft's Top Managers and Heads of Independent Business Units.
On 9 December 2014 (Minutes No. 12), Rosneft's Board of Directors approved the Regulations on the Company's KPI System in strict compliance with the Guidelines of the Federal Agency for State Property Management on the Application of Key Performance Indicators by State Corporations, State Companies, State Unitary Enterprises and Business Entities Where the Aggregate Share of the Russian Federation or a Constituent Entity of the Russian Federation Exceeds 50%.
Rosneft's KPI system includes:
- financial and economic indicators (EBITDA, ROACE, TSR, Net Debt / EBITDA, and cost reduction indicators);
- industry-wide indicators (hydrocarbon production, reserve replacement, light product yield, an integrated KPI of innovation efficiency, etc.).

Management bodies of the Company (Board of Directors, Management Board and Chief Executive Officer) annually revise and approve performance indicators for each category of the Company's managers.
Other employees of Rosneft's Administration receive bonuses based on collective KPIs for Rosneft and its businesses, and personal performance evaluation (an individual performance factor).
Target KPIs and personal performance of the top management are reviewed annually and approved by the Board of Directors based on the recommendations of the HR and Remuneration Committee of the Board of Directors.
As provided for in the employment contract of Rosneft's Chief Executive Officer, he is obliged to ensure the implementation of the approved Strategy and Long-Term Development Programme of the Company.
Relevant information is regularly posted on the Interdepartmental Portal.

5.10. Fulfilment 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

Directives of the Government of the Russian Federation No. 8860p-P13 dated 29 October 2018

On 24 December 2018, pursuant to Directives of the Government of the Russian Federation No. 8860p-P13 dated 29 October 2018, Rosneft's Board of Directors considered the fulfilment of Resolution of the Government of the Russian Federation No. 232 dated 6 March 2018 that requires to introduce 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 projects initiated by Rosneft in the Russian Far East as instructed by the President and 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 26 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 on 1 January 2020.
Consolidated data based on Rosneft's plans and target programmes, including information on activities carried out by Rosneft in the Russian Far East in pursuance of the Instructions of the President and the Government of the Russian Federation, were provided to the Ministry for Development of the Russian Far East (Rosneft's letter No. DK-8573 dated 31 August 2020).
Relevant information is regularly posted on the Interdepartmental Portal.

5.11. Fulfilment of Directives to reduce crude oil production as part of compliance by the Russian Federation with the OPEC and non-OPEC ministerial meeting's decisions to that effect

Directives of the Government of the Russian Federation No. 4036p-P13 dated 15 May 2020
Directives No. 6883p-P13 dated 4 August 2020

In 2020, as part of compliance by the Russian Federation with the OPEC and non-OPEC ministerial meeting's decisions, Rosneft received Directives of the Government of the Russian Federation No. 4036p-P13 dated 15 May 2020 and No. 6883p-P13 dated 4 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

Directives of the Government of the Russian Federation No. 10357p-P13 dated 14 November 2019

In pursuance of the Directives, Rosneft analysed its export operations and determined that the export structure also includes non-commodity and non-energy products – oil and gas refining products.
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 118% 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 (112.6%), 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 road map 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 Directives' requirements regarding the Company's integration into the National Project have effectively been complied with.

6. Sustainable development

6.1. Adoption of professional standards

Paragraph 3, Section I of Minutes of the Meeting of the Government of the Russian Federation No. 9-dsp dated 24 March 2016 in accordance with Federal Law No. 122-FZ dated 2 May 2015 On Amendments to the Labour Code of the Russian Federation and Articles 11 and 73 of the Federal Law on Education in the Russian Federation
Directives of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016 On the Adoption of Professional Standards in Joint-Stock Companies

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 Rosneft 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. ISh-P13-8690 dated 26 December 2017 Letter of the Federal Agency for State Property Management No. RB-11/1520dsp dated 22 January 2018	In accordance with paragraph 17.1, 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. In particular, the Company supports sports through charitable activities under social and economic cooperation agreements with regional authorities and by delivering individual charity projects. 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 13 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. SD-4-23/9031 dated 1 June 2020) a road map through 2022 to enable the transition of Rosneft and the largest Group Subsidiaries to tax monitoring. Information on compliance with Directives of the Government of the Russian Federation No. 11528p-P13 dated 13 December 2019 was posted on the Interdepartmental Portal.

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 these 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.

Key audit matter	How our audit addressed the key audit matter
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.

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.

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

Explanatory note	Item	Line code	31 December 2020	31 December 2019	31 December 2018
	Assets				
	I. Non-current assets				
6	Intangible assets	1110	42,463,967	44,331,957	44,599,532
8	Research and development results	1120	10,511,685	8,950,122	6,728,123
7	Intangible exploration assets	1130	103,846,837	107,173,666	99,214,115
7	Tangible exploration assets	1140	32,202,676	31,140,877	20,222,627
5	Fixed assets	1150	1,402,928,888	1,325,676,684	1,269,210,761
	Income-bearing investments in tangible assets	1160	–	–	–
11	Financial investments	1170	5,764,322,744	5,833,160,665	6,159,574,705
3.21	Deferred tax assets	1180	201,922,448	118,633,694	94,841,893
9	Other non-current assets	1190	39,003,899	33,452,714	31,951,119
	Total for section I	**1100**	**7,597,203,144**	**7,502,520,379**	**7,726,342,875**
	II. Current assets				
10	Inventories	1210	113,901,023	138,889,747	151,426,199
10	Value added tax on purchased assets	1220	35,670,961	48,808,809	72,718,694
15.18	Accounts receivable	1230	4,002,964,504	3,543,076,666	2,653,803,215
	Including:				
	Accounts receivable expected to be settled within 12 months after the reporting date	1231	940,655,282	1,411,354,476	1,005,017,767
	Accounts receivable expected to be settled in over 12 months after the reporting date	1232	3,062,309,222	2,131,722,190	1,648,785,448
11	Financial investments (other than cash equivalents)	1240	1,423,661,785	985,762,573	1,100,833,573
12	Short-term derivative financial instruments at fair value through profit or loss	1241	–	2,243,018	–
12	Long-term derivative financial instruments at fair value through profit or loss	1242	–	–	–
14	Cash and cash equivalents	1250	496,199,797	97,398,766	598,541,224
	Other current assets	1260	5,141,916	4,797,785	5,052,039
	Including:				
	Unbilled accrued revenue under construction contracts	1261	–	–	–
	Total for Section II	**1200**	**6,077,539,986**	**4,820,977,364**	**4,582,374,944**
	Balance	**1600**	**13,674,743,130**	**12,323,497,743**	**12,308,717,819**
	Liabilities				
	III. Capital and liabilities				
1.19	Charter capital (pooled capital, charter fund, partners' contributions)	1310	105,982	105,982	105,982
19	Treasury shares	1320	–	–	–
19	Revaluation of non-current assets	1340	3	3	5
19	Additional capital (without revaluation)	1350	118,170,353	118,168,244	113,279,890
19	Reserve capital	1360	5,299	5,299	5,299
13	Other funds and reserves	1365	(130,578)	1,389,427	(115,062,581)
20	Retained earnings (uncovered loss)	1370	2,106,458,991	2,142,102,123	2,028,141,822
	Total for Section III	**1300**	**2,224,610,050**	**2,261,771,078**	**2,026,470,417**
	IV. Long-term liabilities				
16	Loans and borrowings	1410	6,420,308,876	5,397,760,107	5,792,741,747
21	Deferred tax liabilities	1420	120,809,294	106,176,347	91,808,512
24	Provisions	1430	92,409,353	76,836,351	56,345,080
12	Long-term derivative financial instruments at fair value through profit or loss	1440	–	–	–
16	Other liabilities	1450	1,440,610,117	799,125,852	1,134,390,419
	Total for section IV	**1400**	**8,074,137,640**	**6,379,898,657**	**7,075,285,758**
	V. Short-term liabilities				
16	Loans and borrowings	1510	787,352,521	946,067,618	817,935,056
15.18	Accounts payable	1520	2,525,807,379	2,699,900,722	2,333,146,921
	Deferred income	1530	2,894,043	2,865,382	2,740,157
24	Provisions	1540	46,832,545	32,444,291	19,582,179
12	Short-term derivative financial instruments at fair value through profit or loss	1545	12,491,608	–	33,058,044
	Other liabilities	1550	617,344	549,995	499,287
	Total for section V	**1500**	**3,375,995,440**	**3,681,828,008**	**3,206,961,644**
	Balance	**1700**	**13,674,743,130**	**12,323,497,743**	**12,308,717,819**

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

Explanatory note	Item	Line code	January-December 2020	January-December 2019
2020	Revenue	2110	4,835,091,105	6,827,526,407
2019	Cost of sales	2120	(3,641,355,413)	(4,782,222,071)
20	Oil and gas reserves exploration and estimation expenses	2130	(7,543,407)	(6,559,819)
	Gross income (loss)	**2100**	**1,186,192,285**	**2,038,744,517**
20	Selling expenses	2210	(772,860,114)	(1,196,815,437)
20	General and administrative expenses	2220	(90,988,304)	(83,302,902)
	Income (loss) from sales	**2200**	**322,343,867**	**758,626,178**
20	Interest receivable	2320	148,757,678	176,844,160
16.20	Interest payable	2330	(360,174,908)	(445,059,171)
20	Gains from changes in the fair value of derivative financial instruments	2333	–	35,301,062
20	Losses from changes in the fair value of derivative financial instruments	2334	(14,734,626)	–
13.17.20	Other income	2340	190,992,361	124,722,952
13.17.20	Other expenses	2350	(217,629,746)	(302,893,537)
	Income (loss) before tax	**2300**	**69,554,626**	**347,541,644**
21	Income tax	2410	83,547,847	48,185,409
	Including			
21	Current income tax	2411	15,271,514	9,648,441
21	Deferred income tax	2412	68,276,333	38,536,968
	Other	2460	2,708,693	799,156
	Including			
	Tax on prior year income	2461	(6,805)	703,325
	Imputed income tax	2464	–	–
	Income tax re-distribution within consolidated taxpayer	2465	2,715,498	95,831
22	**Net income (loss)**	**2400**	**155,811,166**	**396,526,209**
	Result of revaluation of non-current assets not included in net income (loss) for the period	2510	–	–
13.17	Result from other operations not included in net income (loss) for the period	2520	(1,897,370)	145,563,364
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

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

Entity PJSC Rosneft Oil Company
Monetary unit: kRUB

1. CHANGES IN EQUITY

Item	Line code	Charter capital	Treasury shares	Additional capital	Reserve capital	Other funds and reserves	Retained earnings (uncovered loss)	Total
Equity at 31 December 2018	**3100**	**105,982**	**–**	**113,279,895**	**5,299**	**(115,062,581)**	**2,028,141,822**	**2,026,470,417**
For 2019								
Total increase in equity:	**3210**	**–**	**–**	**4,891,328**	**–**	**116,452,008**	**396,613,701**	**517,957,037**
Including:								
Net income	3211	x	x	x	x	x	396,526,209	396,526,209
Revaluation of property	3212	x	x	–	x	–	x	–
Earnings directly increasing equity	3213	x	x	4,891,328	x	116,452,008	87,492	121,430,828
Additional issue of shares	3214	–	–	–	x	–	x	–
Increase in the par value of shares	3215	–	x	–	x	–	–	x
Legal entity reorganization	3216	–	–	–	–	–	–	–
Total decrease in equity:	**3220**	**–**	**–**	**(2,974)**	**–**	**–**	**(282,653,402)**	**(282,656,376)**
Including:								
Loss	3221	x	x	x	x	x	–	–
Revaluation of property	3222	x	x	–	x	–	x	–
Expenses directly decreasing equity	3223	x	x	(2,974)	x	–	–	(2,974)
Decrease in the par value of shares	3224	–	–	–	x	–	–	–
Decrease in the number of shares	3225	–	–	x	x	–	x	–
Legal entity reorganization	3226	–	–	–	–	–	–	–
Dividends	3227	x	x	x	x	x	(282,653,402)	(282,653,402)
Changes in additional capital	3230	x	x	(2)	x	–	2	x
Changes in reserve capital	3240	x	x	x	–	x	–	x
Equity at 31 December 2019	**3200**	**105,982**	**–**	**118,168,247**	**5,299**	**1,389,427**	**2,142,102,123**	**2,261,771,078**

Item	Line code	Charter capital	Treasury shares	Additional capital	Reserve capital	Other funds and reserves	Retained earnings (uncovered loss)	Total
For 2020								
Total increase in equity:	**3310**	**–**	**–**	**7,532**	**–**	**–**	**155,865,941**	**155,873,473**
Including:								
Net income	3311	x	x	x	x	x	155,811,166	155,811,166
Revaluation of property	3312	x	x	–	x	–	x	–
Earnings directly increasing equity	3313	x	x	7,532	x	–	54,775	62,307
Additional issue of shares	3314	–	–	–	x	–	x	–
Increase in the par value of shares	3315	–	x	–	x	–	–	x
Legal entity reorganization	3316	–	–	–	–	–	–	–
Total decrease in equity:	**3320**	**–**	**–**	**(5,423)**	**–**	**(1,520,005)**	**(191,509,073)**	**(193,034,501)**
Including:								
Loss	3321	x	x	x	x	x	–	–
Revaluation of property	3322	x	x	–	x	–	x	–
Expenses directly decreasing equity	3323	x	x	(5,423)	x	(1,520,005)	–	(1,525,428)
Decrease in the par value of shares	3324	–	–	–	x	–	–	–
Decrease in the number of shares	3325	–	–	x	x	–	x	–
Legal entity reorganization	3326	–	–	–	–	–	–	–
Dividends	3327	x	x	x	x	x	(191,509,073)	(191,509,073)
Changes in additional capital	3330	x	x	–	x	–	–	x
Changes in reserve capital	3340	x	x	x	–	x	–	x
Equity at 31 December 2020	**3300**	**105,982**	**–**	**118,170,356**	**5,299**	**(130,578)**	**2,106,458,991**	**2,224,610,050**

2. ADJUSTMENTS DUE TO CHANGES IN THE ACCOUNTING POLICY AND CORRECTION OF ERRORS

Item	Line code	31 December 2018	Change in equity for 2019		31 December 2019
			Through net income (loss)	Due to other factors	
Total equity					
Before adjustments	**3400**	**2,026,470,417**	**396,526,209**	**(161,225,548)**	**2,261,771,078**
Adjustment due to:					
Changes in the accounting policy	3410	–	–	–	–
Correction of errors	3420	–	–	–	–
After adjustments	**3500**	**2,026,470,417**	**396,526,209**	**(161,225,548)**	**2,261,771,078**
Including:					
Retained earnings (loss):					
Before adjustments	**3401**	**2,028,141,822**	**396,526,209**	**(282,565,908)**	**2,142,102,123**
Adjustment due to:					
Changes in the accounting policy	3411	–	–	–	–
Correction of errors	3421	–	–	–	–
After adjustments	**3501**	**2,028,141,822**	**396,526,209**	**(282,565,908)**	**2,142,102,123**
Other equity items that have been adjusted: (By item)					
Before adjustments	**3402**	**(1,671,405)**	**–**	**121,340,360**	**119,668,955**
Adjustment due to:					
Changes in the accounting policy	3412	–	–	–	–
Correction of errors	3422	–	–	–	–
After adjustments	**3502**	**(1,671,405)**	**–**	**121,340,360**	**119,668,955**

3. NET ASSETS

Item	Line code	At 31 December 2020	At 31 December 2019	At 31 December 2018
Net assets	3600	2,224,610,050	2,261,771,078	2,026,470,417

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 CASH FLOWS AT 31 DECEMBER 2020

Entity PJSC Rosneft Oil Company
Monetary unit: kRUB

Item	Line code	For 2020	For 2019
Cash flows from operating activities			
Total proceeds	**4110**	**5,206,284,343**	**6,179,070,239**
Including:			
From sale of products, goods, work and services	4111	4,847,679,688	5,498,167,192
Lease payments, license payments, royalties, commissions and other similar payments	4112	137,354,641	150,978,981
From resale of financial investments	4113	–	–
Other proceeds	4119	221,250,014	529,924,066
Total cash disbursements	**4120**	**(5,743,175,260)**	**(6,771,972,637)**
Including:			
Payments to suppliers (contractors) for raw materials, work and services	4121	(3,785,193,585)	(4,708,441,513)
Payroll-related payments	4122	(39,125,160)	(41,823,850)
Interest on debt obligations	4123	(313,392,981)	(372,122,046)
Income tax	4124	(13,070,756)	(10,184,117)
Other taxes and levies	4125	(679,649,562)	(895,868,770)
Exploration costs	4128	(5,206,029)	(6,582,553)
Other payments	4129	(907,537,187)	(736,949,788)
Net cash flows from operating activities	**4100**	**(536,890,917)**	**(592,902,398)**
Cash flows from investing activities			
Total proceeds	**4210**	**2,743,100,312**	**1,304,175,862**
Including:			
From sale of non-current assets (except for financial investments)	4211	14,951,874	10,762,256
From sale of shares (interests) in other entities	4212	12,512,096	23,371
From repayment of loans issued and sale of debt securities (receivables from other parties)	4213	1,778,643,916	886,376,455
Dividends, interest on debt financial instruments and similar proceeds from equity participation in other entities	4214	930,871,922	368,230,520
Other proceeds	4219	6,120,504	38,783,260
Total payments	**4220**	**(2,124,602,634)**	**(831,287,612)**
Including:			
Purchase, creation, upgrading, reconstruction and preparation for use of non-current assets	4221	(195,984,120)	(188,557,971)

Item	Line code	For 2020	For 2019
Purchase of shares (interests) in other entities	4222	(184,586,241)	(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	–	–
Exploration 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	(191,493,418)	(282,632,588)
Repayment (redemption) of promissory notes and other debt securities, repayment of loans and borrowings	4323	(8,562,253,355)	(3,549,958,750)
Other payments	4329	–	–
Net cash flows from financing activities	**4300**	**308,624,179**	**(330,077,029)**
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**	**97,398,766**	**598,541,224**
Balance of cash and cash equivalents at the end of the reporting period	**4500**	**496,199,797**	**97,398,766**
Effect of changes in the exchange rate of foreign currency to ruble	**4490**	**8,570,091**	**(51,051,281)**

Chief Executive Officer of Rosneft Oil Company _____ **I.I. Sechin**

Chief Accountant of PJSC Rosneft Oil Company _____ **D.B. Torba**

12 February 2021

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.

The Company is a legal entity that operates on the basis of its Charter and the laws of the Russian Federation.

Location of the Company: Moscow, Russian Federation.

Address of the Company specified in the Unified State Register of Legal Entities:

26/1 Sofiyskaya nab., Moscow, Russian Federation, 115035.

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.

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.

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

that fall within the authority of the General Shareholders' Meeting according to federal laws and the Charter of the Company.

The members of the Company's Board of Directors are elected by the General Shareholders' Meeting to serve until the next annual General Shareholders' Meeting.

The Board of Directors of PJSC Rosneft Oil Company that served as of 31 December 2020 was formed by the decision of the annual General Shareholders' Meeting of the Company held on 2 June 2020.

As of 31 December 2020, the Board of Directors of PJSC Rosneft Oil Company comprised:

Table 1. Composition of the Board of Directors

1.	Faisal Alsuwaidi	Member of the Board of Directors of Rosneft Oil Company, representative of Qatar Investments Authority
2.	Hamad Rashid Al-Mohannadi	Member of the Board of Directors of Rosneft Oil Company, member of the Board of Trustees at The Abdullah Bin Hamad Al-Attiyah International Foundation for Energy & Sustainable Development of Qatar, Chairman of the Board of Trustees at the Community College of Qatar, representative of the Qatar Investment Authority
3.	Matthias Arthur Warnig	Deputy Chairman of the Board of Directors of Rosneft Oil Company, Independent Director, Director of Interatis AG (Switzerland), Executive Director of Nord Stream 2 AG (Switzerland)
4.	Oleg Vyacheslavovich Viyugin	Member of the Board of Directors of Rosneft Oil Company, Independent Director, professor at the National Research University Higher School of Economics
5.	Robert Warren Dudley	Member of the Board of Directors of Rosneft Oil Company, BP RIL Consultant
6.	Bernard Looney	Member of the Board of Directors of Rosneft Oil Company, Chief Executive Officer and member of the Board of Directors of BP p.l.c.
7.	Alexander Valentinovich Novak	Member of the Board of Directors of Rosneft Oil Company, Deputy Prime Minister of the Russian Federation
8.	Maxim Stanislavovich Oreshkin	Member of the Board of Directors of Rosneft Oil Company, Assistant to the President of the Russian Federation
9.	Hans-Georg Rudloff	Member of the Board of Directors of Rosneft Oil Company, Independent Director, Chairman of the Management Board of Marcuard Holding, Executive Director of ABD Capital S.A., President of ABD Capital Eastern Europe S.A.
10.	Igor Ivanovich Sechin	Chief Executive Officer, Chairman of the Management Board, Deputy Chairman of the Board of Directors of Rosneft Oil Company
11.	Gerhard Schroeder	Chairman of the Board of Directors of Rosneft Oil Company, Independent Director

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 Alsuwaidi – USD 530,000
- Matthias Warnig – USD580,000
- Oleg Vyacheslavovich Viyugin – USD560,000
- Hans-Georg Rudloff – USD580,000

In addition, on 2 June 2020, the annual General Shareholders' Meeting (Minutes w/n dated 5 June 2020) approved compensation 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 Company fulfilled its obligation and paid remuneration to the above members of the Board of Directors of Rosneft Oil Company for the period during which they performed their duties.

In 2020, no remuneration was paid to the members of the Board of Directors of Rosneft Oil Company, namely Andrey Removich Belousov[1] and Aleksandr Valentinovich Novak, government officials at the date of the adoption of the decision to pay remuneration by the Board of Directors, and Igor Ivanovich Sechin, Chairman of the Management Board of Rosneft Oil Company, for performing their duties as members of the Board of Directors of Rosneft Oil Company.

Sole executive body of the Company

Chief Executive Director of Rosneft Oil Company is its sole executive body.

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:

Table 2. Composition of the Management Board

1.	Igor Ivanovich Sechin	Chief Executive Officer, Chairman of the Management Board, Deputy Chairman of the Board of Directors of Rosneft Oil Company
2.	Zeljko Runje	Deputy Chairman of the Management Board, First Vice President for Oil, Gas, and Offshore Business Development at Rosneft Oil Company
3.	Didier Casimiro	First Vice President of Rosneft Oil Company
4.	Andrey Aleksandrovich Polyakov	Vice President – Chief Geologist at Rosneft Oil Company
5.	Ilgam Gaffarovich Kuchukov	CEO Consultant in the rank of vice-president, General Director of Suzun JSC
6.	Dina Rinatovna Malikova	CEO Consultant in the rank of vice-president, President, Chairman of the Management Board of RRDB (JSC)
7.	Igor Borisovich Tabachnikov	CEO Consultant in the rank of vice-president, General Director of RN-Yuganskneftegaz LLC
8.	Khasan Kureishevich Tatriev	CEO Consultant in the rank of vice-president, General Director of Bashneft PJSC JSOC
9.	Vladimir Nikolaevich Chernov	CEO Consultant in the rank of vice-president, General Director of RN-Vankor LLC

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 Kurilin, Vice President – Chief of 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 Vladimirovna Zavaleeva, Yury Igorevich Kurilin, Petr Ivanovich Lazarev, Ural Alfretovich Latypov, Eric Maurice Liron, and Andrey Nikolaevich Shishkin from 29 September 2020 (Minutes No. 7 dated 2 October 2020)
- On appointment of Didier Casimiro, First Vice President; Zeljko Runje, First Vice President for Oil, Gas, and Offshore Business Development; Ilgam Gaffarovich Kuchukov, General Director of Suzun JSC; Dina Rinatovna Malikova, President, Chairman of the Management Board of RRDB (JSC); Igor Borisovich Tabachnikov, General Director of RN-Yuganskneftegaz LLC; Khasan Kureishevich Tatriev, General Director of Bashneft OJSC JSOC; Vladimir Nikolaevich Chernov, General Director of RN-Vankor LLC, as members of the Management Board of Rosneft Oil Company for three (3) years from 30 September 2020 (Minutes No. 7 dated 2 October 2020).

[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:

Table 3. Composition of the Audit Commission

Chairman of the Audit Commission:		
1.	Zakhar Borisovich Sabantsev	Head of Finance Sector Monitoring, Consolidated and Analytical Work Section, Financial Policy Department, Ministry of Finance of the Russian Federation
Audit Commission members:		
2.	Olga Anatolyevna Andrianova	Chief Accountant – Head of Finance and Economics Service of JSC ROSNEFTEGAZ, General Director of LLC Vostokgazinvest
3.	Tatiana Valentinovna Zobkova	Deputy Director of the Department of the Ministry of Energy of the Russian Federation
4.	Sergey Ivanovich Poma	Vice-President of the National Association of Securities Market Participants (NAUFOR)
5.	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

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

No.	Name of legal entity or individual	Number of common (voting) shares and interest in the charter capital
1	JSC ROSNEFTEGAZ	4,281,663,840 common shares representing 40.40 % of the total number of common shares and the charter capital of the Company
2	BP Russian Investments Limited	2,092,900,097 common shares representing 19.75 % of the total number of common shares and the charter capital of the Company
3	QH Oil Investments LLC	1,963,898,178 common shares representing 18.53 % of the total number of common shares and the charter capital of the Company
4	Non-banking Credit Organization Joint Stock Company National Settlement Depository (nominal holder central depository)	1,125,403,844 common shares representing 10.62 % of the total number of common shares and the charter capital of the Company
5	RN-NeftKapitalInvest LLC	1,017,425,070 common shares representing 9.60 % of the total number of common shares and the charter capital of the Company
6	RN-Capital LLC	80,975,983 common shares representing 0.76 % of the total number of common shares and the charter capital of the Company
7	Russian Federation acting through the Federal Agency for State Property Management	1 common share representing 0.000000009 % of the total number of common shares and the charter capital of the Company
8	Other minority investors (incl. individuals, other legal entities, etc.)	35,910,804 common shares representing 0.34 % of the total number of common shares and the charter capital of the Company

* 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/n) with the amendments approved by the General Shareholders' Meeting of the Company on 15 June 2016 (Minutes w/n), amendments approved by the General Shareholders' Meeting of the Company on 22 June 2017 (Minutes w/n), amendments approved by the General Shareholders' Meeting of the Company on 29 September 2017 (Minutes w/n), the Company prospects, explores, extracts and processes oil, gas and gas condensate, sells oil, gas, 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 fulfillment 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 and development, procurement and distribution, economic, foreign economic and legal support for the Company, its subsidiaries and third-party customers. Surveying the commodity and services markets, and the securities market, conducting sociological and other research. Regulating and coordinating the activities of subsidiaries

- Leasing out immovable and other property, using leased property
- Assisting in securing the interests of the Russian Federation when it prepares and implements production-sharing agreements for subsurface areas and hydrocarbon deposits
- Managing advertising and publishing activities, conducting exhibitions, fairs, auctions, etc.
- Intermediary, consulting, marketing and other activities, including foreign economic activities (including export/import operations), performing work and providing services on a contractual basis
- Ensuring the protection of the Company's employees and property
- Using precious metals and precious stones in technological processes as elements of equipment and materials
- Arranging and holding mobilization training and civil defense events, working with state secrets and protecting them

At the end of 2020, the average headcount of the Company was 4,434 employees.

2. BASIS OF PREPARATION

The accounting records are maintained in accordance with Federal Law No. 402-FZ, On Accounting, dated 6 December 2011 and the Statute, On Accounting and Reporting in the Russian Federation, approved by Order No. 34n of the Russian Ministry of Finance dated 29 July 1998 (including Information No. PZ-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 20 November 2018 and Order No. 61n of the Russian Ministry of Finance dated 19 April 2019, On Introduction of Amendments to Order No. 66n of the Russian Ministry of Finance dated 2 July 2010 "On the Forms of Financial Statements," the compatibility 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)

Item	Line	Amounts for 2019		Changes	Reason
		As currently reported	As previously reported		
Profit (loss) before tax	**2300**	**347,541,644**	**347,541,644**	**–**	To implement from 1 January 2020: • Changes in Accounting Statement 18/02, Accounting for Income Tax of Organizations, introduced by Order No. 236n of the Russian Ministry of Finance dated 20 November 2018 • Order No. 61n of the Russian Ministry of Finance dated 19 April 2019, On Introduction of Amendments to Order No.66n of the Russian Ministry of Finance dated 2 July 2010 "On the Forms of Financial Statements" • The lines of the income statement in the comparative information for 2019 were adjusted.
Current income tax	2410	–	9,648,441	(9,648,441)	
including permanent tax assets (liabilities)	2421	–	89,179,905	(89,179,905)	
Income tax	2410	48,185,409	–	48,185,409	
including current income tax	2411	9,648,441	–	9,648,441	
Deferred income tax	2412	38,536,968	–	38,536,968	
Change in deferred tax liabilities	2430	–	(14,367,835)	14,367,835	
Change in deferred tax assets	2450	–	23,791,801	(23,791,801)	
Other	2460	799,156	29,912,158	(29,113,002)	
Tax effect of the results of other operations not included in net profit (loss) for the period	2466	–	29,113,002	(29,113,002)	
Net profit (loss)	**2400**	**396,526,209**	**396,526,209**	**–**	
Result from other operations not included in net profit (loss) for the period	2520	145,563,364	116,450,362	29,113,002	
Income tax on operations whose result is not included in net profit (loss) for the period	2530	(29,113,002)	–	(29,113,002)	
Comprehensive financial result for the period	**2500**	**512,976,571**	**512,976,571**	**–**	

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.

Table 5.2. Changes in the opening balances of the statement of cash flows, (kRUB)

Item	Line	Amounts for 2019		Changes	Reason
		As currently reported	As previously reported		
Cash flows from operating activities					
Cash outflow – total	**4120**	**(6,771,972,637)**	**(6,780,339,685)**	**8,367,048**	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
Including settlements of other taxes and levies	4125	(895,868,770)	(904,235,818)	8,367,048	
Net cash flows from operating activities	**4100**	**(592,902,398)**	**(601,269,446)**	**8,367,048**	
Cash flows from financing activities					
Payments – total	**4320**	**(3,832,591,338)**	**(3,824,224,290)**	**(8,367,048)**	
including dividends or other distribution of earnings to owners (participants)	4322	(282,632,588)	(274,265,540)	(8,367,048)	
Net cash flows from financing activities	**4300**	**(330,077,029)**	**(321,709,981)**	**(8,367,048)**	

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 Oder 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.

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).

Items intended solely to be leased out are recorded in line 1150, Fixed assets. The net book value of such items was kRUB 543,060,545, kRUB 597,600,420 and kRUB 566,447,177 as of 31 December 2020, 2019 and 2018, respectively.

An asset is recognized as a fixed asset on the date it is ready for operation. Fixed assets the rights to which are subject to state registration are included in the fixed assets at the date of delivery to their final destination, if the asset it ready for operation. Using the substance-over-form principle, the completed capital construction projects and purchased real estate items that are actually in operation are also included in fixed assets, regardless of whether the documents for their state registration have actually been submitted. Such items are depreciated in accordance with the established procedure.

For accounting purposes, fixed assets are depreciated using the straight-line method:

- Assets put into operation before 1 January 2002: at the depreciation rates set by Resolution No. 1072 of the Council of Ministers of the USSR dated 22 October 1990
- Assets put into operation after 1 January 2002: 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
- Assets put into operation after 1 January 2018: 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.

The main groups of fixed assets have the following useful lives:

Buildings	30 to 100 years
Structures	7 to 30 years
Machinery, equipment and vehicles	5 to 20 years
Other types of fixed assets	3 to 30 years

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.

Fixed assets are not revalued following the completion of the mandatory revaluation of fixed assets in accordance with the Resolutions of the Russian Government.

Table 6. Information on fixed assets, (kRUB)

Group of fixed assets	Period	At the beginning of the period		Changes for the period				At the end of the period	
		Historical cost	Accumulated depreciation	Additions	Disposals		Depreciation charge	Historical cost	Accumulated depreciation
					Historical cost	Accumulated depreciation			
Total fixed assets	2020	**1,737,043,489**	**(1,063,726,269)**	**120,709,733**	**(19,130,491)**	**10,852,377**	**(128,647,168)**	**1,838,622,731**	**(1,181,521,060)**
	2019	**1,569,277,962**	**(931,460,440)**	**172,208,186**	**(4,442,659)**	**3,329,206**	**(135,595,035)**	**1,737,043,489**	**(1,063,726,269)**
Buildings and structures	2020	1,544,007,775	(922,772,908)	110,823,903	(11,938,058)	5,222,234	(118,668,381)	1,642,893,620	(1,036,219,055)
	2019	1,380,721,200	(801,688,141)	167,139,699	(3,853,124)	2,772,680	(123,857,447)	1,544,007,775	(922,772,908)
Machinery, equipment and vehicles	2020	187,880,481	(139,197,999)	9,842,393	(7,110,563)	5,567,348	(9,910,629)	190,612,311	(143,541,280)
	2019	183,346,891	(128,016,586)	5,037,447	(503,857)	470,965	(11,652,378)	187,880,481	(139,197,999)
Other fixed assets	2020	5,155,233	(1,755,362)	43,437	(81,870)	62,795	(68,158)	5,116,800	(1,760,725)
	2019	5,209,871	(1,755,713)	31,040	(85,678)	85,561	(85,210)	5,155,233	(1,755,362)
Including fixed assets that are not depreciated	2020	3,209,846	x	–	(10,179)	x	x	3,199,667	x
		3,209,893	x	13	(60)	x	x	3,209,846	x

Table 7. Information on fixed assets requiring state registration, (kRUB)

	At 31 December 2020	At 31 December 2019	At 31 December 2018
Real estate whose title has not yet been registered	203,526,157	212,947,138	216,700,282
Including real estate whose registration documents have not yet been accepted by the state authorities	200,527,191	210,138,389	208,464,386

Table 8. Information on the use of fixed assets, (kRUB)

Group of fixed assets	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total assets leased out (historical cost), including	**1,530,960,456**	**1,557,316,383**	**1,425,671,402**
Buildings	Buildings	48,462,125	46,838,617
Structures	Structures	1,332,392,306	1,207,948,158
Mothballed fixed assets (historical cost)	63,030,567	60,412,857	52,526,131
Total fixed assets leased (contract or cadastral value), including	**126,778,668**	**100,963,500**	**84,246,854**
Land plots	Land plots	69,523,734	74,304,769
Other fixed assets	Other fixed assets	31,439,766	9,942,085
Change in the value of fixed assets as a result of supplementary construction, retrofitting, refurbishment, modernization or partial liquidation	18,180,882	21,277,842	22,425,172

Table 9. Information on capital investments in progress, (kRUB)

Capital investments in progress by type of asset	At 31 December 2020	At 31 December 2019	At 31 December 2018
Equipment for installation	15,177,920	15,897,385	15,431,560
Construction in progress, including	728,065,887	634,303,095	613,815,168
Advances issued for construction, acquisition, manufacturing of fixed assets (net of VAT)	49,078,543	50,198,285	45,491,528
Other assets	2,583,410	2,158,984	2,146,511
Total	**745,827,217**	**652,359,464**	**631,393,239**

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 9,548,019 (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.

Geological exploration and production licenses (combined 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.

Intangible assets are recognized at their actual (historical) cost determined in accordance with Accounting Statement 14/2007, Intangible Assets, approved by Order No. 153n of the Russian Ministry of Finance dated 27 December 2007.

When an intangible asset is created in-house, the related costs are to be capitalized beginning from the development stage, i.e. when the Company can demonstrate:

- The technical feasibility of creating the intangible asset
- Its intention and ability to create the intangible asset and use it
- How the intangible asset will generate probable economic benefits
- The availability of sufficient technical, financial and other resources to complete development and use the intangible asset
- Ability to reliably estimate costs related to the intangible asset during its development

Costs incurred at the research stage are not capitalized and are treated as either expenses related to ordinary activities or other expenses, depending on the purpose of research.

- Intangible assets created in-house mean:
- Intangible assets created by the Company's employees when performing their job duties

Intangible assets resulting from the work performed by contractors under contracts in which the risks of negative results are borne by the Company.

The Company created the following intangible assets in the reporting period:

- Exclusive right to computer software and databases with a historical cost of kRUB497,816
- Exclusive rights to an invention with a historical cost of kRUB559,298

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 of 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 are defined in accordance with Petroleum Resources Management System (PRMS). For 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.
- Other mineral licenses (for the construction of underground gas storage facilities, the production of commonly occurring mineral resources and the abstraction of underground water): straight-line method
- Deliverables of 3D and 4D seismic surveys in support of the development at commercially recoverable oil and gas fields: unit-of-production method
- Information received as a result of drilling successful appraisal/exploration wells abandoned due to technological reasons at commercially recoverable oil and gas fields: unit-of-production method
- Digital and electronic maps, as well as other spatial data: straight-line method
- Other intangible assets: straight-line method

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	1.1 to 10 years
Exploration and mining licenses[1]	5 to 163 years
Survey, exploration and mining licenses (combined license)[1]	10 to 166 years
Other mineral licenses (for the abstraction of underground water, construction of subsurface gas storage facilities, etc.)	7 to 29 years

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.

If the timing for receiving future economic benefits is not reliably estimated during inventory counts, no changes are made to the amortization method.

Intangible assets are not revalued and are not tested for impairment by the Company.

The Company determined that there was no need to revise the amortization method and the useful lives of intangible assets in the reporting period.

The Company has determined useful lives for all intangible assets.

Intangible assets are reported in the balance sheet at their net book value.

[1] Provided that the production of mineral resources in the license area is commercially viable.

Table 10. Information on intangible assets, (kRUB)

Group of intangible assets	Period	At the beginning of the period		Additions	Changes for the period			At the end of the period	
		Historical cost	Accumulated amortization		Disposals		Amortization charge	Historical cost	Accumulated amortization
					Historical cost	Accumulated amortization			
	2020	**49,636,646**	**(9,047,370)**	**2,128,810**	**(2,267,711)**	**188,354**	**(3,523,994)**	**49,497,745**	**(12,383,010)**
Total intangible assets:	**2019**	**47,940,031**	**(7,471,211)**	**1,704,071**	**(7,456)**	**7,332**	**(1,583,491)**	**49,636,646**	**(9,047,370)**
Trademarks	2020	23,967	(13,123)	–	–	–	(1,842)	23,967	(14,965)
	2019	21,306	(11,374)	2,661	–	–	(1,749)	23,967	(13,123)
Exclusive rights to an invention, utility model or industrial design	2020	757,730	(498,713)	559,298	–	–	(184,737)	1,317,028	(683,450)
	2019	750,705	(352,283)	7,025	–	–	(146,430)	757,730	(498,713)
Exclusive rights to computer software and databases	2020	2,566,396	(1,560,236)	497,816	(2,733)	2,733	(375,508)	3,061,479	(1,933,011)
	2019	2,277,299	(1,281,842)	296,046	(6,949)	6,949	(285,343)	2,566,396	(1,560,236)
Mineral licenses (including combined exploration and production licenses issued after commercial viability is confirmed)	2020	42,838,732	(6,583,337)	90,522	(2,264,864)	185,525	(2,845,091)	40,664,390	(9,242,903)
	2019	42,772,552	(5,527,300)	66,180	–	–	(1,056,037)	42,838,732	(6,583,337)
Other licenses	2020	307	(205)	–	(114)	96	(18)	193	(127)
	2019	814	(563)	–	(507)	383	(25)	307	(205)
Information received as a result of drilling successful onshore appraisal/ exploration wells abandoned due to technological reasons	2020	555,770	(21,623)	981,174	–	–	(13,620)	1,536,944	(35,243)
	2019	555,770	(6,663)	–	–	–	(14,960)	555,770	(21,623)
Results of 3D and 4D seismic surveys at sites after commercial viability is confirmed	2020	2,669,011	(170,033)	–	–	–	(94,285)	2,669,011	(264,318)
	2019	1,347,653	(99,032)	1,321,358	–	–	(71,001)	2,669,011	(170,033)
Other intangible assets	2020	224,733	(200,100)	–	–	–	(8,893)	224,733	(208,993)
	2019	213,932	(192,154)	10,801	–	–	(7,946)	224,733	(200,100)

Table 11. Information on intangible assets created by the Company, (kRUB)

Historical cost by group of intangible assets	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total, including	**4,596,848**	**3,542,467**	**3,235,544**
Exclusive rights to computer software and databases	3,061,479	2,566,396	2,277,299
Exclusive rights to an invention, utility model or industrial design	1,310,636	751,338	744,313
Other	224,733	224,733	213,932

Table 12. Information on investments in progress made to create intangible assets, (kRUB)

Investments in progress	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total investments in creation of individual intangible assets, including by type:	**5,349,232**	**3,742,681**	**4,130,712**
Exclusive rights to computer software and databases	4,934,246	3,709,159	2,808,226
3D and 4D seismic surveys	410,526	17,522	1,304,261
Exclusive rights to an invention, utility model or industrial design	872	872	897
Trademarks	3,415	2,947	5,103
Other intangible assets	173	12,181	12,225

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)

Cost by group of intangible assets	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total, including	**11,879,018**	**9,201,500**	**8,870,210**
Non-exclusive rights to software programs, rights of access to information resources	11,879,018	9,201,500	8,870,210

Table 14. Information on fully amortized intangible assets, (kRUB)

Intangible assets	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total, including	**1,689,678**	**1,327,933**	**1,266,602**
Exclusive rights to computer software and databases	1,152,914	1,064,121	1,071,022
Exclusive rights to an invention, utility model or industrial design	332,765	79,003	13,715
Oil and gas production licenses	5,409	5,483	5,373
Trademarks	9,058	7,808	6,361
Other licenses	21	21	61
Other	189,511	171,497	170,070

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.

Table 15. Information on exploration assets, (kRUB)

Group of licenses	Period	At the beginning of the period		Changes for the period			At the end of the period	
		Historical cost	Accumulated impairment losses	Additions	Disposals		Historical cost	Accumulated impairment losses
					At historical cost	Accumulated impairment losses		
Tangible exploration assets	**2020**	**29,230,855**	**–**	**24,466,718**	**(23,121,826)**	**–**	**30,575,747**	**–**
	2019	**20,170,757**	**–**	**9,604,440**	**(544,342)**	**–**	**29,230,855**	**–**
Intangible exploration assets, including	**2020**	**107,173,674**	**(8)**	**20,976,896**	**(24,303,733)**	**8**	**103,846,837**	**–**
	2019	**99,214,265**	**(150)**	**8,975,984**	**(1,016,575)**	**142**	**107,173,674**	**(8)**
License to use subsurface resources with the right of extraction	2020	63,057,243	–	1,364,659	(22,912,979)	–	41,508,923	–
	2019	56,623,639	–	7,437,552	(1,003,948)	–	63,057,243	–
License to use subsurface resources without the right of extraction	2020	86,768	(8)	2,631	(53)	8	89,346	
	2019	2,421	(150)	84,520	(173)	142	86,768	(8)
Information on the results of drilling successful abandoned appraisal/ exploration wells	2020	43,021,612	–	19,120,460	–	–	62,142,072	–
	2019	42,548,639	–	472,973	–	–	43,021,612	–
Costs related to acquiring of subsoil use rights for oil and gas reserves	2020	1,008,051	–	489,146	(1,390,701)	–	106,496	–
	2019	39,566	–	980,939	(12,454)	–	1,008,051	–

Information on tangible exploration assets as of 31 December 2020 is disclosed in line 1140, Tangible exploration assets, including advances issued of kRUB811,632 and materials of kRUB815,297 intended for creating tangible exploration assets in the balance sheet.

Change in tangible exploration assets was mainly due to the completion of exploratory drilling in 2020 amounting to kRUB24,466,718, reclassification of information on the results of drilling successful abandoned appraisal/exploration wells in the amount of kRUB19,120,460 to intangible exploration assets.

In 2020, the change in intangible exploration assets was primarily due to the disposal of 17 geological survey licenses with the right of extraction in connection with the reissue of licenses to use subsurface resources in the amount of kRUB22,912,979; reclassification of information on the results of drilling appraisal/ exploration wells in the amount of kRUB19,120,460 to intangible exploration assets; and acquisition of 2 subsurface use licenses permitting geological survey and exploration in the amount of kRUB1,364,659.

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
- It is assumed that the positive completion of R&D activities will make it possible to demonstrate the use of its results in production for management requirements
- The amount of expenses can be defined and confirmed

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.

The R&D project value is written off on a monthly basis using the straight-line method in the amount of 1/12 of the annual amount.

In the event that the use of an R&D project is suspended, the related costs in the form of a monthly write-off amount are to be recognized as other expenses during the period for which the use of the R&D project has been suspended.

Where the Company early terminates using the results of R&D activities in accordance with the Order, On Writing Off R&D Expenses, R&D expenses are taken to other expenses.

The write-off period for R&D costs is determined by the Company based on the expected period of use of the results from these activities. This period may not exceed 5 years.

This period for most significant R&D results ranges from two to five years.

Table 16. R&D results profile, (kRUB)

R&D type	Period	At the beginning of the period		Change for the reporting period			At the end of the period	
		Historical cost	Part of the value written off to expenses	Additions	Disposals	Part of the value written off to expenses	Historical cost	Part of the value written off to expenses
R&D	2020	1,079,758	(538,192)	455,732	(368,792)	(150,562)	1,166,698	(688,754)
	2019	550,847	(360,890)	535,911	(7,000)	(177,302)	1,079,758	(538,192)

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 17. R&D in progress and pending registration, (kRUB)

R&D type	Period	At the beginning of the period	Change for the reporting period			At the end of the period
			Costs for the period	Costs expensed as unsuccessful	Recognized as intangible assets, R&D or fixed assets	
Costs of R&D in progress	2020	8,408,556	2,816,700	(1,781)	(1,189,734)	10,033,741
	2019	6,538,166	2,406,301	–	(535,911)	8,408,556

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). For 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 the 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.

Table 18. Information on other non-current assets, (kRUB)

Other non-current assets by type	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total other non-current assets	**39,003,899**	**33,452,714**	**31,951,119**
Prepaid expenses with the write-off period exceeding 12 months	19,440,293	12,157,493	9,812,024
including by type: software	19,440,293	12,157,493	9,812,024
ARO asset	19,128,439	20,962,554	21,814,156
Other non-current assets	435,167	332,667	324,939

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, paraxylene 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 recognized 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.

Table 19. Information on VAT and excise duties, (kRUB)

Tax	At 31 December 2020	At 31 December 2019	At 31 December 2018
Input value added tax charged	29,515,326	43,878,882	66,860,529
Excise duty assessed upon accounting for straight-run gasoline, benzene, orthoxylene, paraxylene	6,155,635	4,929,927	5,858,165

Table 20. Information on inventories, (kRUB)

Inventories by type	At 31 December 2020		At 31 December 2019		At 31 December 2018	
	Cost	Allowance for impairment	Cost	Allowance for impairment	Cost	Allowance for impairment
Total inventories	**113,986,622**	**(85,599)**	**138,946,748**	**(57,001)**	**151,463,844**	**(37,645)**
Raw and other materials	14,610,458	(83,414)	15,838,148	(57,001)	18,883,705	(37,426)
Costs related to work in progress	9,955,929	x	11,722,717	x	11,326,184	x
Finished products and goods	89,420,235	(2,185)	111,385,883	x	121,253,955	(219)

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)

Item	Period	Allowance at the beginning of the period	Change in the allowance over the reporting period		Allowance at the end of the period
			Accrued, +	Reversed (adjusted), -	
Total allowance	2020	57,001	38,039	(9,441)	85,599
	2019	37,645	20,330	(974)	57,001

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 kRUB239,016 (income); for the previous 2019: kRUB1,078,147 (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 PJSOC 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 remeasured 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 22. Information on financial investments, (kRUB)

Financial investments by type	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total	**7,187,984,529**	**6,818,923,238**	**7,260,408,278**
Total long-term investments	**5,764,322,744**	**5,833,160,665**	**6,159,574,705**
Units and shares (interests), including:	4,630,135,324	4,409,568,942	3,946,983,553
Shares (interests) in subsidiaries and associates	4,625,149,142	4,403,720,303	3,942,196,509
Long-term loans issued	1,008,162,802	1,220,410,862	1,954,261,188
Other long-term financial investments	126,024,618	203,180,861	258,329,964
Total short-term investments	**1,423,661,785**	**985,762,573**	**1,100,833,573**
Short-term loans issued	646,307,340	712,067,647	655,165,832
Deposits	436,110,717	55,642,502	216,368,210
Promissory notes and bonds received	124,115,954	119,019,389	130,282,140
Accounts receivable acquired under assignment agreements	–	–	456
Other short-term financial investments	217,127,774	99,033,035	99,016,935

Table 23. Information on movements in allowance for impairment of financial investments, (kRUB)

Item	Period	Allowance at the beginning of the period	Movements in allowance over the reporting period				Allowance at the end of the period
			Accrued, +	Recognized in other income (reversed)	Used (upon disposal of the financial investment)	Revaluation	
Allowance for impairment of financial investments (not having a market value)	2020	44,802,708	6,710,881	(4,027,380)	(12)	2,727,971	50,214,168
	2019	48,629,313	3,188,614	(2,326,606)	(3,102,763)	(1,585,850)	44,802,708

In 2020, change in the value of long-term financial investments from kRUB5,833,160,665 to kRUB5,764,322,744 was primarily due to the decrease in loans issued of kRUB212,248,060, 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 kRUB255,743,135; decrease in interests and investments in charter capitals of affiliates in the amount of kRUB34,314,296.

In 2020, changes mainly occurred in the following interests and investments: the value of investments in RN-NKI LLC increased by kRUB110,000,000; in RN-Razvedka i dobycha LLC – by kRUB66,038,078; in RN-Kommerciya LLC – by kRUB30,970,550; in RN-Vankor LLC – by kRUB30,000,000; in RN-Aktiv LLC – by kRUB18,992,833.

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.

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 key international banks and agencies. The Bloomberg system is the key source of information for making projections.

Profit or losses arising during the period asц adjustments upon change in the fair value are recognized in the income statement.

The change in the fair value of the derivative financial instrument means the difference between the fair value at the beginning of the reporting period (or at the date of acquisition, whichever is more recent) and at the end of the reporting period.

Derivative financial instruments at fair value through profit or loss are recorded as assets (liabilities) in the balance sheet in similar lines depending on their maturity.

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

Financial instrument	Period		Nominal amount at 31 December 2020		Interest rate type	Fair value of asset (liability) at 31 December (kRUB)		
	Issue	Repayment	kEUR / kUSD	kRUB*		2020	2019	2018
Swaps	2014	2019	–	–	Floating	–	–	(33,058,044)
Swap	2019	2021	985,718 €	89,387,274	Floating	(11,745,463)	2,243,018	–
Swap	2020	2021	1,000,000€	90,682,400	Fixed	(746,145)	–	–

In 2019, the Company completed transactions with derivative financial instruments entered into in 2014 in the nominal amount of kUSD1,009,518.

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 transaction 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 reserves 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.

* Equivalent of the nominal amount at the CBR official exchange rate as of 31 December 2020.

Table 25. Information on amounts recognized in other funds and reserves on hedging transactions, (kRUB)

Item	2020	2019	2018
Recognized in other funds and reserves at the beginning of the year	**1,389,427**	**(115,062,581)**	**(231,748,689)**
Foreign exchange differences on cash flow hedges before tax	–	–	333,196
Reclassified to profit or loss	(1,900,007)	145,565,010	145,524,439
Difference between the accounting profit (loss) and the taxable profit (loss) of the reporting period resulting from recognition of hedging transactions*	380,002	(29,113,002)	(29,171,527)
Recognized in other funds and reserves at the end of the year	**(130,578)**	**1,389,427**	**(115,062,581)**

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)

Item	2021
Reclassifications	(163,222)
Income tax	32,644
Total net of income tax	**(130,578)**

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the Company's amounts with banks and credit institutions, in operational and other cash 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)

Cash	At 31 December 2020	At 31 December 2019	At 31 December 2018
Cash	419,331,940	46,481,256	504,118,733
including restricted cash**	1,310,173	2,333,436	3,366,005
Deposits with the maturity period not exceeding 91 days and other cash equivalents	76,867,857	50,917,510	94,422,491

* Recognized in line 2412, Deferred income tax.

** Information on cash at the exchange and on accounts open with the territorial bodies of the Federal Treasury.

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 result 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.

Short-term accounts receivable and payable are reclassified into long-term in cases where payment periods under existing contracts are revised and increased to exceed 365 days.

Long-term accounts receivable and payable are reclassified into short-term where the term to maturity under existing contracts becomes 365 days or less.

Similarly, part of long-term accounts receivable and payable is reclassified into short-term if the debt under existing contracts is repaid by installments in different periods.

Table 28. Information on accounts receivable, (kRUB)

Accounts receivable by type	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total accounts receivable	**4,002,964,504**	**3,543,076,666**	**2,653,803,215**
Long-term accounts receivable	**3,062,309,222**	**2,131,722,190**	**1,648,785,448**
Including: trade accounts receivable	46,474	63,543	53,330
Advances paid	832,457	571,607	592,718
Other debtors, including	3,061,430,291	2,131,087,040	1,648,139,400
Loans issued to the companies within Rosneft Oil Company Group	2,788,145,043	1,869,506,975	1,330,769,489
Interest on long-term loans, promissory notes	270,705,745	234,673,280	288,968,440
Short-term accounts receivable	**940,655,282**	**1,411,354,476**	**1,005,017,767**
Including: trade accounts receivable	360,332,405	453,183,557	490,499,629
Advances paid	107,665,207	42,524,293	37,565,998
Other debtors, including	472,657,670	915,646,626	476,952,140

Receivables from the budget and state non-budgetary funds	88,722,094	110,217,319	96,014,921
Loans and promissory notes issued to the companies within Rosneft Oil Company Group	68,396,541	197,716,914	109,168,244
Interest (discount) on deposits, loans, promissory notes	189,806,746	240,049,474	126,541,234
Settlements under commission agreements, other debtors	57,628,725	90,050,833	80,463,919

Table 29. Information on movements in allowance for impairment of accounts receivable, (kRUB)

Item	Period	Allowance at the beginning of the period	Movements in allowance over the reporting period				Allowance at the end of the period
			Accrued, +	Recognized in other income (reversed)	Used (upon disposal of accounts receivable)	Translation differences	
Allowance for impairment of accounts receivable	2020	54,377,152	12,296,667	(14,820,737)	(788,324)	7,460,870	58,525,628
	2019	30,518,051	28,611,345	(1,824,700)	(1,021,299)	(1,906,245)	54,377,152

As of 31 December 2020, the Company's accounts receivable amounted to kRUB4,002,964,504, including the allowance for impairment of accounts receivable. In 2020, accounts receivable increased by kRUB459,887,838. The increase in accounts receivable was primarily attributed to the increase in amounts due from companies within Rosneft Oil Company Group on interest-free long-term loans to finance operating activities.

Table 30. Information on accounts payable, (kRUB)

Accounts payable by type	At 31 December 2020	At 31 December 2019	At 31 December 2018
Accounts payable	**2,525,807,379**	**2,699,900,722**	**2,333,146,921**
Trade accounts payable	1,738,450,553	1,867,264,817	1,526,096,089
Payables to the Company's employees	12,507	34,712	35,661
Payables to the budget and non-budgetary funds	80,441,063	100,730,066	72,371,917
Advances received	428,474,708	384,794,432	394,999,901
Settlements under commission agreements, other payables	278,428,548	347,076,695	339,643,353

In 2020, accounts payable decreased by kRUB174,093,343 year-on-year, and as of 31 December 2020, amounted to kRUB2,525,807,379. The decrease in accounts payable was primary attributed to settlements with the companies within Rosneft Oil Company Group for purchased products and operator 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 kRUB5,025,780 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)

Loans and borrowings by type	Balance at 31 December 2019	Change for the reporting period			Balance at 31 December 2020
		Received (accrued)	Repaid (paid)	Reclassified	
Long-term loans and borrowings	**5,397,760,107**	**5,944,249,540**	**(4,354,949,170)**	**(566,751,601)**	**6,420,308,876**
including					
• Long-term loans	905,750,857	832,629,783	(30,000,000)	(132,003,244)	1,576,377,396
• Long-term borrowings	1,745,174,492	4,236,099,114	(4,311,878,697)	15,270,039	1,684,664,948
• Long-term interest accrued under loan and borrowing agreements	171,780,471	26,638,165	(13,070,473)	6,878,818	192,226,981
• Long-term promissory notes issued	1,920,814	–	–	(1,097,608)	823,206
• Long-term interest accrued on promissory notes	1,285,686	119,297	–	(779,886)	625,097
• Long-term bonds issued	2,571,847,787	848,763,181	–	(455,019,720)	2,965,591,248
Short-term loans and borrowings	**946,067,618**	**3,797,654,293**	**(4,523,120,991)**	**566,751,601**	**787,352,521**
including					
• Short-term loans	80,000,000	841,770,250	(831,770,250)	–	90,000,000
• Short-term borrowings	197,271,659	2,644,550,917	(2,755,858,333)	(15,270,039)	70,694,204
• Current portion of long-term loans and borrowings	219,291,370	13,089,827	(231,991,981)	132,003,244	132,392,460
• Current portion of long-term interest accrued under loan and borrowing agreements	1,262,729	68,631,786	(68,537,287)	–	1,357,228
• Short-term interest accrued under loan and borrowing agreements	11,160,682	20,102,313	(21,389,574)	(6,878,818)	2,994,603
• Current portion of long-term bonds issued	400,000,000	–	(400,000,000)	455,019,720	455,019,720
• Short-term interest accrued on bonds (coupon income)	35,248,893	209,412,102	(211,697,758)	–	32,963,237
• Short-term promissory notes issued	1,097,608	–	(1,097,608)	1,097,608	1,097,608
• Short-term interest accrued on promissory notes	734,677	97,098	(778,200)	779,886	833,461

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)

Type of bonds	Series number	Issue date	Total nominal value	Coupon rate*	31 December		
					2020	2019	2018
Bonds	04, 05	October 2012	20,000,000	7.90 %	20,000,000	20,000,000	20,000,000
Bonds	07, 08	March 2013	30,000,000	7.30 %	30,000,000	30,000,000	30,000,000
Bonds	06**, 09**, 10**	June 2013	40,000,000	7.00 %	4,610,968	610,968	610,968
Exchange-traded bonds	BO-05, BO-06	December 2013	40,000,000	6.65 %	40,000,000	10,236,819	10,236,819
Exchange-traded bonds	BO-01, BO-07	February 2014	35,000,000	8.90 %	35,000,000	35,000,000	35,000,000
Exchange-traded bonds	BO-02, BO-03, BO-04, BO-08, BO-09, BO-10, BO-11, BO-12, BO-13, BO-14	December 2014	225,000,000	9.40 %	225,000,000	225,000,000	225,000,000
Exchange-traded bonds	BO-15, BO-16, BO-17, BO-24***	December 2014	400,000,000	7.85 %	–	400,000,000	400,000,000
Exchange-traded bonds	BO-18, BO-19, BO-20, BO-21, BO-22, BO-23, BO-25, BO-26	January 2015	400,000,000	6.30 %	400,000,000	400,000,000	400,000,000
Exchange-traded bonds	001R-01	December 2016	600,000,000	4.35 %	600,000,000	600,000,000	600,000,000
Exchange-traded bonds	001R-02	December 2016	30,000,000	9.39 %	30,000,000	30,000,000	30,000,000
Exchange-traded bonds	001R-03	December 2016	20,000,000	9.50 %	20,000,000	20,000,000	20,000,000
Exchange-traded bonds	001R-04	May 2017	40,000,000	8.65 %	40,000,000	40,000,000	40,000,000
Exchange-traded bonds	001R-05	May 2017	15,000,000	8.60 %	15,000,000	15,000,000	15,000,000
Exchange-traded bonds	001R-06	July 2017	90,000,000	8.50 %	90,000,000	90,000,000	90,000,000
Exchange-traded bonds	001P-07	July 2017	176,000,000	8.50 %	176,000,000	176,000,000	176,000,000
Exchange-traded bonds	001P-08	October 2017	100,000,000	4.35 %	100,000,000	100,000,000	100,000,000
Exchange-traded bonds	002P-01	December 2017	300,000,000	4.35 %	300,000,000	300,000,000	300,000,000
Exchange-traded bonds	002P-02	December 2017	300,000,000	4.35 %	300,000,000	300,000,000	300,000,000
Exchange-traded bonds	002P-03	December 2017	30,000,000	7.75 %	30,000,000	30,000,000	30,000,000
Exchange-traded bonds	002P-04	February 2018	50,000,000	7.50 %	50,000,000	50,000,000	50,000,000
Exchange-traded bonds	002P-05	March 2018	20,000,000	7.30 %	20,000,000	20,000,000	20,000,000
Exchange-traded bonds	002P-06	April 2019	10,000,000	8.70 %	10,000,000	10,000,000	–
Exchange-traded bonds	002P-07	April 2019	20,000,000	8.70 %	20,000,000	20,000,000	–

Type of bonds	Series number	Issue date	Total nominal value	Coupon rate*	31 December 2020	31 December 2019	31 December 2018
Exchange-traded bonds	002P-08	July 2019	25,000,000	7.95 %	25,000,000	25,000,000	–
Exchange-traded bonds	002P-09	October 2019	25,000,000	7.10 %	25,000,000	25,000,000	–
Exchange-traded bonds	002P-10	June 2020	15,000,000	5.80 %	15,000,000	–	–
Exchange-traded bonds	003P-01	November 2020	400,000,000	4.35 %	400,000,000	–	–
Exchange-traded bonds	003P-02	November 2020	400,000,000	4.35 %	400,000,000	–	–
Total long-term RUB-denominated bonds					**3,420,610,968**	**2,971,847,787**	**2,891,847,787**

* For the coupon period valid as of 31 December 2020.

** Part of the issue was repurchased by the issuer as of 31 December 2020.

*** Issues of bonds are repaid as of 31 December 2020.

Upon placement, all these bond series have maturity of six, eight or ten years.

Early purchase/buyback of the bonds does not mean their early repayment.

On 24 July 2012, the Company issued and sold 40 promissory notes with a par value kRUB 274,401.98 each and a total amount of kRUB 10,976,079.12, which have consecutive (quarterly) maturity dates over a ten-year period, and bear an interest rate of 9% p.a. These promissory notes were partly paid in 2012 to 2020.

The repayment schedule of long-term loans and borrowings as of 31 December 2020 is as follows:

Table 33. The repayment schedule of long-term loans and borrowings as of 31 December 2020

Year	Amount
2021	587,412,180
2022	570,412,420
2023	1,112,580,741
2024	617,072,904
2025 and after	3,927,390,733
Total long-term loans and borrowings	**6,814,868,978**

Table 34. Information on other long-term liabilities

Amounts of loan facilities provided to and not used			Restrictions on use of loan facilities (including required minimum balances)
At 31 December 2020	At 31 December 2019	At 31 December 2018	
–	–	10,000,000	–

Loans are partially secured by crude oil export contracts.

As of 31 December 2020, guarantees and sureties issued by the Company totaled kRUB 68,747,667 and included collateral provided in foreign currency in the amount of kUSD 331,522 at the CBR exchange rate ruling at the transaction date.

Items pledged as collateral for 2020 were as follows:

Table 35. Information on items pledged as collateral by type of pledge

Items pledged as collateral	Share in the total collateral amount, %
Revenue from sales of oil and oil products	31.89
Sureties	68.11

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's 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.

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 36. Information on other long-term liabilities, (kRUB)

Other long-term liabilities by type	Period	Balance at the beginning of the year	Received (accrued)	Repaid, reclassified (to short-term debt/loans and borrowings)	Balance at the end of the year
Other long-term liabilities, including:	**2020**	**799,125,852**	**1,005,299,311**	**(363,815,046)**	**1,440,610,117**
	2019	1,134,390,419	–	(335,264,567)	799,125,852
Long-term prepayments under crude oil and oil product supply contracts	2020	744,374,508	1,003,888,125	(351,743,844)	1,396,518,789
	2019	1,058,520,678	3,267,967	(317,414,137)	744,374,508

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 RUB291 billion (USD6 billion and EUR31 million at the exchange rate at the dates of prepayments, not subject to revaluation at the current exchange rate).

In the course of performing functions under the technical customer agreements, construction agreements are concluded, one of the terms of which is provisioning by a customer of a part of the cost of construction work to be paid to the contractor after acceptance of completed facility. As of 31 December 2020, liabilities totaling RUB3 billion are reclassified to long-term accounts payable under the agreements, the terms of which provide for repayment of the reserved amounts in one year and later.

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

31 December	Exchange rate	
	US dollar	Euro
2020	73.88	90.68
2019	61.91	69.34
2018	69.47	79.46

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 currency was kRUB61,121,561 and was recorded as other income of the Company.

Foreign exchange differences from the Company's operations outside the Russian Federation taken to additional capital in the reporting period included: foreign exchange gains of kRUB9,414 and foreign exchange losses of kRUB6,779.

Foreign exchange differences arising in the reporting period from operations involving assets and liabilities denominated in foreign currency, and from translation of such assets and liabilities as of the reporting date, were taken to the other income and expense account, except for liabilities designated as hedging instruments (refer to Note 13).

Currency conversion transactions are recorded separately on a net basis in the income statement; the financial result is recorded either in other income or in other expenses depending on the net amount of income (expense) for each such transaction.

Table 38. Income and expenses from dealing in foreign currency, (kRUB)

Income and expenses	For 2020	For 2019
Income	14,604,422	7,650,755
Expenses	(6,954,949)	(34,464,085)

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 kRUB512,441,314 in 2020 (2019: kRUB851,463,520).

In 2020, the accrued export duty amounted to kRUB302,490,410 (2019: kRUB702,733,622).

Information on settlements with the budget and non-budgetary funds is presented in the table below.

Table 39. Settlements with the budget and state non-budgetary funds, (kRUB)

	At 31 December 2020	At 31 December 2019	At 31 December 2018
Total receivables from the budget and state non-budgetary funds	**88,722,094**	**110,217,319**	**96,014,921**
Value-added tax (VAT)	84,730,799	95,094,406	91,483,038
Excise duty	3,540,687	15,043,880	11,611
Income tax	331,330	–	4,433,051
Other taxes and levies receivable	79,632	62,225	66,945
Receivables from state non-budgetary funds	39,646	16,808	20,276
Total payables to the budget and state non-budgetary funds	**80,441,063**	**100,730,066**	**72,371,917**
Mineral extraction tax (MET)	55,963,140	70,443,836	65,315,239
Tax on additional income from extraction of hydrocarbons (additional income tax, AIT)	16,639,568	21,752,473	–
Income tax	151,866	952,179	–
Excise duty	4,126,697	3,141,026	4,115,943
Property tax	3,130,165	3,273,315	2,826,990
Other taxes and levies payable	112,964	122,613	112,463
Payables to state non-budgetary funds	316,663	1,044,624	1,282

Taxes and levies receivable decreased by kRUB21,495,225 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 kRUB20,289,003 from 31 December 2019 primarily due to the decrease in MET by kRUB14,480,696 and the decrease in AIT by kRUB5,112,905. 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.

As of 31 December 2020, 2019 and 2018, the Company did not have any overdue taxes and levies payable.

According to provisions of the Russian Tax Code, desk-top 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 RUB105,981,778.17 and is divided into 10,598,177,817 common shares with a par value of RUB0.01 each. There were no changes in the charter capital as compared to 31 December 2019 and 2018.

RESERVE AND ADDITIONAL CAPITAL

The Company's equity also includes reserve and additional capital.

The Company's reserve capital represents reserve capital formed in accordance with constituent documents and is equal to 5 % of the charter capital. As of 31 December 2020, the reserve capital is fully formed and amounts to kRUB5,299. There were no changes in the reserve and additional capital as compared to 31 December 2019 and 2018.

TREASURY SHARES

In August 2018, 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 depositary 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.

The maximum number of shares and global depositary 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.

NET ASSETS

As of 31 December 2020, 2019 and 2018, the Company's net assets amounted to kRUB2,224,610,050, kRUB2,261,771,078, and kRUB2,026,470,417, respectively. The net assets decreased by kRUB37,161,028 or 1.6 % 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.

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 to budget thus increasing the cost of sales in the reporting period; in 2019, the excise duty amounted to kRUB145,899,744 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 additional personnel expenses related to measures imposed to contain the spread of the coronavirus infection in line with the requirements of Rospotrebnadzor 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 recognized in accounting records 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, 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, 2018, retained earnings of prior years amounted to kRUB1,950,647,825, kRUB2,142,102,123 and kRUB2,028,141,822, respectively.

Changes in the profit of prior years resulted mainly from accrued dividends in the amount of kRUB191,509,073.

The following income and expenses affected the retained earnings for the reporting year:

Table 40. The Company's income and expenses, (kRUB)

Item	For 2020	For 2019
Revenue (net) from the sale of goods, work, services (net of value added tax)	**4,835,091,105**	**6,827,526,407**
Including: sales related to principal activities	3,103,513,772	4,351,246,655
Trading and procurement	1,199,726,357	1,954,897,814
Gains from shareholding in other entities	528,570,288	516,331,673
Intermediation	3,280,688	5,050,265
Cost of goods, products, work and services sold	**(3,641,355,413)**	**(4,782,222,071)**
Including: related to principal activities	(2,579,599,446)	(3,230,653,508)
Trading and procurement	(1,061,755,967)	(1,551,568,563)
Oil and gas reserves exploration and estimation expenses	**(7,543,407)**	**(6,559,819)**
Gross profit	**1,186,192,285**	**2,038,744,517**
Selling expenses	**(772,860,114)**	**(1,196,815,437)**
General and administrative expenses	**(90,988,304)**	**(83,302,902)**
Profit (loss) from the sale of goods, work and services	**322,343,867**	**758,626,178**
Profit (loss) from other income and expenses	**(252,789,241)**	**(411,084,534)**
Including: interest receivable	148,757,678	176,844,160
Interest payable	(360,174,908)	(445,059,171)
Including: expenses on unwinding of the ARO asset discount	(5,003,226)	(4,193,305)
Gains from change in the fair value of derivative financial instruments	–	35,301,062
Losses from changes in the fair value of derivative financial instruments	(14,734,626)	–
Gains from the sale and other disposal of other property	33,828,628	5,807,645
Including: gains from the sale of fixed assets and capital construction in progress	21,715,347	2,317,813
Gains from the sale of long-term securities	9,826,624	2,255
Losses from the sale and other disposal of other property	(77,831,190)	(5,956,251)
Including: losses from the sale of long-term securities	(35,784,160)	(3,246)
Losses from write-off of exploration assets	(22,962,194)	(1,006,321)
Losses from the sale of fixed assets and capital construction in progress	(14,897,519)	(1,985,202)
Other expenses	157,163,733	118,915,307
Including difference between the carrying amount, transferred financial investments of shares (interests) as a contribution to the charter capital and their market value	63,942,359	88,083,562
Refund of the excise duty	6,882,665	6,484,435
Recognition of the deferred effect of hedging within other income	1,900,007	–
Other expenses	(139,798,556)	(296,937,286)
Including recognition of the deferred effect of hedging within other expenses	–	(145,565,010)
Translation differences	(61,121,561)	(41,638,090)
Dividend income tax	(3,621,931)	(370,537)
Other expenses directly related to the pandemic	(224,038)	–

Table 41. Allocation of the Company's expenses recognized in the income statement by type, (kRUB)

Item	For 2020	For 2019
Material costs	3,640,216,495	5,062,926,686
Payroll	41,753,510	37,053,917
Social charges	7,299,228	6,832,450
Depreciation and amortization*	132,707,266	149,353,651
Other costs**, including reverse excise duty, AIT, MET and oil and gas reserves exploration and estimation expenses	690,770,739	812,733,525
Total for types of expenses	**4,512,747,238**	**6,068,900,229**
Change (increase [-], decrease [+]) in balances of work in progress, finished goods, etc.	(21,993,776)	(12,599,481)
Total expenses related to ordinary activities**	**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

21. INCOME TAX

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
- Permanent tax expense
- 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 deferred income tax liabilities on a gross basis as non-current assets and long-term liabilities, respectively.

A 20 % income tax rate is used to calculate deferred tax assets and liabilities, and permanent tax income and expenses.

Permanent and temporary differences, deferred tax assets and deferred tax liabilities related to them, and permanent tax income and expenses resulting in an adjustment to the theoretical income tax expense are provided in the tables below.

Table 42. Permanent and temporary differences that gave rise to income tax, (kRUB)

Item	2020		2019	
	Accrued (charged)	Repaid (written off)	Accrued (charged)	Repaid (written off)
Deductible temporary differences	604,841,595	(188,397,825)	287,958,690	(168,999,685)
Taxable temporary differences	(173,390,825)	100,226,090	(139,404,710)	67,565,535
Positive permanent differences	(50,466,295)	x	(236,040,830)	x
Negative permanent differences	601,843,755	x	681,940,355	x

Table 43. Deferred taxes and permanent tax expenses and income, (kRUB)

Item	2020		2019	
	Accrued (charged)	Repaid (written off)	Accrued (charged)	Repaid (written off)
DTA (deferred tax asset)	**120,968,319**	**(37,679,565)**	**57,591,738**	**(33,799,937)**
DTL (deferred tax liability)	**(34,678,165)**	**20,045,218**	**(27,880,942)**	**13,513,107**
PTE (permanent tax expenses)	(10,093,259)	x	(47,208,166)	x
PTI (permanent tax income)	120,368,751	x	136,388,071	x

Deferred income tax for 2020 and 2019 amounted to kRUB68,276,333 and kRUB38,536,968, 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 relation 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 44. Indicators affecting the income tax expense, (kRUB)

Indicator	For 2020	For 2019
Profit (loss) before tax	**69,554,626**	**347,541,644**
Current income tax (line 2411)*, including:	**15,271,514**	**9,648,441**
Nominal income tax expense (income)	13,910,925	69,508,329
Change in deferred tax assets	85,424,958	25,637,662
Change in deferred tax liabilities	(3,952,431)	(15,633,038)
Permanent tax expense	10,093,259	47,208,166
Permanent tax income	(120,368,751)	(136,388,071)
Tax effect of the results of other operations not included in net profit (loss) for the period	(379,474)	–
Tax on income in the form of profits of controlled foreign companies	–	18,511
Deferred income tax (line 2412)	**68,276,333**	**38,536,968**
Income tax (line 2410) = line 2411 + line 2412	**83,547,847**	**48,185,409**

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 of RUB0.01 each for the total amount of RUB105,981,778.17.

AMOUNT OF DIVIDENDS

In 2020, the Company's net income amounted to kRUB155,811,166 and basic earnings per share amounted to RUB14.70. In 2019, it was kRUB396,526,209 and RUB37.41 per share, respectively. Diluted earnings per share were not calculated.

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 kRUB191,509,073 or RUB18.07 per share. As of 31 December 2020, the Company paid dividends in the amount of kRUB191,466,412. Dividends were paid to all of the issuer's registered shareholders except for shareholders who did not promptly notify the issuer's registrar of changes in relevant data.

23. SUBSEQUENT EVENTS

There were no economic events after 31 December 2020 that have had or may have an 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 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
- As a result of the Company's activities which indicate, based on the existing practices or statements of the Company, that the Company undertakes certain obligations and, consequently, is reasonably expected to settle these obligations.

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)

Provision	Description	Period	Balance at the beginning of the period	Recognized (accrued) for the reporting period	Written off		Increase (+)/ decrease (–) of provision, when expense/ income is recognized/ reversed upon the change in provisions	Balance at the end of the period
					(repaid) against costs or accounts payable recognized	as excessive or if recognition criteria are no longer met		
Total provisions created from expenses on ordinary activities, including by type of provisions:								
Total		**2020**	**32,874,094**	**27,371,495**	**(12,174,693)**	**(2,868,361)**	**3,087,255**	**48,289,790**
		2019	**22,176,271**	**29,837,142**	**(17,677,979)**	**(719,991)**	**(741,349)**	**32,874,094**
Provision for annual year-end bonuses	Planned amount of annual year-end bonuses to employees, with insurance contributions at the effective interest rate	2020	11,108,332	13,443,422	(8,273,062)	–	–	16,278,692
		2019	10,594,452	14,437,851	(13,923,971)	–	–	11,108,332
Provision for future vacation payments	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 the effective interest rate	2020	2,450,521	5,519,871	(2,822,494)	–	–	5,147,898
			2,821,660	2,914,341	(3,285,480)	–	–	2,450,521
Environmental provisions	Formed on all environmental obligations. The estimation is made by place of occurrence. Recognized at present value	2020	7,451,071	687,558	(201,025)	–	382,931	8,320,535
		2019	8,185,110	639,784	(398,469)	(234,005)	(741,349)	7,451,071

Provision	Description	Period	Balance at the beginning of the period	Recognized (accrued) for the reporting period	Written off (repaid) against costs or accounts payable recognized	Written off as excessive or if recognition criteria are no longer met	Increase (+)/ decrease (–) of provision, when expense/ income is recognized/ reversed upon the change in provisions	Balance at the end of the period
Provisions for legal claims	Provisions are recognized separately for each legal claim	2020	11,864,170	7,720,644	(878,112)	(2,868,361)	2,704,324	18,542,665
		2019	575,049	11,845,166	(70,059)	(485,986)	–	11,864,170
Provisions created by increasing the value of assets:								
Total		**2020**	**76,406,548**	**7,187,946**	**(3,920,397)**	**(33,625)**	**11,311,636**	**90,952,108**
		2019	**53,750,988**	**8,482,687**	**(2,376,729)**	**(221,413)**	**16,771,015**	**76,406,548**
Provision for fixed asset liquidation	Formed on all immovable oil and gas assets. The estimation is made by field. Recognized at present value	2020	73,535,311	6,049,838	(2,273,926)	(33,625)	11,648,833	88,926,431
		2019	52,094,640	6,042,093	(1,548,844)	–	16,947,422	73,535,311
Environmental provisions	Obligations to be included in the value of assets (08*)	2020	2,871,237	1,138,108	(1,646,471)	–	(337,197)	2,025,677
		2019	1,656,348	2,440,594	(827,885)	(221,413)	(176,407)	2,871,237

The provision for fixed asset liquidation presented in the column Recognized (accrued) for the reporting period includes the provision and expenses on discount amortization (interest) recognized as a result of nearing the settlement date of the provision. The increase in the provision for the reporting period (interest) as a result of nearing the provision settlement date should be recognized as expenses for the reporting period in the accounting records and financial statements. The effects from changes in the provision for liquidation, the rate and the discount period are presented in the column Increase (+)/decrease (–) of provision, when expense/income (reversal of expense) is recognized upon recognition of provisions.

The environmental provision presented in the column Increase (+)/decrease (–) of provision, when expense/income (reversal of expense) is recognized upon recognition of provisions includes effects from the revised estimations of value and the extent to which an obligation is settled, effects of discount rate change, reclassification between types of provisions created from expenses on ordinary activities and by increasing asset value.

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)

Transactions	For 2020	For 2019
Sales revenue and other income	**2,001,748,939**	**3,223,100,840**
Oil and gas sales	378,849,970	1,036,105,402
Petroleum products and petrochemicals sales	884,048,605	1,420,121,766
Income from leasing out property	136,007,310	149,161,243
Income from shareholding in other entities	526,843,795	514,872,917
Other income	75,999,259	102,839,512
Costs and expenses	**2,234,499,902**	**3,090,283,729**
Oil and gas purchases	1,530,744,141	2,357,618,751
Petroleum products and petrochemicals purchases	4,946,680	5,516,359
Logistics and transportation	134,960,618	146,469,209
Oil and gas production services	340,127,544	346,374,644
Cost of processing	157,832,109	166,537,773
Leases of assets	464,482	655,035
Other expenses	65,424,328	67,111,958
Other transactions		
Purchase of fixed assets	58,223	111,252
Loans and borrowings issued	3,126,819,253	1,285,097,529
Repayment of loans and borrowings issued	2,801,714,337	1,209,323,653
Short-term loans and borrowings received	2,310,349,737	1,576,442,009
Repayment of short-term loans and borrowings	2,503,321,828	1,580,578,845
Long-term loans and borrowings received	4,119,923,382	1,476,368,478
Repayment of long-term loans and borrowings	4,311,336,168	1,289,364,023
Deposits placed	3,146,609,058	541,381,292
Deposits repaid	3,071,319,316	561,700,338
Interest receivable	116,551,250	136,096,049
Interest payable	29,103,981	58,806,165

Transactions	For 2020	For 2019
Cash flows		
Cash flows from operating activities		
Proceeds:		
From sale of products, goods, work and services	1,322,217,389	2,424,042,134
From lease payments, license payments, royalties, commissions and other similar payments	136,365,889	150,188,103
Other proceeds	42,891,731	36,553,233
Payments:		
To suppliers (contractors) for raw materials, other materials, work and services	(2,486,501,802)	(3,003,608,814)
Exploration costs	(4,998,154)	(6,061,861)
Other payments	(809,380,724)	(633,340,385)
Cash flows from investing activities		
Proceeds:		
From sale of non-current assets (other than financial investments)	4,823,994	10,580,966
From repayment of loans issued, receivables from other parties, etc.	1,710,390,109	714,872,671
From dividends, interest on debt financial investments and similar proceeds from equity participation in other entities	901,079,171	355,362,963
Payments:		
To purchase, create, upgrade, reconstruct and prepare non-current assets for use	(179,692,790)	(169,023,407)
To purchase shares (interests) in other entities	(184,353,841)	(374,023,314)
To issue loans to other parties	(1,322,552,799)	(164,513,879)
Exploration assets	(13,330,314)	(12,968,542)
Cash flows from financing activities		
Proceeds:		
From loans and borrowings received	6,430,174,832	3,052,860,148
Payments:		
Repayment of loans and borrowings, repayment (redemption) of promissory notes, etc.	(6,815,736,935)	(2,870,276,820)

Table 47. Assets and liabilities under transactions with subsidiaries, (kRUB)

Assets and liabilities	Balance at 31 December		
	2020	2019	2018
Assets	**9,800,230,062**	**9,261,689,608**	**8,634,149,778**
Cash and cash equivalents	38,044,521	23,903,215	59,038,002
Accounts receivable, including	3,432,469,680	2,970,447,681	2,085,545,419
• Long-term accounts receivable	3,051,182,593	2,098,170,151	1,610,680,068
• Advances issued for capital construction and equipment for installation	13,784,619	14,467,016	14,910,443
• Short-term advances issued	9,326,746	7,303,321	7,568,489
• Allowance for impairment of accounts receivable	1,600,959	1,679,073	2,999,318
Short-term and long-term financial investments,	6,329,715,861	6,267,338,712	6,489,566,357
Including long-term	5,615,119,187	5,571,861,514	5,836,049,136
Liabilities	**3,539,531,711**	**3,878,845,982**	**3,429,908,621**
Accounts payable	1,799,655,565	1,927,536,974	1,560,159,472
Short-term and long-term loans and borrowings (including interest),	1,739,876,146	1,951,309,008	1,869,749,149
Including long-term	1,652,642,642	1,732,886,115	979,725

25.2 ASSOCIATES

This section discloses information concerning transactions with those associates in which the Company holds, directly or through other entities, more than 20 % but less than 50 % of the common voting shares (or no control is provided for other reasons), and which the Company holds significant influence over.

Table 48. Information on transactions with associates, (kRUB)

Transactions	For 2020	For 2019
Sales revenue and other income	**254,888,210**	**213,758,393**
Oil and gas sales	8,008,936	9,824,798
Petroleum products and petrochemicals sales	225,771,549	200,590,043
Income from leasing out property	578,151	339,993
Gains from shareholding in other entities	1,544,033	1,247,139
Other income	18,985,541	1,756,420
Costs and expenses	**255,658,783**	**420,043,491**
Oil and gas purchases	206,718,509	370,590,472
Logistics and transportation	32,762,210	32,394,201
Leases of assets	241,743	239,032
Cost of processing	14,509,633	15,352,240
Other expenses	1,426,688	1,467,546
Other transactions		
Loans and borrowings issued	5,163,637	4,615,969
Repayment of loans and borrowings issued	1,914,619	2,197,300
Short-term loans and borrowings received	160,661,178	26,351,823
Repayment of short-term loans and borrowings	161,235,770	25,235,622
Long-term loans and borrowings received	7,881,048	33,577,913
Repayment of long-term loans and borrowings	318,755	671,596
Interest receivable	1,500,229	2,399,869
Interest payable	7,524,678	5,577,670
Cash flows		
Cash flows from operating activities		
Proceeds:		
Other proceeds	62,979,522	94,455,926
Cash flows from investing activities		
Receipts:		
Sale of non-current assets (except for financial investments)	10,056,393	64,335

Table 49. Assets and liabilities under transactions with associates, (kRUB)

Assets and liabilities	Balance at 31 December		
	2020	2019	2018
Assets	**52,029,378**	**85,562,815**	**82,847,765**
Cash and cash equivalents	490	–	–
Accounts receivable, including	45,603,262	34,347,960	33,863,180
- Long-term accounts receivable	2,053,515	1,190,904	4,148,305
- Advances issued for capital construction and equipment for installation	573	153	4,979
- Short-term advances issued	2,756,341	1,900,177	1,470,657
- Allowance for impairment of accounts receivable	10,519,909	9,390,197	9,473,083
Short-term and long-term financial investments,	6,425,626	51,214,855	48,984,585
Including long-term	6,406,135	40,217,926	47,338,161
Liabilities	**294,699,357**	**381,242,196**	**332,672,518**
Accounts payable	234,752,591	330,970,899	317,267,080
Short-term and long-term loans and borrowings (including interest),	59,946,766	50,271,297	15,405,438
Including long-term	43,074,750	33,414,515	15,394,669

25.3 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 kRUB3,531,264 and kRUB3,570,285, 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 kRUB519,885 and kRUB513,128, 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.

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.

Table 50. Information on transactions with principal owners and entities controlled by principal owners, (kRUB)

Transactions	For 2020	For 2019
Sales revenue and other income	**372,038,417**	**399,684,893**
Oil and gas sales	182,560,483	264,219,112
Petroleum products and petrochemicals sales	184,331,141	134,202,571
Income from transactions involving term transaction financial instruments	815,304	729,800
Income from shareholding in other entities	182,459	211,618
Other income	4,149,030	321,792
Costs and expenses	**731,414,250**	**1,250,529,709**
Oil and gas purchases	55,309,919	124,248,816
Oil products purchases	3,103,540	1,386,417
Logistics and transportation	333,765,072	362,053,540
Customs duties	334,977,590	728,078,630
Leases of assets	147,444	112,808
Expenses from transactions involving term transaction financial instruments	92,154	31,832,282
Other expenses	4,018,531	2,817,216
Other transactions		
Purchase of fixed assets	7,090	165,254
Loans and borrowings issued	2,082,408	4,572,586
Repayment of loans and borrowings issued	2,209,915	–
Short-term loans and borrowings received	433,744,950	105,000,000
Repayment of short-term loans and borrowings	543,275,300	252,000,000
Long-term loans and borrowings received	546,246,360	–
Repayment of long-term loans and borrowings	–	112,500,000
Deposits placed	1,581,044,163	3,046,277,335
Deposits repaid	1,460,771,305	3,114,766,129
Interest payable	32,876,541	34,313,321
Interest receivable	6,446,437	9,756,564
Cash flows		
Cash flows from operating activities		
Payments:		
To suppliers (contractors) for raw materials, other materials, work and services	(536,109,764)	(415,334,855)
Interest on debt obligations	(32,478,763)	(35,602,786)
Cash flows from financing activities		
Proceeds:		
From loans and borrowings	979,991,310	105,000,000
Payments:		
Dividends or other distribution of earnings to owners (participants)	(151,437,611)	(242,388,808)

Table 51. Assets and liabilities under transactions with principal owners and entities controlled by principal owners, (kRUB)

Assets and liabilities	Balance at 31 December		
	2020	2019	2018
Assets	**699,998,366**	**252,970,839**	**738,888,392**
Cash and cash equivalents	391,294,769	33,562,166	475,694,965
Accounts receivable, including	111,378,331	126,154,406	97,499,791
• Long-term accounts receivable	5,913,837	4,936,200	5,132,184
• Advances issued for capital construction and equipment for installation	33,809,648	32,809,682	28,237,506

• Short-term advances issued	24,985,217	35,002,026	29,803,656
• Allowance for impairment of accounts receivable	49,983	10,345	9,136
Short-term and long-term financial investments,	197,325,266	93,254,267	165,693,636
Including long-term	101,333,698	87,663,843	96,324,663
Liabilities	**831,035,023**	**367,274,279**	**615,323,703**
Accounts payable	16,389,599	6,755,387	10,170,206
Short-term and long-term loans and borrowings (including interest)	814,645,424	360,518,892	605,153,497
Including long-term	737,508,223	180,477,410	408,917,660

25.5 JOINT VENTURE PARTICIPANTS

There are no transactions with companies involved in joint activities with the Company for the period of 2019–20.

25.6 OTHER RELATED PARTIES

Other related parties include a non-state pension fund operating in the interests of the Company's employees.

Table 52. Information on transactions with other related parties, (kRUB)

Transactions	For 2020	For 2019
Sales revenue and other income	**1,435**	**182**
Other income	1,435	182
Costs and expenses	**3,561,345**	**1,100,112**
Other expenses	3,561,345	1,100,112

Table 53. Assets and liabilities under transactions with other related parties, (kRUB)

Assets and liabilities	Balance at 31 December		
	2020	2019	2018
Assets	**176**	**3**	**–**
Accounts receivable	176	3	–
Liabilities	**–**	**1**	**3,804,684**
Accounts payable	–	1	3,804,684

In the reporting period, the Company mainly used the monetary form of settlements with related parties.

26. SEGMENT INFORMATION

The Company, its subsidiaries and associates (hereinafter, the "Rosneft Oil Company Group") operate as a vertically integrated business. Rosneft Oil Company Group is principally engaged in the exploration, development, production and sales of oil and gas, as well as the production, transportation and sales of petroleum products in the Russian Federation and abroad. Management information, which is regularly analyzed by those persons with the power to make decisions on resource allocation in the Company and further performance evaluation, is prepared for the business purposes of Rosneft Oil 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)

Segment	Net revenue for the reporting year		
	Total	External market	Domestic market
Oil	2,014,057,411	1,636,908,853	377,148,558
Gas	165,231,269	–	165,231,269
Oil products and petrochemicals	1,982,814,798	869,127,488	1,113,687,310
Other sales	672,987,627	–	672,987,627
Total	**4,835,091,105**	**2,506,036,341**	**2,329,054,764**

Oil includes sales of oil and gas condensate.

Gas includes sales of natural gas, APG and DSG.

Oil products and petrochemicals include sales of oil and gas refinery products.

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.

27.3 ENERGY RESOURCES

Information on the total costs related to energy resources used is given below[1].

Table 55. Information on resources used, (kRUB)

№	Energy resource	For 2020	For 2019
1	Electric energy	35,345	36,475
2	Heat energy	4,345	4,508

[1] 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.

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 and timber; 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.

Pursuant to Decree of the Government 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.

CONTACT DETAILS

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Public Joint-Stock Company
Rosneft Oil Company

ABBREVIATED NAME:

PJSC Rosneft Oil Company

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