



ROSNEFT

Grade oil

Eco

ANNUAL
REPORT

2019

“Rosneft” and the “Company” mean Rosneft Oil Company PJSC either separately or together with its subsidiaries and affiliates, as the context may require. This 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 Annual Report for 2018 contains elements of integrated reporting as defined in the International Integrated Reporting Standard published by the International Integrated Reporting Council (IIRC).

It aims to present the Company’s financial and non-financial results and achievements in sustainable development, highlighting the existing links between the competitive environment, the Company’s Strategy, business model, risk management, and a clearly defined corporate governance structure.

Since 2017, Rosneft has been participating in the work of The IIRC Business Network, the goal of which is to develop the integrated reporting practice basics and to undertake other activities aimed at the effective implementation and development of the International Integrated Reporting System.

The Annual Report was approved by the General Shareholders Meeting on June 02, 2020 (unnumbered Minutes).

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Message from the Chairman of Rosneft's Board of Directors



— “ —

As the Chairman of the Board of Directors, I think it is extremely important that the Company is taking consistent steps to unlock its potential, placing a special emphasis on innovations and environmental protection.

” —

Gerhard Schroeder

Chairman of the Board of Directors

Dear shareholders and investors,

Every year, we see businesses pay increasing attention to environmental, social and governance factors, which have also become a key focus area for the investment community. I can say with certainty that 2019 was a breakthrough year for Rosneft when it comes to sustainable development. As the

Chairman of the Board of Directors, I am convinced that it is extremely important for the Company to take consistent steps unlocking its potential, placing a special emphasis on innovations and environmental protection.

Rosneft has joined the UN Global Compact, an initiative that encourages businesses to become more socially responsible. Moreover, we annually

release a public statement regarding the Company's contribution towards achieving the 17 UN Sustainable Development Goals.

In line with our development strategy, we aim to become one of the greenest companies by 2022 and rank in the first quartile among global peers in terms of unit GHG emissions. We have already delivered some tangible results. In 2019,

we cut fugitive methane emissions by more than 70%. Importantly, this is not a one-off reduction, but a sustainable trend. We have been keeping up the momentum for the last few years, which makes us one of the industry's leaders in minimising the GHG footprint.

Another milestone for both the industry and the global community was our signing of the guidelines for reducing methane emissions across the natural gas supply chain in June 2019. Together with other industry majors supporting this initiative, we will be able to cut these emissions generated by production assets.

Our green investments totalled RUB 35 bln in 2019 and approximately RUB 240 bln over the past five years, with another RUB 200 bln slated to be spent in the coming years as part of our ongoing efforts in this area.

We are encouraged to see our achievements in sustainable development recognised by the public as well as by rating agencies. In 2019, we joined the ranks of industry leaders in the major international sustainability ratings. Rosneft was included in the FTSE4Good Index and became the best Russian oil and gas company in the global CDP Climate and Water ratings, while also winning praise from Bloomberg and Refinitiv for the transparency of its disclosures.

Another driver of Rosneft's investment appeal is its dividend policy, which provides for at least 50% of its net income to be distributed twice a year as dividends. In 2019, the Company paid record high interim dividends of RUB 162.5 bln. Today, we offer our shareholders one of the best returns in the Russian oil and gas industry. Our excellent performance in 2019 will enable us to further increase the size of final dividends.

We are successfully growing our international business, too. The reporting year saw us start direct sales of petroleum products in Germany, which marks an important stage in our history. At present, we make shipments from refineries where the Company is a shareholder to more than 500 customers in Germany, Poland, Czech Republic, Switzerland, Austria and France. But our ambitions go beyond that. Going forward, we plan to expand our sales geography, including by benefiting from a deal to increase our stake in Bayernoil Raffineriegesellschaft to 28.57%. Rosneft remains the third largest oil refining company in Germany, with the total crude oil processing volumes amounting to 12.8 mmtpa.

The development of Zohr, a natural gas field in the Mediterranean Sea offshore Egypt where Rosneft holds a 30% stake, is advancing ahead of schedule. Put on stream as early as in 2017, the field produced 23.4 bcm of gas in 2019. Our

participation in this unique project run jointly with global majors strengthens our position as a cutting-edge high-tech company, while also enabling us to build up our offshore development competencies.

That said, we are not going to stay put and will continue moving forward. Therefore, I am confident that in 2020 all our business lines will continue growing fast.

Message from Rosneft's Chief Executive Officer, Chairman of the Management Board



“

2019 has been a successful year for the Company. We kept working consistently towards our 2022 strategic goals approved by the Board of Directors

”

Igor Sechin

Chairman of the Management Board and Chief Executive Officer

Dear shareholders and investors,

2019 has been a successful year for the Company. We consistently worked to implement the Rosneft-2022 Strategy approved by the Board of Directors and delivered strong results across a variety of business lines, which helped us cement our leadership in the energy market.

Notwithstanding the existing OPEC+ arrangement and limitations on oil intake by Transneft's trunk pipelines,

we managed to maintain hydrocarbon production at a record high of 285.3 mmtoe, with the average daily output standing at 5.8 mmboe.

These strong results were due to the launch of greenfield projects, sustained production at brownfields and the use of cutting-edge technologies. At Bashneft's Ilishevskoye field, we piloted Digital Field, the industry's unique information system covering all key oil production and logistics processes. This project is expected to have an annual economic

impact of some RUB 1 bln on Bashneft alone, and will be further rolled out to other assets.

In the reporting year, we also carried on with the cluster development of our fields. In June, we put on stream the Zapadno-Erginskoye field (Erginsky cluster) and started infrastructure development and preparations for commercial production at the Severo-Danilovskoye oil and gas condensate field, the first of four fields in the Danilovsky cluster.

Another important milestone was the start of developing a new oil and gas province on the Taimyr Peninsular in Northern Russia, as part of the Vostok-Oil project. Its reserve base amounts to nearly 5 bt of crude oil. The key advantage of this project, which we plan to develop together with partners, is its close proximity to the unique Northern Sea Route. This will enable us to supply crude oil to both Europe and Asia, while also increasing cargo flow along the Northern Sea Route in line with the instructions of the Russian President. Going forward, we plan to create a new world-class cluster unmatched anywhere else.

In 2019, oil refining volumes amounted to 110 mmt, with more than 10 mmt attributable to the Company's foreign refineries. These volumes were sufficient to meet the domestic demand and honour our commitments with respect to stable and secure supply of petroleum products. Wholesale shipments of motor fuels grew almost 4% year-on-year, coming close to 30 mmt. On the exchange, we sold 2.3 times more motor gasoline and twice as much diesel fuel as required by the Government. Domestic retail sales of motor fuels went up 6% compared to 2018.

On a separate note, we started producing the first hydrotreating catalysts capable of fully replacing similar foreign products to reduce the dependence of the Russian refining industry on imported technologies. Industrial tests on the first batch of these catalysts proved to be a success.

Our Rosneft-2022 Strategy efforts have already yielded tangible results, which is best illustrated by stronger financials, in particular net income and dividends. In 2019, our net income attributable to shareholders increased by 29% to RUB 708 bln. Our revenue went up by 5.3% to a record high of RUB 8.7 trln, while operating profit before depreciation and amortisation grew by 1.2% to

RUB 2.1 trln. In 2019 our free cash flow amounted to RUB 884 bln, remaining in the positive territory for nearly eight years running.

These achievements gave a boost to our market capitalisation, which increased by 17% in 2019 and by over 44% since the launch of the Strategy. This proves that we are on the right path.

We confirmed our role as Russia's largest taxpayer and a systemically important company, with contributions to the national budget coming close to RUB 3.6 trln over the year.

Maximising shareholder returns is a key priority for the Company's management. For the full year, our dividends reached an all-time high of roughly RUB 283 bln (up 25% year-on-year), with nearly RUB 141 bln attributable to the Russian Government.

We are successfully developing our trading business. In 2019, we opened an office in Singapore to trade in oil and petroleum products. The new division has already delivered impressive results, with feedstock supplies to Asian countries in 2019 reaching 79.7 mmt. We are strengthening our efforts in the traditional sales markets, too. In 2019, we signed contracts to supply up to 12 mmt and 15.1 mmt of oil to Poland and the Czech Republic, respectively.

In the past 20 years Rosneft became one of the global energy leaders and the largest publicly-traded company in the world by production and reserves volumes. Our employees received awards from the Government for their outstanding achievements and contribution to the national economy. I am confident that this high-level recognition will help us strengthen our position both in the Russian and international markets.

Assets and Regions of Operation

23 countries of operation

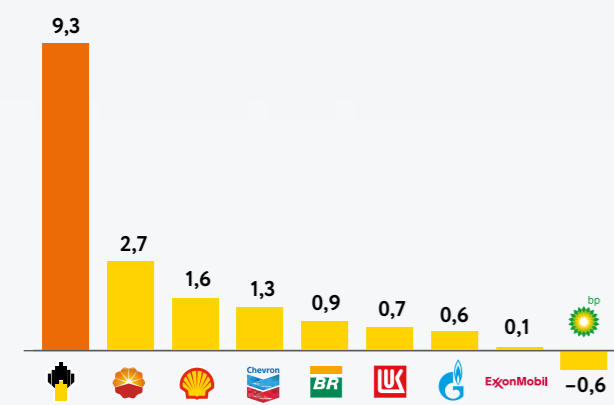
78 regions of operation in Russia

6% share in global oil production

13 refineries in Russia

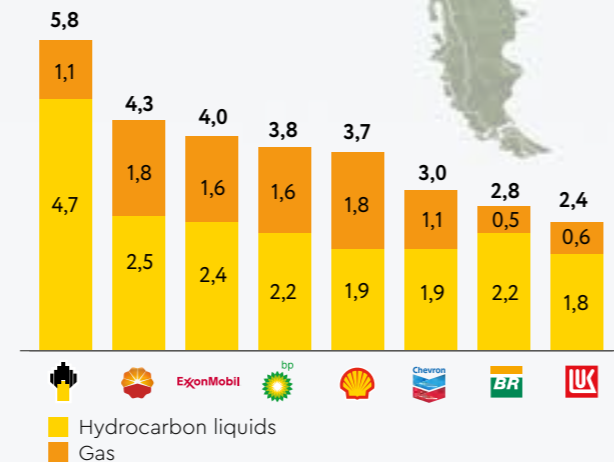


Average hydrocarbon production growth in 2009–2019, %



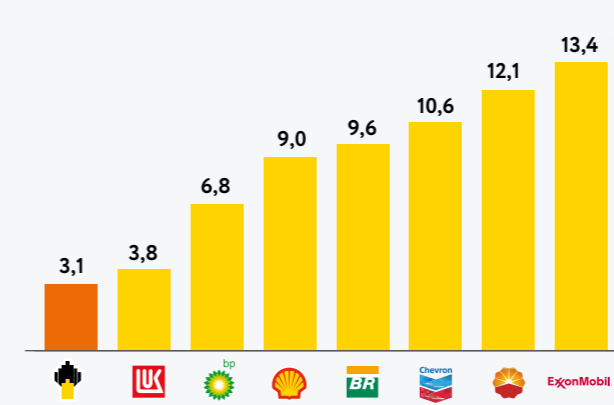
Sources: company reports; Wood Mackenzie (Gazprom).

Hydrocarbon production in 2019, mmboe per day



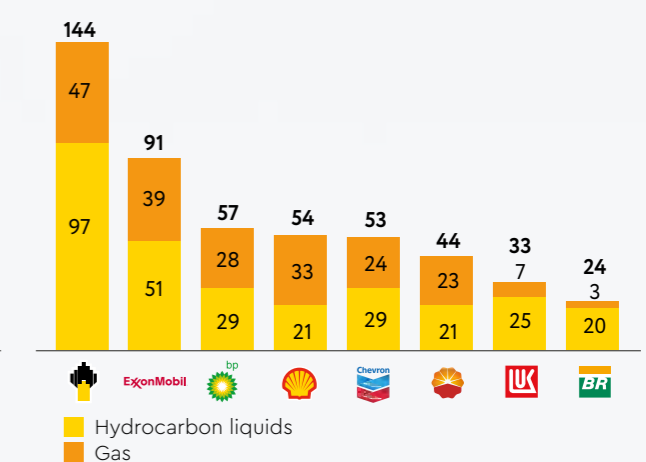
Source: company reports for 2019.

Hydrocarbon production costs in 2019, USD per boe



Source: company reports for 2019.

AB1C1+B2C2 hydrocarbon reserves, bboe as at 1 January 2020



Data on Rosneft is provided according to the Russian resource classification system (AB1C1+B2C2) as at 1 January 2020, data on other companies is based on Wood Mackenzie's appraisal and includes commercial and sub-commercial reserves.

Mission and values

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

SUSTAINABLE DEVELOPMENT

Commitment to 17 UN Sustainable Development Goals, with a focus on five priority ones

Becoming a global leader that ensures accident-free operations, protects health and safety of its employees and local communities in the regions of operation, and minimises its environmental footprint

Preserving the environment for future generations

FINANCE AND INVESTMENTS

Enhancing project management

Maintaining operational leadership

Ensuring high shareholder returns

CORPORATE GOVERNANCE

Developing organisational capabilities and human resources

Commitment to strong business ethics

ADVANCING TECHNOLOGY

Digitalising the entire business
Creating a sustainable technological advantage

Technology partnerships

Fostering in-house research and development

Localising manufacturing

Business Model

Capital¹ (resources)

Financial

RUB 0.9 trln
investments

>USD 25 bln
of foreign investments
since 2014

Social and reputational

23
countries of operation

Human

335 thousand
qualified employees²

Intellectual

27
R&D and design institutes

Natural

RUB 35 bln green investment
ca. 19% share of gas in the total hydrocarbon production

Productive

In Russia: **13 refineries**
Abroad: **6 refineries**

#1 public company worldwide by production volume³
#1 largest integrated oilfield services

¹ Definition and list of capitals as per the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

² Headcount as at 31 December 2019

³ Listed on Western stock exchanges

World-class resource base and efficient production assets

PRODUCTION
230 mmt

Crude oil
282 mmt of crude oil

Exploration
52 mmt purchase

Gas
67 bcm PRODUCTION

7 bcm purchase

Modern refineries

OIL REFINING
In Russia: **100 mmt**
Abroad: **10 mmt**

PETROLEUM PRODUCTS
In Russia: **97 mmt**
Abroad: **11 mmt**

9 mmt petroleum products purchase

Extensive logistics and distribution network

PETROLEUM PRODUCTS SALES

In Russia: **42 mmt**
Abroad: **70 mmt**

3 mmt petrochemicals

OIL SALES
In Russia: **6 mmt**
Abroad: **149 mmt**

170 mmt
Other, including JVs
15 mmt

GAS SALES
In Russia: **57 bcm**
Abroad: **5 bcm**

74 bcm of gas
INTERNAL CONSUMPTION, ETC.⁴
12 bcm

Revenue

TOTAL
RUB 8,676 bln

RUB 3,897 bln

RUB 100 bln

RUB 4,234 bln

RUB 259 bln

other⁵
RUB 186 bln

Capital (results)

Financial

RUB 2.105 bln EBITDA
RUB 708 bln net income

24 % EBITDA margin
RUB 283 bln dividends

Social and reputational

RUB 3.5 trln taxes
RUB 35 bln allocated for social projects

621 kt production of Euro 6 gasoline with enhanced environmental properties
12 filling stations retail sales of compressed natural gas

Human

1.9 x salary vs. the country's average
#1 employer in Russia's oil industry

Intellectual

>700 patents issued
>RUB 11 bln innovations impact

Natural

>90 % share of water recycled and re-used
1.7 mmt of CO₂ eq. reduction of GHG emissions

-3 % atmospheric emissions other than GHG

Productive

185 % reserve replacement ratio
88 % high success rate of onshore exploration drilling in Russia

42 mmt motor fuels output

In 2019, unless otherwise specified

⁴ Including reservoir pressure maintenance
⁵ Including auxiliary services and other sales, income from joint ventures and associated businesses.

Company Structure

EXPLORATION AND PRODUCTION

Exploration



Russia

LLC RN-Exploration
LLC RN-Shelf Arktika
JSC Elvary Neftegaz
LLC Yermak Neftegaz

Brazil

Rosneft BRASIL E&P LTDA

Norway

RN Nordic Oil AS

Iraq

Bashneft International B.V.
LLC RN BVK

Iraqi Kurdistan

RN-Qasrok 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
LLC Bashneft-Petrotest
LLC RN-Transport

Production



Timan-Pechora

LLC RN-Severnaya Neft
LLC Bashneft-Polyus

Far East

Sakhalin-1
JSC RN-Shelf-Far East
LLC RN-Sakhalinmorneftegaz

Western Siberia

LLC RN-Yuganskneftegaz
LLC RN-Purneftegaz
JSC Tomskneft VNK
LLC RN-Uvatneftegaz
JSC Samotlorneftegaz
JSC Rospan International
JSC RN-Nyaganneftegaz
JSC Nizhnevartovsk Oil and Gas Producing Company
JSC Sibneftegaz
LLC Kynsko-Chaselskoye Neftegaz
JSC Tyumenneftegaz
JSC Messoyakhaneftegaz
PJSC Varyeganneftegaz

Southern Russia

PJSC NGK Slavneft
LLC Sorovskneft
JSC Yugraneft Corporation
LLC Severo-Varyeganskoye
JSC Kondaneft
LLC Kharampurneftegaz
LLC SevKomNeftegaz
LLC SKN

Eastern Siberia

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

Central Russia

JSC Samaraneftegaz
OJSC Udmurtneft
JSC Orenburgneft
LLC Bashneft-Dobycha

Southern Russia

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

Vietnam

Rosneft Vietnam B.V.

Canada

RN Cardium Oil Inc

Egypt

Upstream Projects Pte. Ltd.

Iraqi Kurdistan

RN-Batil Pte. Ltd.
RN-Zawita Pte. Ltd.
RN-Harir-Bejil Pte. Ltd.
RN-Darato Pte. Ltd.

REFINING AND SALES

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)
LLC Krasnoleninsky Refinery
LLC Purneftepererabotka

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
LLC RN-Kat

Gas processing

JSC Otradnensky Gas Processing Plant

JSC Neftegorsky Gas Processing Plant
LLC Tuimazinskoye Gas Processing Plant
LLC Shkapovskoye Gas Processing Plant
LLC RN-Buzulukskoye Gas Processing Plant

Germany

Rosneft Deutschland GmbH
PCK Raffinerie GmbH

Belarus

OJSC Mozyr Refinery

Ukraine

PRJSC LINIK

Sales



LLC RN-Morskoi Terminal Nakhodka
LLC RN-Vostoknefteprodukt
LLC RN-Arkhangelsknefteprodukt
PJSC Rosneft-Kubannefteprodukt
JSC Rosneft-Stavropolye
LLC RN-Morskoi Terminal Tuapse
LLC RN-Krasnoyarsknefteprodukt
LLC RN-Novosibirsknefteprodukt
LLC RN-Chechennefteprodukt
PJSC Rosneft-Altaineftneftprodukt
PJSC Rosneft-Kurgannefteprodukt
PJSC Rosneft-Smolensknefteprodukt
PJSC Rosneft-Kabardino-Balkaria Fuel Company
OJSC Rosneft-Artag
LLC Bashneft-Roznitsa
PJSC 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
PJSC Rosneft-Karachaevo-Cherkessknefteprodukt
LLC RN-Ingushnefteprodukt
PJSC Rosneft-Yamalnefteprodukt
LLC RN-Severo-Zapad
JSC Belgorodnefteprodukt
JSC Irkutsknefteprodukt
JSC Orelnefteprodukt
JSC Penzannefteprodukt
JSC Tomsknefteprodukt VNK
LLC RN-Volgograd
LLC RN-Aero
PJSC Tulannefteprodukt
JSC RN-Rostovnefteprodukt
LLC RN-Bunker
JSC Kalugannefteprodukt
JSC Ryazannefteprodukt

JSC Karelianefteprodukt
PJSC Saratovnefteprodukt
JSC RN-Yaroslavl
LLC RN-Chernozemye
JSC Uralsevergaz
LLC PTK

Belarus

FLLC RN-Zapad

Mongolia

LLC Rosneft-Mongolia
LLC Mergevan

Kyrgyzstan

CJSC RN-Kyrgyznefteprodukt

Armenia

LLC Petrol Market
CJSC Rosneft-Armenia

Georgia

Petrocas Energy Group



01

**Strategy
of the Company**

STRATEGY ROSNEFT-2022

CORE STRATEGIC PRIORITIES

INCREASE PROFITABILITY

and improve existing asset performance

+29 %
net income

3,1 USD/boe
continued global leadership in unit production costs

COMPLETE KEY PROJECTS

strong project management

22,5 mmt
liquid hydrocarbons production at key projects

21 mmt
liquid hydrocarbons production from hard-to-recover reserves

PERFORM STRUCTURAL AND TECHNOLOGICAL TRANSFORMATION

and ensure continued enhancement of competitive advantages

78
technology deployment

>RUB 11 bln
innovations impact

ACHIEVEMENTS IN 2019



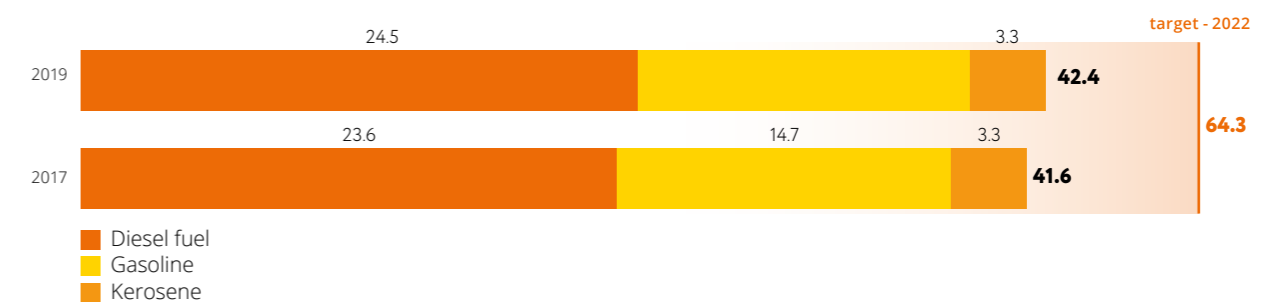
« Our Rosneft-2022 Strategy efforts are linked to the priorities of Russia's development and aligned with the UN Sustainable Development Goals. In 2019, the Company made progress against all the core strategic priorities – increasing profitability, completing key projects, and transforming the culture and technological capability. We are also working on various projects designed for employee development, contributing to social welfare of regional communities and minimising our environmental footprint.

Achieve targets

Hydrocarbon liquids production, mmt



Production of motor fuels complying with the Technical Regulations, mmt



Production from hard-to-recover reserves, mmt



SUSTAINABLE DEVELOPMENT

STRATEGIC OBJECTIVE

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

An integrated approach to sustainable development



GAS INVESTMENT PROGRAM.
23

APG utilisation facilities built in 2019



ENVIRONMENTAL EFFICIENCY IMPROVEMENT PROGRAMME
73 %

reduction of fugitive methane emissions in Exploration and Production operations



ENERGY SAVING PROGRAMME
0.9 mmtoe

energy savings within the programme



MARINE BIODIVERSITY CONSERVATION PROGRAMME
>RUB 100 mln.

total investments within the programme in 2019

Advanced technology powering sustainability initiatives

- developing an integrated technology for the treatment of oil sludge containing natural-occurring radionuclides
- developing a comprehensive, scalable technology for the prolonged-action disposal of drilling waste
- developing chemical methods of oil spill response with a focus on dispersants for offshore areas
- creating a microbial agent for eliminating hydrocarbon pollution in the Arctic seas
- testing a telemonitoring solution to detect gas leaks using laser gas sensors
- testing an APG desulphurisation plant using a microporous membrane technology

STRATEGIC OBJECTIVE

Strengthening environmental and social responsibility positions

- Rosneft has joined the Guiding Principles on Reducing Methane Emissions across the Natural Gas Value Chain – an initiative of leading international oil and gas companies
- Rosneft regularly updates its public statement on the Company's contribution towards achieving the 17 UN Sustainable Development Goals (the document can be found on the Company's website)



>3.1 mmt CO₂-eq.
greenhouse gas emissions avoided since the strategy launch

RUB 55 bln
contribution to occupational health and safety

1 mln trees
planted in 2019 as part of forest conservation initiatives

The Company's achievements are confirmed by international ratings

- CDP ratings in Climate and Water categories

B the best score among Russian companies, two notches higher than the average score of European peers in the Climate Change category

B- a leader among global oil and gas majors in the international Water Security category

- Corporate Human Rights Benchmark: the best Russian company
- ESG score from Refinitiv Rosneft among Top 5 in the industry
- An industry leader according to Bloomberg

DIGITAL TRANSFORMATION AND TECHNOLOGY

goal
2019 results

EXPLORATION AND PRODUCTION

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

Industry's first

Digital Field covering all major oil production and logistics processes

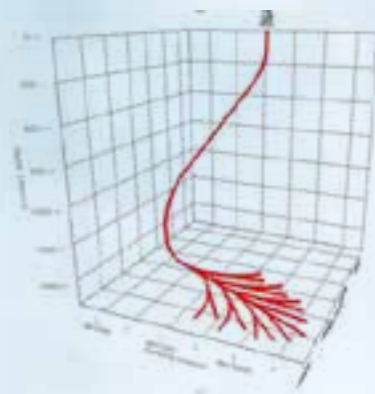
Automated data collection systems

99% of drilling rigs
89% of wells
86% of production

- A pilot computer vision project to detect personnel in hazardous areas, monitor use of personal protective equipment and transmit emergency alerts
- Six detailed 3D models of production assets have been created for the common oilfield monitoring environment
- A machine learning technology successfully deployed to predict pump failures in production

Enhance in-house technology capabilities, cable-free seismic systems, advanced MSHF techniques with numerous stages; establish a tech park to test technologies

Unique solutions



- 15 downhole splitters built in a single multilateral well with the biggest metreage drilled inside a pay zone in Russia (over 10.3 thousand metres); the well's complex fishbone design provides an initial flow rate of over 400 t per day
- An innovative seismic acquisition system developed in cooperation with BP helps to operate in hard-to-reach areas and delivers geological data of high informative value

>600 t per day

an initial flow rate of the multilateral two-string horizontal fishbone well, first of its kind in Yuganskneftegaz

7.4 days

a new industry record for the fastest two-string horizontal well construction

10 thousand hydraulic fracturing operations

carried out using the RN-GRID simulator

>200 licences

for the RH-GRID hydraulic fracture simulator sold to service and petroleum companies

4 new software modules

- an integrity monitoring system for oilfield pipelines (RN-SMT)
- a hydrodynamic simulation unit (RN-KIM)
- a geological simulation unit (RN-Geosim)
- an oil and gas production process simulation unit (RN-Simtep)



>RUB 36 bln

impact of innovative solutions introduced over the last three years

152

technologies tested in 2019

116

technologies implemented and rolled out in 2019

OIL REFINING AND PETROCHEMICALS

Digital Plant

12 units at refineries

advanced process control systems implemented

3 refineries

automated stock-taking systems

- A pilot project to introduce a system for optimised blending of petroleum products implemented

- Work on the introduction of a RN-Predix-based cloud system for data collection, storage and processing in progress

Automation and robotisation

- Digital twins of production process engineering models are being introduced
- Digital solutions for comprehensive personnel monitoring and application of computer vision are being developed

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

- A pilot project to improve the efficiency of process equipment performance management in progress
- Meridium-based predictive analysis systems for comprehensive monitoring of critical equipment being implemented

- Russia's first-ever additive package for all-season hydraulic oils patented
- Tests completed for streamlining dispersant and depressor additives for diesel fuels with a view to creating in-house production
- Tests on a pilot batch of hydrotreating catalysts for diesel mixtures conducted
- A hydrogenation technology for converting acetone into isopropanol tested at a pilot facility
- A technology to produce isopropylbenzene using heterogeneous catalysts developed
- A line of guard catalysts and materials for catalytic reactors developed

COMMERCE, LOGISTICS AND RETAIL

Digital Filling Station and Digital Supply Chain programmes

- A Digital Core for Commerce and Logistics developed
- A Digital Fleet prototype developed on the basis of the Failure Detection in Vessel Operations and Smart Monitoring of Cargo Operations digital scenarios
- 100% of BP filling stations allow payment from inside the car
- Rosneft's retail chain was first in Russia to launch a fuel payment service via a mobile app for corporate customers

Automation and robotisation

>2,900 filling stations, 81 oil depots Measurement automation¹

99%

of material flows at filling stations and **79%** of material flows at oil depots covered with measuring equipment¹

- A prototype of an automated information system keeping track of petroleum product suppliers' inventories developed

Improve accounting systems to reduce losses

- A pilot automated information system for oil depot facilities implemented

100% of gasoline tanker trucks

equipped with fuel level sensors connected to the in-vehicle monitoring system



Progress against strategic objectives and priorities



EXPLORATION AND PRODUCTION

target
fact in 2019

100% LIQUID HYDROCARBONS RESERVE REPLACEMENT RATIO AND ORGANIC GROWTH

Increase the success rate of onshore exploration drilling in Russia

88 %
record-high success rate of onshore exploration drilling in Russia
143
exploration wells completed and tested in Russia

Commission large-scale projects on time and on budget

1 field
started commercial operation
Preparation for launching large projects in Western and Eastern Siberia is in progress

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

19.6 mmt
production increase due to new well start-ups
57 %
share of horizontal wells (up 9%)

Fast-track the development of new reserves based on viability

22.5 mmt
liquid hydrocarbons production at new large projects

Reduce declines in basic production

5 x
slowdown of the Samotlor production decline rate¹
12 mmt
recovered basic production volume
+9.8 %
increase in the impact of basic production recovery measures (per well)

MORE EFFICIENT SERVICE

Decrease non-productive time to 5%

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

Increase technical availability and speed up fleet upgrade

5
new hi-tech hydraulic fracturing fleets since the strategy launch

Ensure a high share of in-house drilling services used by the Company

56 %
share of in-house services in the Company's total drilling metreage

IMPROVED PERFORMANCE

Engage in partnerships for capital intensive and high risk projects

Equinor:

- decision to start the first stage of the Severo-Komsomolskoye full-scale development approved
- siliceous-carbonate reservoirs in Domanic deposits tested

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

13.8 %
reduction of production well construction costs on a comparable basis since the strategy launch

BP:

- continuation of the Yermak Neftegaz project
- intensified production at the Samotlor field

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

2.2 %
reduction of opex on a comparable basis



GAS

COMMISSIONING PROJECTS ON TIME AND ON BUDGET

Produce over 100 bcm

76 mmcm per day
the strategic Zohr field offshore Egypt reached the planned daily production rate ahead of schedule

Implement major gas production projects, including Rospan and Kharampur

Rospan
construction of key facilities in the final phase

Kharampur
construction and installation of major production facilities in progress

IN THE FUTURE

Monetise gas reserves of Eastern Siberia and the Far East, including through petrochemicals development

Rosneft and Beijing Enterprises Group are jointly exploring the Verkhnechonskoye oil and gas condensate field in the Irkutsk Region and studying the opportunities for gas monetisation

INCREASING TECHNOLOGICAL EDGE

Develop Turonian deposits

15 bcm per year
production potential of the Kharampurskoye field's Turonian deposit, pilot operation started

Increase APG utilisation, e.g. through the development of captive power generation and petrochemicals

23
new APG utilisation facilities. The APG utilisation rate reached 89.3%¹

97%
APG utilisation rate at the Verkhnechonskoye field

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

Construction of the Maysky gas processing complex in Western Siberia – positive opinions of the state environmental expert evaluation authority and the Main Department of State Expert Evaluation obtained

¹ Vs. production decline rates in 2008–2017

¹ Not including fields in early development stages



OIL REFINING AND PETROCHEMICALS

SUBSTANTIAL PROFITABILITY GROWTH

Complete ongoing refinery development projects in Russia to substantially increase profitability

- Refinery development projects in Russia continued
- The Novokuibyshevsk Refinery piloted a kerosene preparation unit as part of the off-site facilities for hydrocracking plant.

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

~3% decrease in opex

RUB 20 bln cumulative net effect of the operational efficiency improvement programme



COMMERCE AND LOGISTICS

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

5% growth in 'wing-tip' sales of jet fuel for civil aviation

40% increase in lubricant shipments to end users (direct contracts)

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

4x growth of jet fuel sales at foreign airports

Refuelling of Russian airlines' aircraft started in Spain, the UAE and China

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

Sales of low-sulphur residual marine fuel complying with IMO 2020 standard started

+64% increase in the output of improved road bitumen¹



RETAIL

Improve performance and optimise costs

3% decrease in unit opex

Promote strong brands and service excellence at filling stations

6% growth in sales of petroleum products through the retail channel

102 filling stations migrated to the Rosneft brand

Develop customer proposition at filling stations (loyalty programme and branded fuel)

13.6 mln people engaged through loyalty programme

+113 filling stations selling the Pulsar 95 branded gasoline

Expand non-fuel business (introduce new categories of goods and open new convenience stores)

- 8% growth in the number of filling stations with convenience stores
- Sales of private labels expanding

¹ As per the new GOST 33133-201 standard.

Long-Term Development Programme and Progress Report

Originally developed in 2014¹, the Long-Term Development Programme (the Programme) is subject to annual update.²

In 2019, we revised the Programme, taking into account the Company's performance results, granular action plans to achieve certain long-term goals and updated initiatives drafted pursuant to the Russian Government directives³. The updated Programme was approved by the Company's Board of Directors (Minutes No. 11 dated 23 December 2019).

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 implement the strategy in the medium term.

The main priorities, key performance indicators (KPIs) and actions plans under the current Innovation Development Programme (**Research, Design, and Innovations** section), the Import Substitution and Equipment Localisation Programme (**Localisation and Development of Industrial Clusters** section), the Energy Saving Programme

(**Energy Efficiency and Energy Saving** section) 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 in key business areas stipulated in the Strategy and the Programme (**Investment Programme in 2019** section).

We completed the Programme's key initiatives planned for core businesses and functional units for 2019. For the Programme outcomes in 2019, see the **Performance Results** section.

Ernst & Young, an independent auditor, reviewed the Programme results. Based on the review, the independent auditor issued an opinion on whether the Progress Report fairly presents the past year's performance under the Programme, and whether the reasons given therein to substantiate deviations of actual results from the 2019 targets are fair. The opinion was received on 21 April 2020.

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, cost-effective offshore development, 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.



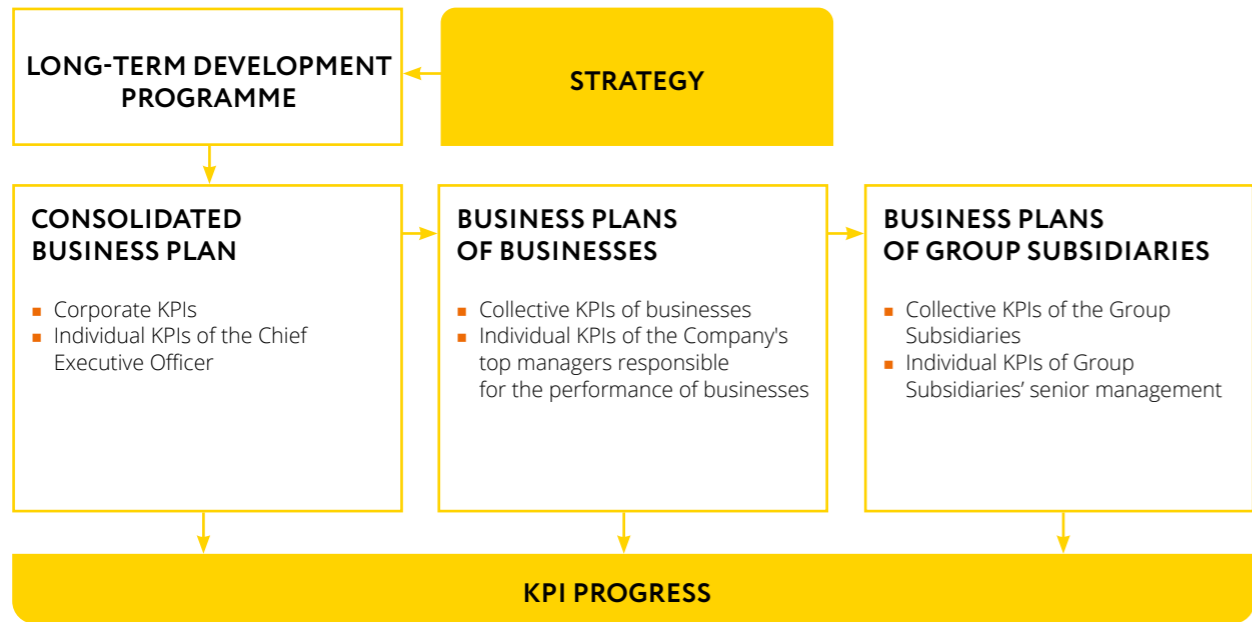
¹ In accordance with Instruction of the President of the Russian Federation Vladimir Putin No. Pr-3086 dated 27 December 2013; approved by Rosneft's Board of Directors on 9 December 2014 (Minutes No. 12).

² In accordance with the Russian Government Directive No. 4955-P13 dated 17 July 2014 and the Long-Term Development Programme.

³ 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.

KPI Structure

The Company introduced KPIs to translate its strategy and the Long-Term Development Programme into specific day-to-day management performance indicators, evaluate progress against targets, and create a basis 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 Company's KPI system seeks to decompose the Company's strategy and 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. 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.

There are both financial and industry-specific KPIs in place.

The KPIs comprise:

- corporate KPIs based on the key financial, economic, and industry-specific indicators from the Company's consolidated business plan and business plans of its businesses;

- 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 subject to preliminary discussion by the relevant committee on an annual basis.

The 2019 KPIs for Rosneft's top managers are based on the business plan

approved in December 2018, and adopted by the Board of Directors on 22 February 2019 (Minutes No. 16).

Corporate KPIs and the individual KPIs of the CEO for the year 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 the reporting period to calculate annual bonuses for the management of the Company and Group Subsidiaries. The audit results for top managers are subject to review 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 their 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 Bonuses¹ and the Guidelines for KPI Normalisation Related to Performance Review against Business Plan².

Actual KPI progress

KPI	2019 (actual)	Progress in 2019	Progress in 2018
Return on average capital employed (ROACE)	15.7	Above target	Above target
Financial leverage (net debt / EBITDA) ³	1.4	Above target	Above target
Injury rate, %	98.8	Above target	Above target
Integrated KPI for innovations ⁴ , %	100	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 Programme in 2019

Rosneft's 2019+ investment programme was approved as part of the 2019–2020 Business Plan at the Board of Directors meeting held on 20 December 2018 (Minutes No. 12 dated 20 December 2018).

The investment programme comprises high-quality projects across all business segments. These projects seek to help the Company deliver on its strategic goals, including an increase in profitability, hydrocarbon production growth, reserves addition, launching projects on time and on budget, enhancing operational and investment efficiency, and minimising the environmental footprint.

strategic increase in the share of better-performing horizontal wells at mature fields, and the balancing of the capex profile for new projects to take into account the extended OPEC+ production quotas.

- Rosneft's Portfolio Ranking and Rating Criteria:**
- Economic efficiency
 - Materiality
 - Readiness for implementation
 - Compliance with the strategy

We rank, optimise and balance our portfolio against the criteria established for all business lines to incorporate high-potential cost-effective projects with minimum risk exposure.

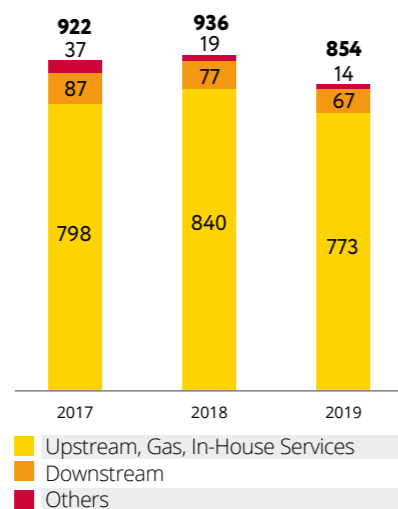
ca RUB 0.9 trln
annual capex

We also have portfolio management tools at our disposal to promptly respond to macroeconomic changes. Rosneft maintains its organic capex at ca. RUB 0.9 trln per year.

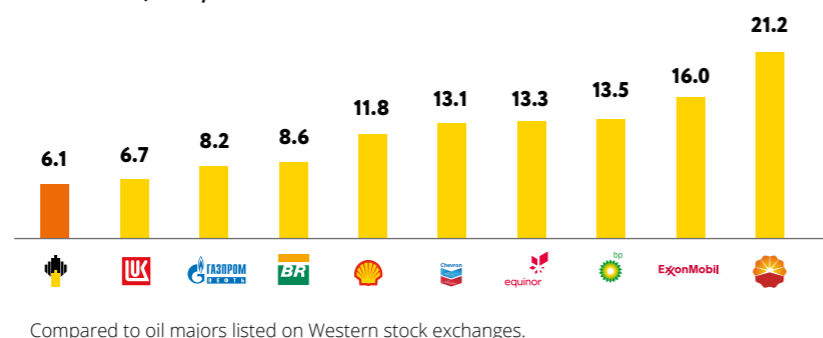
A slight year-on-year decrease is mainly due to drilling optimisation driven by a

Over 92% of our investments are concentrated in Russia, with ca. 20% attributable to projects in Eastern Siberia and the Far East.

CAPEX Financing, 2017–2019



Unit CAPEX, USD/boe

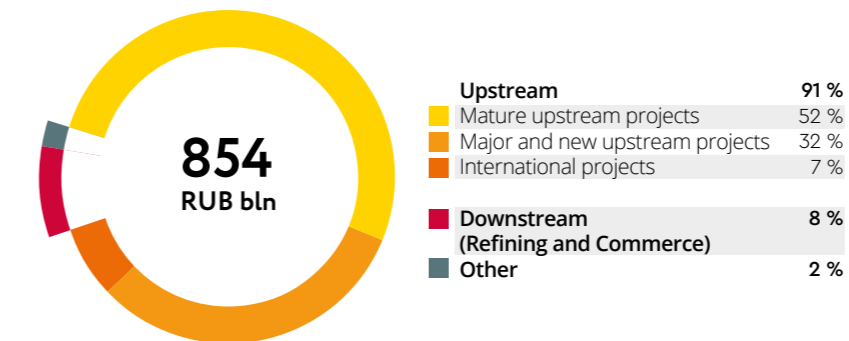


Despite our extensive investment programme, we retain leadership in terms of **exploration and production unit capex, which amounted to USD 6.1 per boe in 2019**. At the same time, we deliver on our targets of hydrocarbon production growth and continue to optimise our investment portfolio.

In 2019, Exploration and Production accounted for ca. 91% of our investments, including 6% going to gas projects, and 8% to Refining, Commerce and Logistics.

USD 6.1 per boe
Exploration and Production unit capex

2019 Investment Programme Split



Exploration and Production

In 2019, Exploration and Production capex totalled RUB 773 bln. These investments are aimed at maintaining and developing mature and new oil and gas assets to meet the strategic goals of ramping up production to 250 mmt of liquid hydrocarbons and over 100 bcm of gas by 2022 and achieving a reserve replacement ratio of at least 100%.

In 2019, capital investments in **mature** onshore and offshore fields generating a stable positive cash flow amounted to ca. RUB 440 bln, or over 50% of the Company's capex.

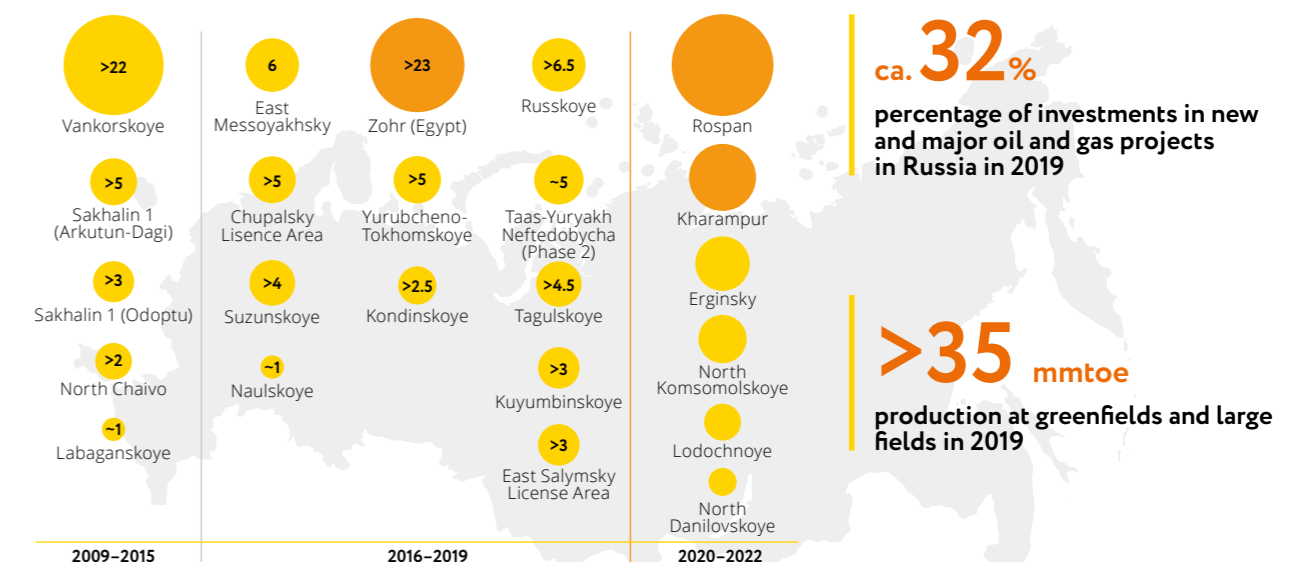
Thanks to the commissioning and full-scale development of **major and new** offshore and onshore projects, we are well-positioned to increase and replace oil production at mature fields with high-value added competitive barrels. We use the industry's best management practices to implement our projects.

In 2019, our capex on major and new onshore and offshore projects amounted to ca. RUB 270 bln, or around 32% of total investments.

In the reporting year, the share of international projects in our total hydrocarbon output approached 14%, with further growth possible depending on exploration results.

International projects, especially those on priority markets, account for about 7% of all our investments. They primarily focus on establishing partnerships to share risks, co-finance expenditures and maximise the efficiency through technology exchange.

Launch of major and new E&P projects



Refining, Commerce and Logistics

In 2019, Refining, Commerce and Logistics capex totalled RUB 67 bln.

Investments in Refining, Commerce and Logistics focus on highly cost-efficient projects to construct and upgrade process units and facilities at refineries,

expansion of oil depots, marine terminals and aircraft refuelling facilities (used by the civil aviation and the Ministry of Defence), continued efforts in import substitution of catalysts and additives, and the programme to maintain existing capacities.

Current priority areas are the construction of hydrocracking and cat cracking facilities along with efficiency improvement. 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 and objectives:

- focus on the UN Sustainable Development Goals (SDGs) in line with our strategy to help achieve meaningful progress in addressing global economic, social and environmental challenges;
- honouring the Company's strong social responsibility commitments as regards health, safety and environment, quality of life for employees and their families, support of education, and contribution to the

social and economic development of local communities;

- consistent improvement of Rosneft's performance across all business lines through an in-depth analysis of investment needs, bolstering the knowledge and expertise of investment managers, and business project monitoring;
- robust business growth by investing in competitive and high value-added projects, increasing investment returns, consistently

optimising the project portfolio, and mitigating investment risks;

- strengthening investment discipline through comprehensive project screening and improving relevant identification and classification processes.

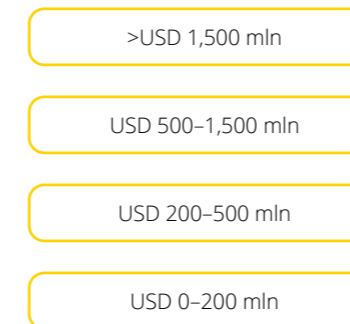
Rosneft's investment management process is integrated with all related processes, including strategic and business planning, budgeting, reporting and financial control, project

Key Principles of Investment Management



DELEGATING: INVESTMENT BODIES AND LIMITS OF AUTHORITY

Limits of authority



Investment Bodies



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 due diligence;
- 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 robust project monitoring at all levels, change management process; automated control of investment decision availability when assuming financial obligations (the two-key principle) at all stages of project planning and implementation;

- portfolio analysis:** building a balanced portfolio of projects and flexible management; comprehensive project ranking and optimisation based on established criteria, the strategy and current priorities; use of scenario analysis tools;
- IT development and automation:** automating the investment project management and processes to keep track of target, actual and projected metrics by project.

Portfolio Management





02

**Operating
Results**

Key Operating and Financial Results

Key Operating Results

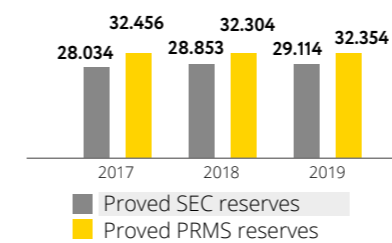
Metric	2019	2018	Δ	2017
Proved SEC reserves of liquid hydrocarbons, mmt	3,935	3,899	1%	3,792
Proved PRMS reserves of liquid hydrocarbons, mmt	4,383	4,377	0%	4,404
Proved SEC reserves of marketable gas, bcm	2,119	2,065	3%	1,949
Proved PRMS reserves of marketable gas, bcm	2,452	2,420	1%	2,309
PRMS hydrocarbon reserves-to-production ratio, years	23	23	0%	23
Production of liquid hydrocarbons, mmt	230.2	230.2	0%	225.5
Natural gas production, bcm	67.0	67.3	0%	68.4
Oil exports, mmt	149.4	123.7	21%	121.8
Oil refining, mmt	110.2	115.0	-4%	112.8
Petroleum product and petrochemicals output, mmt	107.5	111.7	-4%	109.1
Petroleum product and petrochemicals export, mmt	71.1	73.7	-5%	71.9
Domestic retail sales of petroleum products, mmt	14.5	13.7	6%	11.5

Key Financial Results

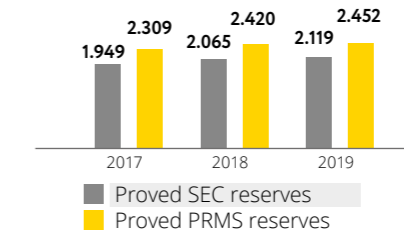
Metric	2019	2018	Δ	2017
Revenues and equity share in profits of associates and joint ventures, RUB bln	8,676	8,238	5%	6,011
EBITDA, RUB bln	2,105	2,081	1%	1,400
EBITDA margin	24.0%	24.8%	-0.8 p.p.	22.6%
Taxes and customs duties, RUB trln	3.7	4.0	-8%	2.6
Net income, RUB bln	805	649	24%	297
Net income margin	9.3%	7.9%	1.4 p.p.	4.9%
ROACE	15.7%	17.4%	-1.7 p.p.	11.5%
ROAE	14.3%	12.3%	2 p.p.	5.6%
Capex, RUB bln	854	936	-9%	922
Unit capex in exploration and production, USD/boe	6.1	6.8	-10%	7.1
Unit opex in production, USD/boe	3.1	3.1	0%	3.2
Free cash flow, RUB bln	884	1,133	-22%	245
Dividend per share, RUB	33.41 ¹	25.91	29%	10.48
Total accrued dividends, RUB bln	354.1 ¹	274.6	29%	111.1

¹ Including dividends for the first six months of 2019 and dividends recommended by the Board of Directors to be approved at the General Shareholders Meeting in May 2020.

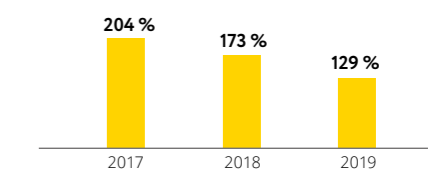
Proved Reserves of Liquid hydrocarbons, mmt



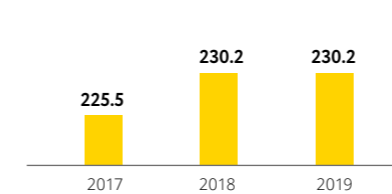
Proved Reserves of Natural Gas, bcm



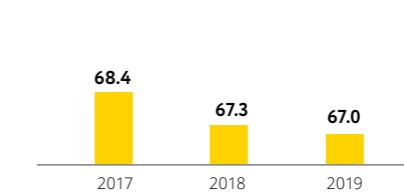
Hydrocarbon Reserve Replacement Ratio, SEC, %



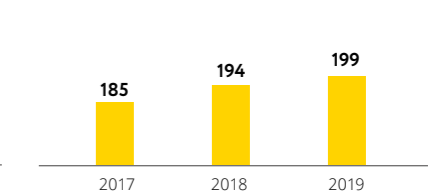
Production of Liquid hydrocarbons, mmt



Natural gas production, bcm



Unit OPEX in hydrocarbon production, RUB/boe

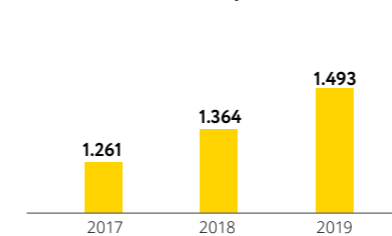


In 2019, the Company produced 4.67 mmb per day (230.2 mmtpa) of liquid hydrocarbons, flat year-on-year. This was achieved despite external restrictions such as compliance with the extended OPEC+ agreement along with the temporarily limited oil acceptance by Transneft's trunk pipelines.

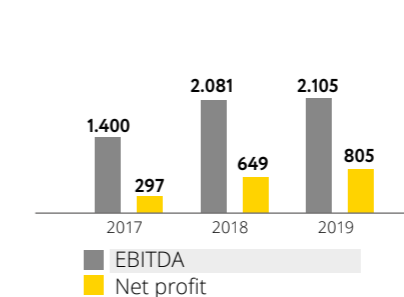
In 2019, gas production amounted to 67.0 bcm, unchanged year-on-year (with minor deviations).

Unit production opex for 12M 2019 was RUB 199 per boe (USD 3.1 per boe), up 2.6% year-on-year and below the producer price inflation rate of 2.9%. The increase is mainly due to higher costs of electricity, related transportation costs and payroll.

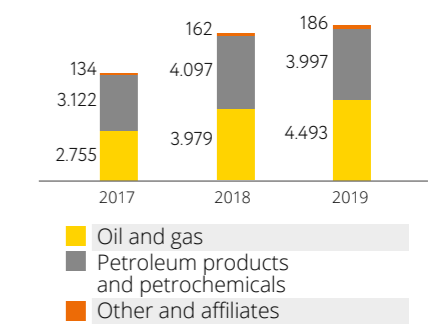
OPEX of Russian Refineries per Tonne of Refined Oil, RUB per tonne



EBITDA and Net Profit, RUB bln



Revenue, RUB bln



Opex at our Russian refineries and opex per tonne of refined oil for 12M 2019 increased by 6.3% (unit opex up 9.5%) year-on-year due to the growing tariffs of natural monopolies and salary indexation.

EBITDA for 12M 2019 grew by 1.2% year-on-year due to an increase in oil sales, mostly in eastern direction (+34.6%), and effective cost control.

A 5.3% revenue increase in 12M 2019 was mainly caused by expanding oil sales (+20.1%) against the backdrop of lower oil prices globally (-6.2%).

A 24.0% year-on-year rise in net income in rouble terms was driven by positive changes in operating profit and a decrease in financial and other expenses.

Rosneft's Exploration and Reserve Replacement

In 2019, Rosneft confirmed its leading positions in resource base and exploration efficiency. The Company continued to increase hydrocarbon production, while also ensuring full replacement of reserves.

13.1 bln tonnes
total oil and gas condensate reserves in Russia

21.0 tcm
total gas reserves in Russia

24.2 bln tonnes
offshore oil and gas condensate resources

7.7 tcm
offshore gas resources

1.2 tcm
onshore gas resources

3.4 bln tonnes
onshore oil and gas condensate resources

144 bboe
(19.5 btoe)
AB1C1+B2C2 hydrocarbon reserves in 2019

531 mmtoe
replacement of AB1C1 hydrocarbon reserves, including acquisitions

185 %
hydrocarbon reserve replacement ratio according to the Russian resource classification system

23 fields and 258 new deposits
with total reserves of 352 mmtoe discovered through successful exploration activities

1,126 licences
in Russia (including 55 offshore licences).



- Oil assets, crude oil, gas condensate, and liquid hydrocarbons production
 - Gas assets, gas production
 - Exploration assets
 - Offshore
 - Oil and gas provinces
- 1,8** AB1C1+B2C2 oil and gas condensate reserves by region, bln tonnes
0,3 AB1C1+B2C2 gas reserves by region, tcm

Onshore exploration in Russia

Key activities and achievements

Exploration took place across all of Russia's subsoil use regions, including the Far East, Eastern and Western Siberia, Central Russia, Timan-Pechora, and Southern Russia.

Key onshore achievements in Russia:

653 mmtoe
increase in AB1C1 reserves
through exploration

143
exploration wells
completed
and tested

22
new
fields

148%
oil and gas condensate reserve
replacement ratio through
exploration

88%
record high success rate
of exploration drilling

and **257**
new deposits discovered
with a total of 346 mmtoe
of AB1C1+B2C2 reserves

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 and is working to create its own geophysical service. 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. Similar projects will be implemented in the North Caucasus

and the Republic of Bashkortostan. The Company continued its phased deployment of advanced seismic data processing and interpretation technologies, detailed velocity-depth modelling, and integration of seismic and non-seismic methods to improve the exploration drilling success rate. In an effort to minimise errors during structural modelling, Rosneft deployed advanced near-surface anomaly detection practices.

UNIQUE WIRELESS SEISMIC TECHNOLOGY

Rosneft and BP completed the development of an innovative seismic acquisition system, unrivalled in the world. The system was piloted during seismic surveys in Russia and large-scale tests in the UAE. The tests confirmed that the system ensures high level of geologic accuracy and productivity,

and are capable of working in hard-to-reach areas.

In 2019, 143 exploration wells were completed and tested with a success rate of 88%, a record high over the past years. 2D seismic surveys of 2.6 thousand

linear km and 3D seismic surveys of 9 thousand sq km were completed.

Successful exploration resulted in the discovery of 22 fields and 257 new deposits with a total of 346 mmtoe in reserves.

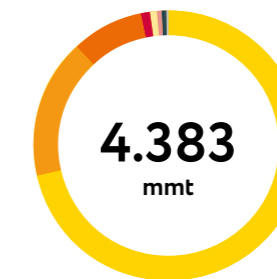
Independent International Audit of Reserves

Under the SEC (U.S. Securities and Exchange Commission) classification, Rosneft's proved hydrocarbon reserves totalled 42,018 mmboe (5,678 mmtoe) as at 31 December 2019. Hydrocarbon reserves grew by 587 mmboe (81 mmtoe), or 1%, year-on-year. The audit to assess life-of-field reserves was performed by DeGolyer & MacNaughton.

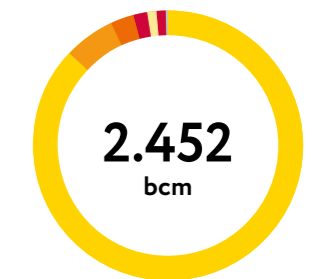
In 2019, Rosneft's SEC-proved reserve life amounted to more than 20 years. The SEC-proved reserve replacement ratio stood at 129%.

As at 31 December 2019, the Company's reserves under the PRMS (Petroleum Resources Management System) standards, according to DeGolyer & MacNaughton, totalled 47,289 mmboe (6,400 mmtoe) of 1P reserves, 84,926 mmboe (11,504 mmtoe) of 2P reserves, and 125,296 mmboe (16,976 mmtoe) of 3P reserves. In 2019, total 3P reserves grew by more than 4 bboe (550 mmtoe).

Breakdown of Proved Hydrocarbon Reserves (Oil, Gas Condensate, Liquid hydrocarbons) under PRMS Standards, mmt



Breakdown of Proved Reserves of Marketable Gas under PRMS Standards, bcm



Reserve Replacement by Region



Western Siberia

Rosneft's reserve increases in Western Siberia amounted to 243.9 mmt of oil and gas condensate and 86.9 bcm of gas. 58 exploration wells were completed and tested with a success rate of 92%. 3D seismic surveys totalled over 4.2 thousand sq km. Four fields and 73 new deposits were discovered with a total of 54 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 2019, the increase in RN-Uvatneftegaz's AB1C1 reserves (24.7 mmt) exceeded production (10.3 mmt) by 240%.

In 2019, two new fields were booked in the Russian State Register of Mineral Reserves: Sosnovoye (Yugansky 12 licence area) and Matusevich (Yugansky 11 licence area) with a total of 6.9 mmtoe in recoverable AB1C1+B2C2 reserves.

Drilling of an exploration well at the Kirilkinskoye field (Tamarginsko-Severo-Bolotny licence area) confirmed the prospects of a new oil and gas pay in the pre-Jurassic deposits of the Uvat project.

In 2019, RN-Nyaganneftegaz recorded reserve replacement of 194% in the licence areas of the Krasnoleninsk Code of Fields.

In actively developing its gas business, Rosneft carried out 3D seismic surveys of 729 sq km at its Western Siberian gas

assets in 2019, as well as completed and tested three wells. In 2019, Rosneft's gas reserves in Western Siberia grew by 86.9 bcm.

The Company continued study of the unconventional gas-saturated reservoir of the Berezovskaya suite in Western Siberia. In 2019, Rosneft developed a unique technology to tap into hard-to-recover dry gas reserves in the low-permeability opoka-like siliceous reservoirs of the Berezovskaya suite. Rosneft initiated the creation of a working group under the auspices of the State Commission for Mineral Reserves (GKZ) of the Federal Subsoil Resources Management Agency (Rosnedra) and in partnership with major Russian companies to prepare a Single Interim Methodology for assessing the volumetric estimations and gas recovery rate for the deposits of the Berezovskaya suite. Following well testing in the Berezovskaya suite interval in 2019, the increase in recoverable B1C1+B2C2 gas reserves amounted to 30.5 bcm.

As part of the Gydan Peninsula study in 2019, the interpretation of 3D seismic surveys of the Minkhovskoye licence area confirmed the field potential and verified the location of prospecting and exploration wells. Drilling preparations are currently underway. A new gas cluster will be created based on the Minkhovskoye field.

Increase in reserves – 243.9 mmt of oil and gas condensate and 86.9 bcm of gas

58 exploration wells with a 92% success rate

4 new fields and 73 new deposits with a total of 54 mmtoe in AB1C1+B2C2 reserves

4.2 thousand sq km of 3D seismic completed



Eastern Siberia and Far East

In 2019, total reserves growth in Eastern Siberia and the Far East was 101.2 mmt of oil and gas condensate and 185.4 bcm of gas.

18 exploration wells were completed and tested with a success rate of 94%. 2D seismic surveys of 1.8 thousand linear km and 3D seismic surveys of 1.2 thousand sq km were completed. One new field and seven new deposits were discovered with a total of 9 mmtoe in AB1C1+B2C2 reserves.

At Verkhnechonskneftegaz, testing of eight exploration wells in licence areas in the Katangsky district of the Irkutsk Region confirmed the industrial oil and gas bearing potential with an exploration drilling success rate of 100%.

A well in the Preobrazhensky licence area, drilled near the Severo-Danilovskoye and Lisovsky fields, demonstrated a record flow rate of 582 cub m per day of waterless oil. The location of exploration wells was selected based on advanced technologies to process 2D and 3D seismic data. All wells were drilled using a fundamentally new geological approach. Based on the testing results of exploration wells, the Company will soon submit a report to the State Commission for Mineral Reserves to record the new field reserves in the State Register of Mineral Reserves.

Rosneft expanded the AB1C1 reserves of the Verkhnechonskoye oil and gas condensate field (within the Verkhnechonsky licence area) by a total of 51.8 mmt of oil and gas condensate and 66.4 bcm of gas. This was possible due to effective exploration, advanced

data processing system, and application of innovative technologies.

In 2019, we determined the location of the first exploration wells in the Khatanga cluster on the Taimyr Peninsula based on the results of large-scale seismic surveys conducted in 2018.

In the reporting year, the Company obtained a licence for the Zapadno-Irkutskiy licence area, along with the major fields of the Vankor cluster.

In 2019, Rosneft continued drilling multilateral exploration wells in the Krasnoyarsk Territory to confirm productivity of structurally complicated carbonate and fissured reservoirs and increase the deposit area. Using more sophisticated wells in complex geological conditions made it possible to achieve the target reserves growth, update the geological model, and eliminate geological risks for production drilling. The Company decided to roll out the technology for structurally complicated carbonate reservoirs in Eastern Siberia.

In the Tersko-Kamovskiy licence area (north-eastern section), the vertical shaft of the appraisal well was drilled, completed and tested in 2019. Testing in the Riphean dolomite stratum resulted in the oil rim discovery of the Madrinskaya deposit, Block 1. The obtained flow helps estimate the oil bearing capacity of the Madrinskaya block 1 as a whole, which potentially allows the Company to register 39.7 mmt of oil in the B1C1+B2C2 reserves in the State Register of Mineral Reserves. The drilling results will increase the resource base of Slavneft-Krasnoyarskneftegaz and Vostsibneftegaz.

Currently, the well is being sidetracked subhorizontally to obtain more accurate information on the extraction potential of the area for subsequent drilling through a grid of horizontal production wells.



Central Russia, Timan-Pechora, and Southern Russia

In 2019, reserves in the Volga-Urals Region, Timan-Pechora, and Southern Russia increased by a total of 77.9 mmt of oil and gas condensate and 7.8 bcm of gas. 67 wells were completed and tested, with a success rate of 84%. 3D seismic surveys totalled 3.6 thousand sq km, while 2D seismic surveys totalled 0.8 thousand linear km. 17 fields and 177 new deposits were discovered with a total of 282 mmtoe in AB1C1+B2C2 reserves.

In the Samara Region, the Company continued exploration of Domanic deposits for siliceous limestones. At the Leshchevsky and Neprikovskiy licence areas, three pilot wells were drilled and completed, with one of them completed and tested. The Company plans to drill additional wells to prepare a conclusion on the commercial potential of these deposits in the licence areas in the Samara Region.

The new field discoveries were made possible by the successful implementation of the exploration programme by Orenburgneft and Bashneft-Dobycha. The Company discovered 15 fields and 123 new deposits. An important discovery by Orenburgneft was the Zapadno-Dolgovskoye field within the Buzuluk subsoil area. Based on the drilling results of appraisal well No. 444, the recoverable B1C1+B2C2 reserves in the field are estimated at 7.6 mmtoe.

Increase in reserves – 101.2 mmt of oil and gas condensate and 185.4 bcm of gas

18 exploration wells with a 94 % success rate

1 new field and 7 new deposits with a total of 9 mmtoe in AB1C1+B2C2 reserves

2D seismic surveys of 1.8 thousand linear km and 3D seismic surveys of 1.2 thousand sq km were completed

Increase in reserves – 77.9 mmt of oil and gas condensate and 7.8 bcm of gas

67 exploration wells with an 84% success rate

17 new fields and 177 new deposits with a total of 282 mmtoe in AB1C1+B2C2 reserves

2D seismic surveys of 800 linear km and 3D seismic surveys of 3.6 thousand sq km were completed

Production of Liquid Hydrocarbons



The Company produced 4.67 mmb per day (230.2 mmtpa, 81% of total hydrocarbon production), flat year-on-year. This was achieved despite such external restrictions as compliance with the OPEC+ agreement along with the temporarily limited oil acceptance by Transneft's trunk pipelines. As the Company achieved the planned production in 2019, it greatly contributed to Russia's new post-Soviet oil production record (560.3 mmt).

24 December 2019 was marked by a new milestone in Rosneft's history, as the Company produced its 2.5 billionth tonne of liquid hydrocarbons.

The production drilling totalled 10.0 mln m year-on-year with over 2.9 thousand wells commissioned. The

number of horizontal wells was up 1% year-on-year, with a 9 p. p. increase – to 57% of all new wells in commercial operation. The production per horizontal well was some 9 kt, up 11% year-on-year or 2.4 times higher than per directional well.

Rosneft is Russia's leading petroleum company in terms of launching new high-margin projects. In 2019, the Company's share in the total production of liquid hydrocarbons as part of major projects launched since 2016 totalled 18.9 mmt (384 kbpd), up 27% year-on-year. At the same time, their share in the total production of liquid hydrocarbons increased by 8%.

Rosneft also gives high priority to brownfield development: 2019 saw

RN-Yuganskneftegaz's largest asset hit an all-time high in terms of daily production with more than 198 kt per day. Investment incentives helped the Samotlor field to overcome the trend of decline in production, which previously demonstrated an average annual decrease of 5%. In 2018–2019, the Company reduced the production decline to some 1%, reaching 18.4 mmt at the year end. The production trend changed greatly in RN-Nyaganneftegaz with a production increase by 17%, reaching around 7 mmt.

Innovative technologies for stable production

Commissioning of new wells

The Company's key driver for maintaining stable levels of production is the production drilling, which is responsible for more than 8% of the Company's crude oil and gas condensate output.

Rosneft is focused on high-tech wells: 57% out of the 2.9 thousand wells commissioned in 2019 were horizontal vs 48% in 2018. 986 new horizontal wells drilled using multi-stage hydraulic fracturing techniques were commissioned, with their share reaching 34%. During the first year of operation, the production per horizontal well was some 9 kt, 11% year-on-year or 2.4 times higher than per directional well.

Advanced planning, drilling, and development technologies facilitated new wells' average annual flow rate of 44.8 t per day, up 10.6% year-on-year, and 19.6 mmt of incremental production.

In 2019, **RN-Yuganskneftegaz** commissioned more than 1 thousand new wells producing over 6.5 mmt and reached the five-years maximum average annual flow rate of new wells (39 t per day). These results were attributable to innovative technologies and streamlined development systems. For example, the percentage of horizontal wells in production drilling increased by ca 50% (from 26% in 2018 to 39% in 2019). In 2019, the Group Subsidiary continued to pilot horizontal drilling and completion technologies, commissioned 35 wells with multi-stage hydraulic fracturing and horizontal sections of 1.3–1.6 km, and successfully expanded the use of multilateral wells.

In 2019, **Samotlorneftegaz** commissioned 383 new wells, which resulted in 1.2 mmt of incremental oil production. 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, 14 horizontal wells were commissioned in Jurassic deposits (YuV1 formation) with an average initial oil flow rate of 84 t per day, which is two times higher than the average of the field's new wells for the period.

Verkhnechonskneftegaz also succeeds in implementing horizontal and multilateral drilling. In 2019, the Group Subsidiary commissioned 46 high-tech wells with an average annual oil reserve increase of 80 t per day (up 17% year-on-year). The unique expertise gained when developing complex collectors of the Verkhnechonskoye field will be further applied to drilling and developing new licence areas in Eastern Siberia.

In 2019, **RN-Uvatneftegaz** continued extensive drilling across the Uvat group of fields. For optimising the development of hard-to-recover reserves, the subsidiary supports a consistent transition to horizontal drilling with multi-stage hydraulic fracturing (the share of horizontal wells reached 71% in 2019) with the average flow rate of new wells up year-on-year, totalling 82 t per day.

Varyeganneftegaz improved the horizontal well design by raising the number of multi-stage hydraulic fracturing stages per well from five to seven and optimised drilling locations, reaching a five-years maximum annual average flow rate of 40.9 t per day, up 21% year-on-year.

In 2019, Orenburgneft expanded its horizontal drilling programme and commissioned eleven horizontal wells, including five with multi-stage acid fracturing and two with multi-stage proppant fracturing. These technologies make such wells highly productive, with horizontal wells having an initial flow rate of 63.3 t per day, which is almost 1.5 times higher than the average for production wells drilled in 2019 (46.7 t per day).

Vostsibneftegaz commissioned 39 horizontal wells vs 21 wells in 2018. Due to the optimised strategy of horizontal well placing and

2.9
thousand new wells
commissioned in 2019 of which
57% were horizontal

updated geological structure concept of the Riphean formation in the Yurubchenskaya deposit, new wells produced the field's all-time highest average oil flow rate of 186 t per day, up 21% year-on-year.

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 135 multilateral wells commissioned in 2019, up 84% year-on-year.

To increase well productivity and scope of reserves under development, **RN-Yuganskneftegaz** introduced fishbone wells at the Moskovtsev and Sorovskoye fields. The Group Subsidiary commissioned seven wells with three and four sidetracks. The average increase in the initial flow rate was +159% compared to horizontal wells drilled in similar conditions.

In 2019, **RN-Vankor** commissioned 54 multilateral wells, a record number for the Vankor cluster since the beginning of its development, up 38% year-on-year.

At the Srednebotuobinskoye field, **Taas-Yuryakh Neftegazodobycha** drilled the longest multilateral well having 15 horizontal sidetracks with a total drilling length exceeding 10 km across a pay zone. The subsidiary successfully replicates this technology with 27 multilateral wells drilled at the field in the reporting year.

Infill drilling

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

In 2019, **RN-Yuganskneftegaz** continued its infill drilling programme at the Priobskoye and Prirazlomnoye fields and drilled 77 wells with an average initial flow rate of 82.6 t per day, including 42 horizontal wells drilled using multi-stage hydraulic fracturing techniques (five ports per well on average). The Group Subsidiary has plans to expand the programme at the Priobskoye and Prirazlomnoye fields, as well as implement similar programmes at its other fields (Malobalykskoye, Ombinskoye, and Vostochno-Surgutskoye fields).

To maintain production and improve the quality of reserves recovery at the Samotlor field, **Samotlorneftegaz** continues its infill drilling programme. 235 infill wells were commissioned in 2019 (65% of all wells commissioned at the field). In addition, horizontal wells with multi-stage hydraulic fracturing are constructed.

The Vankor field has been successfully implementing its infill drilling programme. As at the end of 2019, the incremental production attributable to the commissioning of 41 new infill wells totalled 910 kt. In harsh geological conditions, advanced drilling and horizontal well completion technologies ensured an average flow rate of 136 t per day, which is three times higher than the average well flow rate across the Company.

Tomskneft VNK pilots the transformation of a Jurassic deposit development system (YuV1 formation) at the Krapivinskoye field. To enhance oil recovery, infill horizontal wells are drilled at the field, using multi-stage hydraulic fracturing. In 2019, 18 wells of the kind with an average flow rate of 28 t per day were commissioned with new wells to follow in future.

Use of inflow control device in wells

To minimise the risks of early gas blowout from the gas cap or underlying water, the Company uses inflow control devices to restrict fluid inflow to certain horizontal well sections. In 2019,

Taas-Yuryakh Neftegazodobycha successfully piloted inflow control devices in horizontal and multilateral wells at the Srednebotuobinskoye field.

In 2019, the Group Subsidiary continued to use autonomous inflow control devices and completion systems with shiftable sleeves in horizontal wells of **SevKomNeftegaz** (joint project with Norway's Equinor) as part of pilot development of PK1 formation at the Severo-Komsomolskoye field. The pilot development also involved the commissioning of 28 wells, including 25 with inflow control devices.

Sidetracking

For increasing production and achieving target oil recovery factor, the Company carries out sidetracking operations in existing wells. In 2019, such operations covered 1.3 thousand wells, up 3.5% year-on-year, resulting in an incremental production of 3.3 mmt of crude oil. Improving the design of sidetracks due to increasing the share of horizontal drilling to 71% vs 68% in 2018 helped to maintain the average well flow rate after well workover by sidetracking at the level of 2018.

Innovative approaches make sidetracking effective for brownfields. Horizontal sidetracks enable extraction from formation intervals that have not been reached by previously drilled directional wells.

At **RN-Yuganskneftegaz's** fields 394 sidetracking operations were carried out in 2019, including 298 sidetracks with horizontal completion. 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 300 t per day, though these fields have a more than fifty-year history of development. Due to the use of advanced technologies, the average annual well flow rate totalled 22.9 t per day, up 8% year-on-year.

In 2019, **Samotlorneftegaz** commissioned 424 wells following a workover by sidetracking, a record number for the whole Company. It is also a five-year high for the subsidiary, up 14% year-on-year. These measures resulted in an additional crude oil production of 0.8 mmt, up 30% year-on-year.

RN-Nyaganneftegaz continues to pilot and implement the technology of horizontal sidetracking with MSHF and liner packer systems. Following the programme roll-out in the Talinsky licence area (YuK2-9), 14 wells were commissioned with an average initial flow rate of 27.9 t. In 2020–2024, the subsidiary plans to use similar technique for drilling 100 wells that are expected to produce 1.8 mmt.

Horizontal drilling also has a noticeable effect from well workover in one of Russia's oldest oil-producing regions, the Island of Sakhalin. Following the drilling of horizontal sidetracks to increase well productivity, **RN-Sakhalinmorneftegaz's** doubled its incremental production resulting from these operations as compared to 2018. In the next five years, the subsidiary intends to replicate this approach across its assets. For eleven fields, it will be the first well workover with sidetracking.

Drilling geological support centre

In 2019, Rosneft's drilling geological support centre, the first in the Russian oil and gas industry, celebrated its 10th

anniversary. Under its supervision the Company drilled over 11 thousand horizontal wells and horizontal sidetracks. To improve employees' professional skills, Rosneft held its first geosteering championship (championship in geological support of high-tech horizontal drilling). 20 subsidiaries of the Company joined the event to compete in the virtual "drilling" of three horizontal wells with different difficulty levels and penetrate an oil reservoir as far as possible. All the participants did their best to cope with the task and gain unique experience in supporting horizontal drilling in different real geological environments across the Company's footprint.

Well interventions for incremental (besides new well commissioning and sidetracking) and recovered production

In line with its approved strategy, the Company keeps improving the efficiency of its well interventions. In 2019, the Company increased the number of well interventions for incremental production (besides drilling) to 4,913, up 9.6% year-on-year. The well interventions



translated into 5.7 mmt of incremental oil and gas condensate production (up 3.8% year-on-year).

The growth of well interventions in 2019 was mainly attributable to an increase in the number of hydraulic fracturing jobs to 2,657, up 20.6% year-on-year. In 2019, the incremental production due to hydraulic fracturing was 3.4 mmt, up 17.5% year-on-year.

RN-Yuganskneftegaz, Bashneft-Dobycha, and Samotlorneftegaz are the Group Subsidiaries with the most noticeable hydraulic fracturing growth in 2019. In 2019, RN-Yuganskneftegaz carried out 907 hydraulic fracturing jobs, up 31.8% year-on-year, with an incremental production of 1,465 kt, up 27.3% year-on-year, hitting a seven-year high. For the first time over the last four years, Bashneft-Dobycha carried out 640 hydraulic fracturing jobs, up 23.4% year-on-year, with an incremental production of 570 kt, up 37.4% year-on-year. Udmurtneft, Samaraneftegaz, and RN-Severnaya Neft, among others, actively deploy acid and proppant fracturing techniques in carbonate formations of their fields.

Over 10 thousand well interventions were performed in 2019, resulting in a

recovered production of 12.2 mmt. The production per well attributable to basic production recovery was up 9.8% year-on-year, from 1,055 to 1,158 t per well.

The key production recovery efforts include bottom-hole zone treatment and well optimisation.

In 2019, the number of bottom-hole zone treatment and well optimisation operations hit a seven-year high. More specifically, the Company performed 4,168 bottom-hole zone treatment operations (up 13.3% year-on-year) with a total production recovery of 3,233 kt (up 25.3% year-on-year) and 4,042 well optimisation operations (up 12.4% year-on-year) with a total production recovery of 6,405 kt (up 20.7% year-on-year).

The Company enhanced the use of physical and chemical methods of enhanced oil recovery by a half compared to 2018. This included five pilot projects involving the technology. Samotlorneftegaz piloted sediment generating agents and gellants, which had previously proved to be efficient, in its three new projects. The injection of cross-linked polymer composition was successfully piloted at the Suzunskoye field. Samaraneftegaz used a Russian-made innovative polymer composition,

which resulted in a quadrupled increase in technological performance compared to compositions used previously.

For the first time in Russia, Group Subsidiaries operating in the Volga-Urals Region deployed the proppant hydraulic fracturing technology using acid gel to deliver the acid to a significant distance from the borehole for creating a set of fractures and fixing them with proppant in a carbonate formation. Following successful piloting of the technology in directional wells, Orenburgneft effectively drilled carbonate Devonian deposits (initial flow rates exceeded 100 t per day). After testing the technology, Udmurtneft prepared areas for horizontal drilling with multi-stage acid and proppant hydraulic fracturing. Bashneft-Dobycha started to apply acid-gel hydraulic fracturing at Bashneft-Dobycha's fields.

In 2019, the Company continued its multi-stage hydraulic refracturing operations in previously drilled horizontal wells to increase the performance of low-permeability structurally complicated pay zones. For example, RN-Yuganskneftegaz carried out 23 jobs of the kind with an average initial incremental oil rate of 25 t per day, 33% higher than the incremental rate in directional wells.

Overview of Production in Regions of Operation

Western Siberia



Western Siberia is Rosneft's key oil-producing region. In 2019, Western Siberian assets increased oil and gas condensate production by 1.8% year-on-year, accounting for 60% of the Company's output. The Company's key producing assets in Western Siberia

RN-Yuganskneftegaz

RN-Yuganskneftegaz is the Company's largest asset operating 37 licence areas with Rosneft as the subsoil user. The bulk of proved reserves (80%) are concentrated in the Priobskoye, Prirazlomnoye, Mamontovskoye and Malobalykskoye fields.

Despite the temporary limitations on oil intake by Transneft's trunk pipelines, RN-Yuganskneftegaz produced 69.5 mmt in 2019, virtually flat year-on-year. July 2019 saw oil production of 198 kt per day, an all-time high since 1964. This was partly due to the 1.5x increase in the share of horizontal wells (38% of all new wells in 2019).

include RN-Yuganskneftegaz (30% of Rosneft's total oil and gas condensate production), Samotlorneftegaz (8% of total), and RN-Uvatneftegaz (5% of total).

To enhance oil recovery at its fields in Western Siberia, the Company has been monitoring and streamlining its existing development systems by switching from conventional directional wells to horizontal wells drilled using multi-stage hydraulic fracturing techniques (MSHF HW). This technology significantly increases 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 Russkoye field and the Erginsky cluster standing out as the largest plays.

Western Siberia is also a major gas-producing region, with natural gas production reaching 47 bcm in 2019.

RN-Yuganskneftegaz ensures stable production both by drilling new wells and performing well interventions for incremental oil production and by maintaining and enhancing its basic production.

The drilling efforts resulted in a number of industry records, including the first-ever two-string horizontal multilateral well with multiple branches built using the Fishbones stimulation technology. The total length of the well is 5,234 m, with the horizontal wellbore at 2,161 m. The initial oil flow rate exceeded 600 t per day, which is several times higher compared to the neighbouring standard horizontal wells. On top of that, RN-Yuganskneftegaz set another industry record for the fastest two-string horizontal well construction. It took merely 7.44 days to drill such a well at the Salymskoye field, a

20% improvement over the previous record. At the same time, the commercial drilling rate exceeded 14 thousand m per rig per month.

RN-Yuganskneftegaz made significant progress in enhancing the efficiency of well interventions with hydraulic fracturing, which resulted in 1.5 mmt of incremental production (up 27.3% year-on-year). This was achieved by streamlining hydraulic fracturing models, better use of downhole pumping equipment, introducing new software modules and modelling tools (geomechanical modelling under varying stress, proxy modelling, deployment of Eurasia's first-ever domestic hydraulic fracturing simulator, RN-GRID), and improvements in the reservoir flooding system.

37
licence areas

2.4_{bt}
of cumulative crude
oil production since
commencement date

198 kt of oil per day
all-time high production rate
since 1964 recorded in July 2019

80%
of proved reserves concen-
trated in the Priobskoye,
Prirazlomnoye, Mamontovskoye
and Malobalykskoye fields

69.5 mmt
of liquid hydrocarbons
produced in 2019

Samotlorneftegaz

Samotlorneftegaz operates nine licence areas (including eight licence areas as the subsoil user). 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 2019, it produced 24.5 mmtoe of hydrocarbons, with the output of liquid hydrocarbons standing at 19.5 mmt (including the Lodochnoye field).

The Samotlor field relies on government support to continue drilling new wells and performing well interventions. The incentives put in place in 2018–2019 helped overcome the decline in production, which had demonstrated an average annual decrease of 5% up

to 2018. In 2018–2019, the Company brought down the annual rate of production decline to ca. 1%.

The well interventions at Samotlorneftegaz translated into 2.5 mmt of incremental production (up 5.6% year-on-year).

9

licence areas

>98%

of proved reserves concentrated within the Samotlor field

24.5 mmtoe

of hydrocarbons produced in 2019, including 19.5 mmt of liquid hydrocarbons

RN-Uvatneftegaz

RN-Uvatneftegaz operates 20 licence areas (including 19 licence areas as the subsoil user) in the Tyumen Region, Omsk Region, and the Khanty-Mansi Autonomous Area – Yugra. The bulk of proved reserves (ca. 70%) are currently 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 2019, RN-Uvatneftegaz produced 10.6 mmtoe of hydrocarbons, including 10.3 mmt of liquid hydrocarbons. It has been maintaining a plateau of ca.10 mmtpa liquid hydrocarbons for six years already.

In 2019, RN-Uvatneftegaz also marked a new milestone with 100 mmt of oil produced since the commencement of the Uvat project.

In 2019, RN-Uvatneftegaz increased well interventions for incremental oil production (excluding drilling) by 49% year-on-year and enhanced incremental production by 8.5% to 2.9 kt per well.

20

licence areas in the Tyumen Region, Omsk Region, and the Khanty-Mansi Autonomous Area – Yugra

70%

of proved reserves concentrated in the Ust-Tegusskoye, Zapadno-Epasskoye, Urnenskoye, Severo-Tyamkinskoye, Severo-Tamarginskoye and Protozanovskoye fields

10.6 mmtoe

of hydrocarbons produced in 2019, including 10.3 mmt of liquid hydrocarbons

Varyeganneftegaz

Varyeganneftegaz operates 18 licence areas (including five licence areas as the subsoil user) in the Khanty-Mansi Autonomous Area – Yugra. The bulk of proved reserves (over 80%) are concentrated in the Verkhnekolik-Eganskoye, Severo-Khokhryakovskoye, Van-Eganskoye, Khokhryakovskoye, Orekhovo-Ermakovskoye and Severo-Varyeganskoye fields.

In 2019, Varyeganneftegaz produced 9.7 mmtoe of hydrocarbons, including 6.3 mmt of liquid hydrocarbons (up 5.8% year-on-year).

Varyeganneftegaz successfully completed pilot tests on horizontal wells using a combination string drilling technology. This innovative approach facilitates well construction by eliminating a number of extra operations to accelerate the drilling rate and enhance the project economics.

The tests resulted in a nearly twofold increase in the drilling rate. It took 12.7 days to drill three combination string horizontal wells vs the average of 22 days required to drill similar wells using the conventional process.

Varyeganneftegaz increased well interventions for incremental oil production (excluding production drilling and sidetracking) by 19% to 138 and enhanced incremental production by 38% from 899 to over 1 kt per well.

18

licence areas

>99%

of proved reserves concentrated in the Verkhnekolik-Eganskoye, Severo-Khokhryakovskoye, Van-Eganskoye, Khokhryakovskoye, Orekhovo-Ermakovskoye and Severo-Varyeganskoye fields

9.7 mmtoe

of hydrocarbons produced in 2019, including 6.3 mmt of liquid hydrocarbons

RN-Nyaganneftegaz

RN-Nyaganneftegaz operates four licence areas (including three licence areas as the subsoil user) in the Khanty-Mansi Autonomous Area – Yugra. The bulk of proved reserves (over 99%) are concentrated in the Krasnoleninskoye field, including the Kamenny (western part), Em-Egovsky + Palyanovsky and Talinsky areas.

In 2019, RN-Nyaganneftegaz produced 8.7 mmtoe of hydrocarbons, including 6.9 mmt of liquid hydrocarbons (up 17.6% year-on-year). The growth was driven by a range of initiatives, in particular, intensified development of hard-to recover reserves at the Krasnoleninskoye field, with the production volumes for this type of reserves increasing by 21% year-on-year.

In 2019, RN-Nyaganneftegaz commissioned 197 new wells (up 4.8% year-on-year). RN-Nyaganneftegaz increased well interventions for incremental oil production, including drilling new wells and sidetracking, by 10% year-on-year, which resulted in 1 mmt of incremental production.

4

licence areas

80%

of proved reserves concentrated in the Krasnoleninskoye field

8.7 mmtoe

of hydrocarbons produced in 2019, including 6.9 mmt of liquid hydrocarbons

Eastern Siberia and the Far East (Onshore)



The Company continues to expand its operations in Eastern Siberia and the Far East. In 2019, these regions produced 41.5 mmtoe of hydrocarbons, including 35.1 mmt of liquid hydrocarbons. The bulk of production comes from the Vankor cluster fields* (52% of total

production in these regions) and Verkhnechonskneftegaz (22% of total)¹.

In 2019, new projects developed by Vostsibneftegaz and Taas-Yuryakh Neftegazodobycha helped increase production by more than 1.5 times year-on-year.

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, Tagul'skoye and Lodochnoye fields located in the Turukhansky and Taymyrsky municipal districts in the Krasnoyarsk Territory's north.

In 2019, the Vankor cluster¹ produced 23.2 mmtoe of hydrocarbons, including 18.2 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 183 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 2019, it commissioned 41 new wells (up 7.9% year-on-year) which produced 0.9 mmt of oil and gas condensate. RN-Vankor increasingly relies on sidetracking, having drilled a total of 41 sidetracks in 2019, which resulted in 204 kt of incremental oil and gas condensate production.

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

183 mmt
of cumulative production
since 2009

23 mmtoe
of hydrocarbons produced
in 2019, including 18.2 mmt
of liquid hydrocarbons

Verkhnechonskneftegaz

Verkhnechonskneftegaz explores and develops the Verkhnechonskoye oil and gas condensate field. Located in the Irkutsk Region, the field is the second largest in Eastern Siberia. Verkhnechonskneftegaz also operates 12 Rosneft licence areas throughout the Irkutsk Region and the Krasnoyarsk Territory.

In 2019, it produced 8.8 mmtoe of hydrocarbons, including 7.8 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. The average annual flow rate across new wells reached 80 t per day, up 17% year-on-year.

In May 2019, Verkhnechonskneftegaz started injecting gas into the Preobrazhensky horizon as part of its efforts to select an agent for reservoir pressure maintenance. It continues with well testing to monitor formation pressure dynamics at adjacent observation wells in order to assess post-injection effects. The test results will be produced as early as in 2020.

8.8 mmtoe
of hydrocarbons produced
in 2019, including 7.8 mmt
of liquid hydrocarbons



East Siberian Oil and Gas Company (Vostsibneftegaz)

East Siberian Oil and Gas Company operates five licence areas (including two licence areas as the subsoil user) in the Krasnoyarsk Territory. The company is currently running a project to develop an expanded high-priority area of the Yurubcheno-Tokhomskeye field, located in the Evenki District of the Krasnoyarsk Territory.

In 2019, East Siberian Oil and Gas Company increased its oil production by 1.8 times year-on-year to over 4.1 mmt.

Since the start of development at the Yurubcheno-Tokhomskeye field, one of the largest in the Krasnoyarsk Territory, its cumulative production has exceeded 8 mmt.

Vostsibneftegaz uses innovations to increase exposure to deposits within the pay zone and enhance the oil recovery rate. Rosneft views the techniques and approaches it tried and tested at the Yurubcheno-Tokhomskeye field as its core solutions, planning to roll them out to other projects.

4.1 mmt
of liquid hydrocarbons
produced in 2019

Taas-Yuryakh Neftegazodobycha

Taas-Yuryakh Neftegazodobycha operates 10 licence areas (including two licence areas as the subsoil user) in the Republic of Sakha (Yakutia).

Taas-Yuryakh Neftegazodobycha 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 the Eastern Siberian oil cluster.

In 2019, Taas-Yuryakh Neftegazodobycha increased its production of liquid hydrocarbons by 1.4 times to 4 mmt. The growth

was driven by expansion of the company's production capacity under Phase 2 development programme and commissioning of a high-pressure pipeline to transport crude oil from the Srednebotuobinskoye field.

Taas-Yuryakh Neftegazodobycha continues to build infrastructure and on-site facilities and to drill horizontal and multilateral wells, including using Fishbones stimulation technology. In December 2019, Taas-Yuryakh Neftegazodobycha drilled a 12,792 m long multilateral well with a record 10,310 m long section in the pay zone.

4 mmt
of liquid hydrocarbons
produced in 2019

¹ Excluding the Lodochnoye field

Volga-Urals Region



In 2019, this region produced 48.2 mmtoe of hydrocarbons (including 46.4 mmt of liquid hydrocarbons), accounting for 20% of Rosneft's total output. The Company's key producing assets include Bashneft-Dobycha, Orenburgneft, Samaraneftegaz and Udmurtneft.

Bashneft-Dobycha

Bashneft-Dobycha operates 261 licence areas (with Bashneft as the subsoil user) located 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 2019, Bashneft-Dobycha produced 16.7 mmtoe of hydrocarbons, including 16.3 mmt of liquid hydrocarbons.

Bashneft-Dobycha performs high-impact well interventions and drills new wells to maintain robust oil production at its mature fields. In 2019, Bashneft-Dobycha completed

1,272 well interventions (up 5.6% year-on-year), including drilling new wells and sidetracking, with incremental production increasing by 41 t per well.

Bashneft-Dobycha is stepping up production drilling. In 2019, it commissioned 114 new wells (vs 106 wells in 2018) with plans underway to increase the annual commissioning rate going forward. Bashneft-Dobycha implemented a multi-stage hydraulic fracturing technology for horizontal drilling, including acid and proppant fracturing techniques using polymer-free fluids, to get the most out of new wells and sidetracks. The company also seeks to achieve a higher quality and shorten the time of well construction by implementing advanced logging technologies in the drilling process and equipping well liners with burst port systems (BPS).

261
licence areas

>50%
of proved reserves concentrated in six major fields, including the Arlanskoye, Yugomashevskoye and Tuimazinskoye fields

16.7 mmtoe
of hydrocarbons produced in 2019, including 16.3 mmt of liquid hydrocarbons

Orenburgneft

Orenburgneft operates 133 licence areas (including 131 licence areas as the subsoil user) in the Orenburg, Saratov and Samara Regions. More than 50% of its proved reserves are concentrated in 10 major fields, including the Rostashinskoye, Sorochinsko-Nikolskoye, Garshinskoye and Pokrovskoye fields.

In 2019, Orenburgneft produced 15.5 mmtoe of hydrocarbons, including 14.5 mmt of liquid hydrocarbons. To maintain production, the company focuses on advanced well intervention techniques and improvements in well

operations and reservoir pressure maintenance.

In 2019, Orenburgneft increased well interventions for incremental oil production (excluding drilling) by 10% year-on-year to 365, which resulted in 0.7 mmt of incremental production.

Orenburgneft drilled its first-ever 1 km long MSHF HW targeting the Devonian deposits with an initial oil flow rate of ca. 100 t per day. It also performed tests on gas formations and commissioned seven wells with flow rates of up to 12 thousand cub m per day.

133
licence areas

>50%
of proved reserves concentrated in 10 major fields, including the Rostashinskoye, Sorochinsko-Nikolskoye, Garshinskoye and Pokrovskoye fields

15.5 mmtoe
of hydrocarbons produced in 2019, including 14.5 mmt of liquid hydrocarbons

Samaraneftegaz

Samaraneftegaz runs 169 licence areas (including one licence area as the operator) located in the Samara Region. More than 50% of its proved reserves are concentrated in 12 major fields, including the Barinovsko-Lebyazhinskoye, Kuleshovskoye, Mukhanovskoye, Mikhailovsko-Kokhanskoye and Borovskoye fields.

In 2019, Samaraneftegaz increased its production of hydrocarbons by 3.8% year-on-year to 13.0 mmtoe, including 12.6 mmt of liquid hydrocarbons. The growth was mainly driven by higher basic production (up 4.5% year-on-year) with an average oil flow rate reaching 9.3 t per day. On 8 March 2019, the company's production reached 34.6 kt per day, an all-time high over the past 15 years.

169
licence areas

>50%
of proved reserves concentrated in 12 major fields, including the Barinovsko-Lebyazhinskoye, Kuleshovskoye, Mukhanovskoye, Mikhailovsko-Kokhanskoye and Borovskoye fields

13 mmtoe
of hydrocarbons produced in 2019, including 12.6 mmt of liquid hydrocarbons



Southern Russia



Rosneft's assets in the Southern Federal District of Russia include RN-Krasnodarneftegaz, RN Stavropolneftegaz, Grozneftegaz, Dagneftegaz, Rosneft-Dagneft, RN-Ingushneft and several others.

RN-Krasnodarneftegaz

RN-Krasnodarneftegaz operates 30 licence areas (with Rosneft as the subsoil user) in the Krasnodar Territory, the oldest oil producing region in European Russia. The bulk of proved reserves are concentrated in the Anastasievsko-Troitskoye and Mechetsko-Chernoyerkovskoye fields.

In 2019, RN-Krasnodarneftegaz produced 2.1 mmtoe of hydrocarbons, including 0.7 mmt of liquid hydrocarbons. To maintain production, the company develops weakly drained reserves by drilling new wells and sidetracks.

2.1 mmtoe
of hydrocarbons produced
in 2019, including 0.7 mmt
of liquid hydrocarbons.

RN-Stavropolneftegaz

RN-Stavropolneftegaz operates 36 licence areas (with Rosneft as the subsoil user) in the Stavropol Territory. The bulk of proved reserves (70%) are concentrated in the Velichaevsko-Kolodeznoye, Zimne-Stavkinsko-Pravoberezhnoye, Achikulakskoye and Urozhaynenskoye fields.

0.7 mmt of liquid hydrocarbons. The company focused on improved well management and production recovery initiatives, bringing down the rate of basic production decline by 0.6% year-on-year. 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.

0.8 mmtoe
of hydrocarbons produced
in 2019, including 0.7 mmt
of liquid hydrocarbons.

In 2019, RN-Stavropolneftegaz produced 0.8 mmtoe of hydrocarbons, including



Timan-Pechora Province



RN-Severnaya Neft

RN-Severnaya Neft, Rosneft's key producing asset in the Timan-Pechora Province, operates 20 licence areas (with Rosneft and RN-Nyaganneftegaz as the subsoil users) in the Republic of Komi and the Nenets Autonomous Area. The bulk of proved reserves (70%) are concentrated in five fields, including the Labaganskoye, Naulskoye, Khasyreyskoye, Srednemakarikhinskoye and Cherpayuskoye fields.

In 2019, RN-Severnaya Neft drilled and commissioned 10 multilateral wells with an average initial flow rate of 55 t per day, which is two times higher than that of similar horizontal wells. The share of multilateral wells amounted to 20% of all new wells in 2019 (vs 8% in 2018).

RN-Severnaya Neft was ramping up its squeeze cementing efforts with 17 operations to inject visco-elastic mud into production wells (vs 2 in 2018), which translated into 20 kt of recovered production.

RN-Severnaya Neft continues hydraulic fracturing operations on previously drilled wells (12 operations in 2019 vs 2 in 2018). The average initial flow rate amounted to 18.3 t per day, which resulted in 29.8 kt of incremental production.

In March 2019, the Labaganskoye field commissioned a modular cluster pumping station as the final step towards completion of the reservoir pressure maintenance system. In 2019, voidage replacement amounted to 115%.

In 2019, RN-Severnaya Neft produced 2.8 mmtoe of hydrocarbons, including 2.7 mmt of liquid hydrocarbons.

Bashneft-Polyus

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

In 2019, it produced 1.2 mmtoe of hydrocarbons (up 2.2% year-on-year). Bashneft-Polyus commissioned 23 new wells (2.3x increase year-on-year) with the average initial flow rate rising by 27% to 195 t per day. In 2019, it also started production drilling at the Obsedinskaya area of the Trebs field.

Bashneft-Polyus successfully ran pilot tests, including three drilling operations using a 323.9 mm wide casing string in the 45-512 m interval and two controlled pressure drilling operations.

Development of Hard-to-Recover Reserves

The Company's portfolio of assets with hard-to-recover reserves currently consists of more than 140 fields with 2.9 bt of oil in recoverable reserves. RN-Yuganskneftegaz is Rosneft's key asset of this type boasting over 1 bt of hard-to-recover reserves. It is followed by such major players as RN-Nyaganneftegaz, Verkhnechonskneftegaz, RN-Uvatneftegaz and Kondaneft, which together with RN-Yuganskneftegaz account for over 80% of the Company's resource base.

In 2019, the Company added over 260 mmt to its hard-to-recover reserves, a more than sixfold increase year-on-year. The growth was driven by an extensive exploration programme which helped obtain detailed information about formations with low-permeability reservoirs. Successful completion of exploration and pilot development programmes at Rosneft's licence areas in the Samara Region was among the key contributors to the increase.

The Company consistently develops its hard-to-recover oil reserves. Oil production from deposits classified as hard-to-recover reserves under the applicable laws rose by 12% year-on-year to 20.9 mmt, more than a threefold increase vs 2014. The share of hard-to-recover reserves rose from 8.4% of the Company's output in 2018 to 9.2% in 2019. In 2019, Rosneft increased the number of production wells at fields with hard-to-recover reserves by 20% year-on-year to 4 thousand wells.

The Company's recoverable reserves of high-viscosity oil in Russia exceed 0.6 bt, including more than 0.4 bt concentrated within the Russkoye field, a unique asset in terms of its resource base size. Compared to 2018, Rosneft doubled its production of high-viscosity oil reaching 1 mmt in 2019. Put on stream in the

fourth quarter 2019, the Russkoye field became the key growth driver.

With a view to doubling production from hard-to-recover reserves in 2017–2022, the Company continued to improve its development technologies, focusing 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 2019, Rosneft drilled over 110 wells at fields with hard-to-recover reserves using multi-stage hydraulic fracturing techniques, with horizontal sections exceeding 1 km (up 10% year-on-year). The use of longer horizontal wells with a higher number of hydraulic fracturing stages enables the Company to effectively develop previously unprofitable deposits.

Based on the current forecast, the bulk of subsidised 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 2022, 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 aiming to develop low-permeability formations, the Bazhenov suite and high-viscosity oil deposits as part of the Target Innovative Projects which will help develop an additional 1.6 bt of recoverable reserves. Target Innovative Projects seek to develop technologies to tackle silty sand deposits (structurally complicated undersaturated ultralow-permeability reservoirs), to bring Bazhenov and Domanic shale plays into production, to introduce thermal recovery methods

20.9 ^{↑ +12%} **mmt**
of hydrocarbon production
from hard-to-recover reserves
in 2019

2.9 **bt**
of total recoverable reserves
in the hard-to-recover
category at 140 fields

0.6 **bt**
of high-viscosity oil
in recoverable reserves
in Russia

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 2019, the Company drilled six horizontal wells along with 11 directional wells and sidetracks as part of the Bazhenov pilot development programme. RN-Yuganskneftegaz performed a nine-stage hydraulic fracturing operation on the Salymkoye field's well 921g with a 950 m long horizontal wellbore. The initial flow rate amounted to ca. 60 t per day, on par with international best practices for similar formations. The Company intends to continue exploration and multi-stage hydraulic fracturing operations at the Bazhenov suite in 2020.

Progress on the Programme to Increase APG Utilisation Rates

In 2019, the APG utilisation rate for mature assets, excluding greenfield projects and fields under development where gas infrastructure is yet to be erected, reached 93.8%, up 1.0% year-on-year. If greenfield projects at early stages of development are excluded, the APG utilisation rate stands at 89.3%. If fields under development and greenfield projects at early stages of development are included, the APG utilisation rate amounts to 77.8%.

23 APG utilisation facilities were completed in 2019, including:

- 18 MW gas turbine power plant commissioned at Kondaneft's Zapadno-Erginskoye field;

- compressor station at the oil treatment unit and vacuum compressor station at the preliminary water discharge facility of the Dvurechenskoye field operated by Tomskneft VNK;
- compressor station at the Pravdinskoye field, low-stage compressor station at the preliminary water discharge facility of booster pump station No. 4 of the Malobalykskoye field, and low-stage compressor station at the booster pump station with a preliminary water discharge facility at well pad 354 operated by RN-Yuganskneftegaz.

APG production in 2019

34.2 **bcm**

Other facilities provide for APG gathering, treatment and transportation.

In 2019, APG utilisation improvement projects at Bashneft-Dobycha helped achieve a 95% utilisation rate.

Vankor cluster

4.7 **bcm**
of APG produced in 2019

Maintaining APG utilisation rate at the Vankor field at 98.8%. 2019 saw 30 bcm of gas supplied to Gazprom since April 2014

RN-Purneftegaz

2.9 **bcm**
of APG produced in 2019

Maintaining APG utilisation rate at RN-Purneftegaz at 99.2%

Varyeganneftegaz

3.9 **bcm**
of APG produced in 2019

Gas production rose by 2.7% year-on-year on the back of higher gas supplies to processing facilities

Samotlorneftegaz

6.0 **bcm**
of APG produced in 2019

Production rose by 2.4% year-on-year on the back of higher APG supplies to processing facilities. Maintaining APG utilisation rate at the Samotlor field at 98.4%

RN-Yuganskneftegaz

4.8 **bcm**
of APG produced in 2019

A compressor station with an annual capacity of 500 mmcm commissioned at the Pravdinskoye field

RN-Nyaganneftegaz

2.2 **bcm**
of APG produced in 2019

Gas production rose by 21.4% year-on-year on the back of well construction and completion at the Em-Egovskoye field and higher APG supplies to processing facilities

Greenfields Development

We keep actively developing our key projects, including the Tagulskoye, Russkoye, Kuyumbinskoye, Srednebotuobinskoye, Suzunskoye, Lodochnoye, Vostochno-Messoyakhskoye, Chaprovskoye, Kondinskoye, Yurubcheno-Tokhomskoye, Severo-Komsomolskoye and Severo-Danilovskoye fields.

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).



- In 2019, the Company continued exploration and well tests at the Erginsky cluster. Development activities are ongoing at the Erginsky licence area and the Chaprovskoye field. As part of its efforts to develop the cluster, Rosneft brought on stream the Kondinskoye and Zapadno-Erginskoye fields.
- Since the start of the project, the Kondinskoye field (the core asset of Kondaneft) has seen 4.6 mmt of oil produced, 438 wells from across 23 well pads commissioned, and key infrastructure facilities launched. Additional expansion of the Malokondinskaya deposit area was confirmed, which will help bring new well pads into development. Moreover, the annual capacity of the central gathering facility was ramped up to 2.8 mmt of crude oil and over 260 mmcm of natural gas, with marketable oil transported to trunk pipelines via a 68 km long feeder pipeline.

- The Erginsky licence area saw completion of the first-phase 3D seismic field work covering 532 sq km. The Company is now processing the field data while also gathering and interpreting geological and geophysical data. Core sampling was conducted at five production wells. The Company retested wells using hydraulic fracturing techniques to confirm formation productivity.
- Production drilling started at the Erginsky licence area, with 40 production wells drilled, including 25 horizontal wells. The Company continues to construct well pads and oil and gas shipment pipelines, to fill feeder roads, and to erect engineering facilities.
- In 2019, Rosneft commissioned 195 new wells and increased production of liquid hydrocarbons from the greenfields of the Erginsky cluster by 74% to 2.8 mmt.

Production of liquid hydrocarbons and gas condensate at greenfields in 2019

2.8 ^{↑ +74%} mmt

In 2019, the Company commissioned

195 new wells across the cluster

The Kondinskoye field saw the annual capacity of its central gathering facility ramped up to

2.8 mmt of oil
>260 mmcm of gas

Vankor cluster

The Company continues to build up its Vankor cluster leveraging the Vankor field, with the Suzunskoye and Tagulskoye fields up and running. Rosneft is also getting ready to launch the Lodochnoye field, thus completing the cluster integration.

18.8 mmt

of liquid hydrocarbons produced at the Vankor cluster in 2019 (including the Lodochnoye field)



Suzunskoye Field Development



- In 2019, the Suzunskoye field produced 2.8 mmt of liquid hydrocarbons.
- 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 commenced construction of the Suzun-Vankor interfield gas pipeline.
- Follow-up exploration is ongoing on a new prospective target (Nkh-3 formation).

25 wells drilled in 2019, including 11 multilateral wells

The Company started developing reserves of the field's northern part, with new wells boasting an average flow rate of

>400 t per day

Liquid hydrocarbons produced in 2019

2.8 mmt

Tagulskoye Field Development



- In 2019, the Tagulskoye field produced 1.3 mmt of liquid hydrocarbons.
- The Company launched a pipeline connecting the field's oil treatment unit to the Vankor–Purpe trunk pipeline.
- Rosneft continues to build field facilities, well pads, etc. The reservoir pressure maintenance system is up and running.
- The approved asset development strategy provides for an exploration programme aiming to bring additional reserves into production, including those of the Dolgan suite.

63 wells drilled in 2019, including 30 multilateral wells ↑ +17%

1.3 mmt of liquid hydrocarbons produced using mobile oil treatment units at the Tagulskoye field in 2019

Lodochnoye Field Development



In 2019, Rosneft drilled and completed 14 wells at the Lodochnoye field, including five multilateral wells. In 2019, it produced 0.64 mmt of liquid hydrocarbon lead. Drilling operations started to develop the largest plays (reserves of the Yakovlev suite). The Company continues production drilling and infrastructure construction to start up key field facilities.

The use of multilateral wells at the Vankor cluster fields enhances the drilling efficiency and boosts the initial flow rate by 40–50%.

14 wells drilled in 2019, including 5 multilateral wells

Liquid hydrocarbons produced in 2019

0.64 mmt

New Cluster Based on the Severo-Danilovskoye Field

The Company is working on its project to develop the Danilovsky oil and gas production cluster which consists of four fields (Severo-Danilovskoye, Yuzhno-Danilovskoye, Verkhneicherskoye and Lisovsky). The dense arrangement of the license areas and the proximity of the Verkhnechosnkoye field will bring meaningful synergies from shared use of the ground infrastructure.

As part of its pre-launch efforts on the Severo-Danilovskoye field, the Company is actively building well pads, infield roads, and engineering facilities. The field construction includes drilling

95 wells on 10 well pads, a reservoir pressure maintenance system, and other top-priority infrastructure facilities. The Company commenced construction of a 93 km long oil pipeline which is set

to connect the Severo-Danilovskoye field and the Verkhnechosnkoye field to transport crude oil to oil treatment units and subsequently to trunk pipelines.



Russkoye Field Development



The Company continues to develop the Russkoye field. In 2019, it drilled and completed 81 horizontal wells, including 23 multilateral and multihole wells. A total of 279 wells have been drilled here, including 49 multilateral wells. As part of pilot tests on multilateral wells, Rosneft conducted geological zoning to rank complex wells to maximise the sweep efficiency at laminated heterogeneous formations. Having launched the Zapolyarnoye metering station, the Company started delivering crude oil from the Russkoye field to Transneft's trunk pipelines. It also commissioned an APG-fired power plant. Compared

to 2018, Rosneft nearly tripled its production of liquid hydrocarbons to 0.8 mmt in 2019. The Company continues production drilling, getting ready to launch the second phase of the Zapolyarnoye metering station, the oil pipeline connecting the central gathering facility and the Zapolyarnoye metering station, as well as an innovative project for self-sufficient preliminary water discharge unit.

Liquid hydrocarbons produced in 2019 **0.8** mmt ↑ threefold increase

Development of an Expanded High-Priority Area at the Yurubcheno-Tokhomskoye Field



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Liquid hydrocarbons produced
in 2019

4.1 ^{↑ +76%}
mmt

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.

The choice of best development solutions coupled with quick construction of production facilities and advanced drilling technologies helped Vostsibneftegaz increase its production of liquid hydrocarbons by 76% year-on-year to 4.1 mmt in 2019.

Vostsibneftegaz uses innovations to increase exposure to deposits within the pay zone and enhance the oil recovery rate. Rosneft views the techniques and approaches it tried and tested at the Yurubcheno-Tokhomskoye field as its core solutions, planning to roll them out to other projects.

In 2019, it drilled 39 new wells, up 26% year-on-year. The Company relies on horizontal drilling to effectively develop vuggy fractured reservoir rocks with highly heterogeneous porosity and permeability both along the vertical axis and across the floor area. Some wells demonstrated record-high flow rates in excess of 500 t per day. The Company decided to expand this high-priority area with a view to bringing additional reserves into production.

Vostsibneftegaz continues well testing and logging, keeps streamlining well operations, installing telemetry systems and switching to artificial lift wells with a view to optimising the field development and gathering additional information on wells and deposits.

Srednebotuobinskoye Field Development



Liquid hydrocarbons produced
in 2019

4.0 ^{↑ +37%}
mmt

Taas-Yuryakh Neftegazodobycha is 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 2019, production of liquid hydrocarbons at the Srednebotuobinskoye field increased by 1.4 times year-on-year to 4 mmt. The growth was driven by the extensive use of horizontal and multilateral wells, including those leveraging the Fishbones stimulation technology. Multilateral wells proved to be successful in 2019 and the Company decided to roll them out with a view to developing under-gas-cap zones.

In 2019, the operator ramped up water injection volumes for reservoir pressure maintenance from 3.7 to 5.6 mmcm, a 51% increase year-on-year.

On 15 September 2019, the Company marked a new milestone with 100 mmt of oil produced since the commencement of commercial production.

Rosneft continues to construct a high-pressure gas compressor for reservoir pressure maintenance and better APG utilisation while also building a gas turbine power plant for internal needs and preparing well pads for drilling.

Vostochno-Messoyakhskoye Field Development



Liquid hydrocarbons produced
in 2019

2.7 ^{↑ +22%}
mmt

In 2019, the Vostochno-Messoyakhskoye field, a joint project of Rosneft and Gazprom Neft, increased its production of crude oil by 22% year-on-year to 2.7 mmt (attributable to the Company's share). 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. In 2019, 112 new wells were commissioned with an average initial flow rate of 100 t per day. In order to

boost the well productivity rate and the scope of reserves under development, the Company massively leverages multilateral wells, including using the Fishbones stimulation technology, with 42 multilateral wells commissioned in 2019.

Kuyumbinskoye Field Development



Liquid hydrocarbons produced
in 2019

0.5 ^{↑ >100%}
mmt

The Kuyumbinskoye field is developed by Slavneft-Krasnoyarskneftegaz, a joint venture of Rosneft and Gazprom Neft. In 2019, it drilled 53 new production wells, up 71% year-on-year. The Kuyumbinskoye field saw its first-ever controlled pressure drilling operation on a horizontal well. Compared to 2018, the Kuyumbinskoye field doubled its production of liquid hydrocarbons to 0.5 mmt in 2019 (attributable to the Company's share).

In April 2019, Slavneft-Krasnoyarskneftegaz commissioned the central gathering facility with an annual capacity of 1.6 mmt and the oil and gas collecting pipeline connecting the right bank of the Podkamennaya Tunguska River and the central gathering facility. In December 2019, the central gathering facility saw its capacity expanded to 2.9 mmtpa. Rosneft continues to build field facilities and supporting infrastructure.

Severo-Komsomolskoye Field Development



Liquid hydrocarbons produced
in 2019

0.4 ^{↑ +83%}
mmt

The Severo-Komsomolskoye field proceeded with the pilot development programme for the PK1 formation. 20 new horizontal wells were commissioned with horizontal sections of 1.5–2 km and an average initial flow rate of 137 t per day. In 2019, the asset produced 0.4 mmt of liquid hydrocarbons, up 83% year-on-year. Following the analysis of its pilot activities in 2018–2019 and amendments to its geological hydrodynamic model, the Company updated its full-scale development

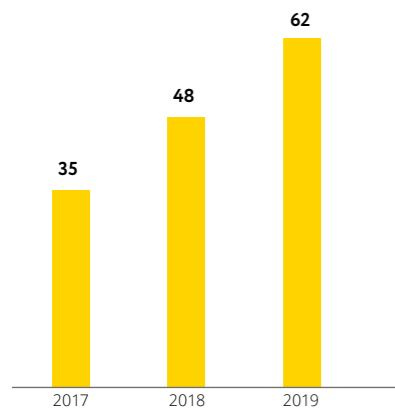
strategy and targets for the PK1 formation, streamlined well completion practices (with all wells to be equipped with inflow control devices), adjusted project implementation phases with a view to bringing the most proven reserves of the western and eastern areas into production, and developed an exploration and appraisal programme.

The Company and its partner, Equinor ASA, decided to launch Phase 1 of the full-scale Severo-Komsomolskoye field development.

In-house Service

The Company continues its drive for expansion and improvement of its in-house services to deliver high quality of services and gain a competitive edge.

A greater share of horizontal drilling, %



Drilling

In 2019, the Company's drilling service completed 5,753 thousand m of drilling on-site (1,628 wells, including 27 exploration wells). The share of horizontal drilling reached 62% (up 14% from 2018).

The operating fleet of the Company's drilling service in 2019 stood at 267 drilling rigs with an average age of 11 years. The Company has 237 drilling crews.

KEY ACHIEVEMENTS

- Rosneft successfully progressed with its programme to scale up the technology for drilling two-string horizontal wells with oil based mud.
- A drilling crew of the Khanty-Mansi branch of RN-Bureniye set a record when drilling horizontal well No. 2406 from well pad No. 24 at the Kondinskoye field. The well was drilled in 17.5 days at a commercial drilling speed of 6,893 m per rig per month.
- A drilling crew of the Nefteyugansk branch of RN-Bureniye broke the industry record for the fastest construction of a two-string horizontal well. The drilling at the Salymkoye field took as little as 7.4 days, 20% faster than ever before. The commercial drilling speed exceeded 14 thousand m per rig per month.



Well Workover and Servicing

Today, RN-Service is the largest company for well workover and servicing, with branches in 13 Russian regions. In 2019, it provided well servicing to 21 Rosneft's upstream companies, covering 43% of Rosneft's needs for well workover and servicing.

servicing crew amounted to 57.4 per year (106.5% against the business plan target). Average service time reduced by 7.8% against the target.

Well workover and servicing works performed by RN-Service in 2019 totalled 38,330, exceeding the business plan target by 1,191 (103%). Actual orders processed per workover and

704 crews
for well workover
and servicing

Hydraulic Fracturing

In 2019, the Company received and put into operation four new hydraulic fracturing fleets.

RN-GRP completed 4,905 hydraulic fracturing operations at Rosneft's fields, exceeding the business plan target by 312 operations (107%).

20 fleets
of RN-GRP are used in Group
Subsidiaries' operations.

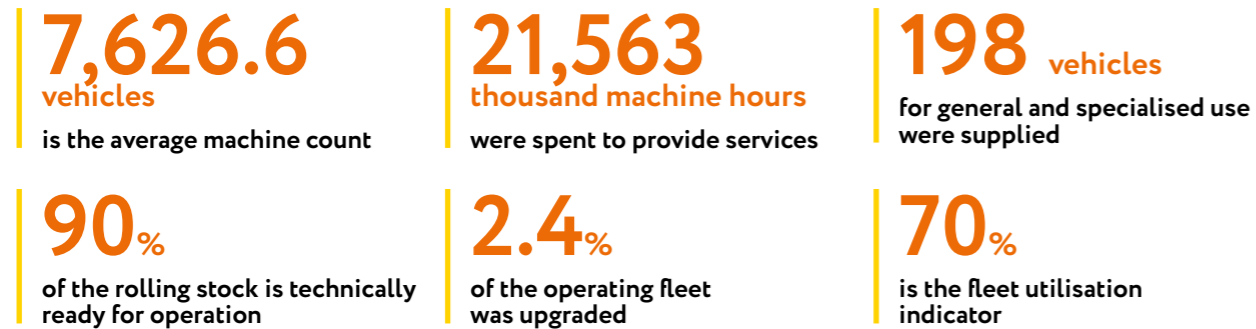


Transportation Services

RN-Service transferred 610 vehicles to RN-Transport as part of the establishment of a service holding company based on RN-Transport that will provide transportation services to Rosneft's companies.

579 inefficient or unused machines were withdrawn from operation.

KEY ACHIEVEMENTS IN 2019



In-House Well Logging Service

In January 2019, we launched an in-house well logging service at Bashneft-PetroTest and started well logging and blasting and perforating operations at Bashneft-Dobycha's fields. This project will help boost the efficiency of the Company's exploration and development activities, reduce the cost of well logging, optimise the amount of log data, and enable import substitution in this area.

In 2019, as part of the Rosneft-Rosatom R&D cooperation, SMIS-172-B multi-parameter logging while drilling tool was tested on five wells of the Severo-Khokhryakovskoye field (Varyeganneftegaz). The system is based on a technology-intensive and environment-friendly induced gamma-ray spectroscopy module, first of its kind ever manufactured in Russia. The tests produced important data based on which the system will be

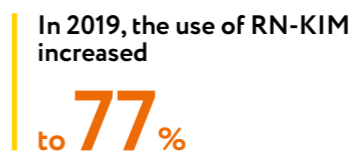
finalised for future commercialisation. Following the tests completed in wells of Samaraneftgaz and RN-Krasnodarneftegaz in 2016-2017 as part of the Company's cooperation with Rosatom, the Technology Expert Council of the State Commission for Mineral Reserves issued a positive opinion on possibility of using log interpretation data obtained from this logging tool to substantiate the estimates of hydrocarbon reserves.

Corporate Software Development

To improve the production planning 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 has been widely exploited by the Company for over three years and is adapted to the geological and operating conditions of the fields the Company is developing.

In 2019, as part of the efforts to expand its capabilities in solving the most pressing operational issues related to log interpretation, the Company created a development concept and a prototype for RN-PetroLog, proprietary petrophysical modelling software that supports integration with corporate databases, multi-well data processing, and computerised data interpretation.

In 2019, the use of RN-KIM increased to 77%. We released a new version that allows us to quickly (using graphics processing units or computer clusters) perform modelling calculations for oil and gas condensate fields that require computation-intensive analysis.



Offshore Projects

Rosneft sees hydrocarbon resource development on the continental shelf as a key strategic direction for its growth.



The Russian shelf has the largest area in the world – over 6 million sq km. Rosneft holds the biggest pool of licences on the continental shelf and carries out a full range of exploration operations in the seas of the Russian Arctic, Russian Far East, and the south Russia. The Company's offshore projects lay the groundwork for the future of the modern Russia, spurring sustainable socio-economic development, propelling industry modernisation, fostering high-tech innovation and robotisation, facilitating the upgrade of coastal and transport infrastructure, and unlocking new talent.

Rosneft owns 55 licence areas on the Russian continental shelf, with an aggregate resource potential of 41 btoe as at 31 December 2019. 19 of these licence areas are located in the waters of the Western Arctic (the Pechora, Barents and Kara seas), nine licence areas in the Eastern Arctic (the Laptev, Chukchi and East Siberian seas), 20 offshore areas in the Russian Far East (the seas of Okhotsk and Japan), and seven licence areas in the seas of the south Russia (the Black, Caspian and Azov seas) (see Figure 1).

Offshore Exploration in Russia

In 2019, 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.

9 Rosneft's licence areas are located in the Eastern Arctic shelf seas

20 Rosneft's licence areas are located of the Russian Far East coast

Exploration drilling

The well construction at the Vostochno-Pribrezhny licence area was completed in December 2019. The bottomhole depth is 3,047 m. The entire scope of the planned well surveys was carried out, including cased-hole tests. The Dagi suite's oil and gas bearing capacity was confirmed. The State Commission for Mineral Reserves registered the discovery of the Vostochno-Pribrezhnoye field and booked 2.6 mmt of C1+C2 recoverable oil.

Field geology expeditions

The Company continues to develop and update the regional models of Russian and foreign offshore fields located in the areas of its presence and interest (Russia's Arctic, Far Eastern and Southern seas, as well as foreign waters). Three onshore field geology expeditions were organised to mitigate the sub-surface risk related to certain 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, including Sakhalin, the Severnaya Zemlya Archipelago, and the New Siberian Islands. Representative rock samples were collected for laboratory analysis, whose results are used to update the geological model of the region and the survey areas.

2D/3D SEISMIC SURVEYS

In the 2019 field season, Rosneft completed 2D seismic surveys of 250 linear km in the transition zone of the Tsentralno-Tatarsky licence area off Sakhalin Island. The works were carried out ahead of the schedule stipulated by the licence.

3D seismic surveys of 865 sq km were conducted for the Sakhalin-1 Project. 2D seismic surveys of 310 linear km were completed on the Severo-Kaspiyskaya licence area. The seismic findings will provide the basis for informed decisions on further exploration of the licence areas.

Soil surveys

Soil surveys were performed on the site selected for drilling of an exploration well at the offshore Kaigansko-Vasyukanskoye Sea field near Sakhalin.

The results of comprehensive marine surveys provided full sets of data for well design and construction in the licence areas, including for engineering and environmental protection. Detailed data on soil composition in the area will allow experts to predict geological and geological engineering processes and address risks that might arise during the drilling phase.

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

Efficient implementation of the Sakhalin-1 project continued in 2019.

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 Chaivo, Odoptu-Sea, Lebedinskoye, and Arkutun-Dagi 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 platform that features the world's heaviest upper structure.

Record-high output was achieved in 2019, when the Sakhalin-1 project produced a total of over 13,0 mmt of oil and gas condensate (Rosneft's share was 2.6 mmt). Nearly 2.4 bcm of gas (with Rosneft's share of 0.5 bcm) were 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.

13.0 mmt
Oil and Gas Condensate
Production (with Rosneft's share
of 2.6 mmt).

~2.4 bcm
(with Rosneft's share of 0.5 bcm)
were supplied to consumers.

Northern Tip of the Chaivo Field

Oil production at the northern tip of the Chaivo field involves five wells that have a unique, complex design and extended horizontal displacement. The wells are equipped with smart completion systems with flow control devices to limit gas breakthroughs and maximise production.

In November 2019, Rosneft achieved a milestone of 7 mmt of crude oil pumped out from the Chaivo field's northern tip since the start of the project.

0.5 mmt
oil and condensate output
in 2019
0.07 bcm
the total amount of gas supplied
to consumers

Odoptu-Sea Field (Northern Dome)

The Odoptu-Sea field (the Northern Dome) is Russia's first offshore field brought on stream, flowing oil since 1998. The operator of the oil and gas field is RN-Sakhalinmorneftegaz.

The field's infrastructure comprises oil and gas gathering and treatment facilities, a reservoir pressure maintenance system, outbound pipelines to transport oil, gas and water, and power generation facilities.

We continued to drill new production wells in 2019 in order to maintain the field's recovery rates. Three production wells were drilled and put into operation. One of them is the longest horizontal well in this field. With a huge horizontal displacement, it is 8,699 meter deep. The previous record for well length at this field was set in 2011 at 8,119 meters.

0.4 mmt of crude oil produced
in 2019
0.14 bcm of APG produced
in 2019

Lebedinskoye Field

Pilot operation of the offshore Lebedinskoye field in the Sea of Okhotsk began in 2015. It is operated by the Company's subsidiary RN-Sakhalinmorneftegaz. Four production wells are used. Crude oil extracted from the Lebedinskoye field has a quality grade similar to Sokol crude.

0.3 mmt of crude oil produced
in 2019
0.12 bcm of APG produced
in 2019

Novoye Field

Rosneft started production testing of its Novoye deposit in the Azov Sea in 2016. The field operator for both oil and gas production is Priazovneft, in which Rosneft holds 51%, while Lukoil owns a 49% stake. Field appraisal is underway alongside production. The drilling of Novaya-2 exploration well started in October 2019.

Gas Business

Rospan and Kharampur are major gas projects viewed as the top contributors to the Company's near-term hydrocarbon production growth.

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 7.7 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, Vietnam, and Canada.

19%
share of gas in the Company's
total hydrocarbon production
in 2019

Strategic Objectives of the Gas Business

THE FOLLOWING OBJECTIVES HAVE BEEN SET IN THE ROSNEFT-2022 STRATEGY FOR THE GAS BUSINESS:

- Deliver the key gas production projects, including Rospan and Kharampur, on schedule and within budget, thereby raising annual output to more than 100 bcm.
- Improve the gas sales economics in Russia through such measures as promoting a favourable regulatory environment, including equal access to infrastructure and customers.
- Improve the Company's technological base for production and expand its technological competence to support:
 - the development of the Turonian deposit;
 - the production of liquid petroleum gas (LPG) and natural gas liquids (NGL);
 - increased APG utilisation, including through the development of captive power generation and petrochemicals;
 - in the longer term, gas reserve monetisation in Eastern Siberia and the Russian Far East, including through petrochemicals development;
 - LNG production and exports.

In December 2019, the Company's Board of Directors reviewed the progress against the Rosneft-2022 Strategy in 2019 and confirmed the previously approved strategic objectives and targets for the gas business.

Meeting the strategic gas business objectives will increase Rosneft's free cash flow in 2020-2022 and the Company's long-term shareholder value while also securing a 20% share in the Russian gas market.

67.0
bcm
total gas production in 2019¹

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.

¹ Recovered gas volume excluding flared gas and gas used in liquid hydrocarbons production.

¹ LPG – liquefied petroleum gas.

² NGL – natural gas liquids.

ACHIEVEMENTS IN GAS BUSINESS DEVELOPMENT



- Construction of key facilities at **Rospan** is in its final phase:
 - core process equipment for the CGTU¹ in the Vostochno-Urengoysky licence area installed;
 - major construction and installation operations completed to prepare the oil treatment unit for launch;
 - six out of seven gas turbine units launched to cover the electricity demand of all first-stage facilities;
 - the Korotchaev railway terminal almost completed.
- Construction of key facilities at **Kharampurneftegaz** is in the active phase:
 - construction and installation continues at the gas treatment unit, gas shipment pipeline, power facilities, and other infrastructure;
 - 57 out of 61 project wells drilled;
 - geological data research and collection continues for the first well put into pilot operation at the Turonian deposit.
- The **Zohr** joint offshore development project in Egypt reached its full design capacity of 76 mmcm per day ahead of schedule. Since the project was launched in December 2017, 13 production wells, eight gas treatment trains, four subsea pipelines, and an offshore management platform had been commissioned.
- A **unique process** was developed to produce gas from the low-permeability reservoirs of the Berezovskaya suite. The distinctive feature of the technology is that it allows fissure logging while drilling. The logging results can be used to identify the optimal layout of hydraulic fracturing ports, contributing to more effective development of such fields. A patent application has been filed.
- For the first time in Russia, a reserve estimation at Kharampur resulted in the Berezovskaya suite reserves being successfully proved to the State Commission for Mineral Reserves (GKZ) and approved by the Federal Subsoil Resources Management Agency (Rosnedra).
- Under the **Far Eastern LNG project**, the Sakhalin-1 consortium decided to proceed to the stage of front-end engineering design (FEED) and initiate competitive contractor selection.
- In August, Rosneft signed **cooperation agreements** with Mozambique's National Petroleum Institute (INP) and state oil and gas company ENH. Under these agreements, Rosneft will have the right to study the available geological information to assess the potential of onshore and offshore blocks in Mozambique.
- At the St Petersburg International Economic Forum, Rosneft and Rostec signed an agreement to **support the gas motor fuel market**. The parties agreed to upgrade Rosneft's filling stations with **liquefied natural gas (LNG) and compressed natural gas (CNG) equipment**.

¹ CGTU – comprehensive gas treatment unit.

Gas Production

Performance in the Reporting Year

In 2019, Rosneft's gas production both in Russia and abroad totalled 66.95¹ bcm, including 32.77 bcm of natural gas and 34.18 bcm of associated petroleum gas. The Company's international projects, mostly in Egypt, Vietnam and Venezuela, accounted for 4.97 bcm of the total gas

output, including 4.90 bcm of natural gas, while its domestic output stood at 61.98 bcm. Some of the Russian gas was processed into liquid hydrocarbons. In 2019, the Company's gas output in Russia, including the gas processed into liquid hydrocarbons, totalled 62.36 bcm.

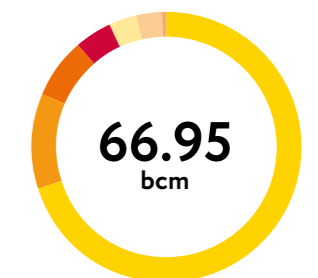
Gas production was almost flat vs 2018.

8.5%
share in Russia's
total gas production

Gas Production by Region



Gas Production in Key Regions of Operation in Russia and Abroad, bcm



Western Siberia	47.01
Eastern Siberia	7.51
Foreign Projects	4.97
Far East	2.95
Central Russia	2.2
Southern Russia	2.07
Other, including Timan-Pechora	0.24

Rosneft's largest gas-producing region is **Western Siberia**, which contributed 47.01 bcm, or 70%, of the total gas output in 2019, including 24.27 bcm of natural gas produced mainly by Sibneftegaz, Rospan International, Purgaz and RN-Purneftegaz and 22.74 bcm of associated petroleum gas produced mainly by Samotlorneftegaz, RN-Yuganskneftegaz, Varyeganneftegaz and RN-Purneftegaz.

In **Eastern Siberia**, gas was produced at the Vankor group of fields, the

region's largest. Output there amounted to 5.94 bcm of associated petroleum gas and 1.57 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 RN-Shelf-Far East accounting for the bulk of the 2.95 bcm gas production in 2019.

In the **Volga-Urals Region**, gas was primarily produced from the fields operated by Orenburgneft,

Samaraneftegaz and Bashneft-Dobycha. Output there amounted to 2.2 bcm.

In **Southern Russia**, the Company's key gas asset is RN-Krasnodarneftegaz, which produces both natural and associated petroleum gas. The region brought in 2.07 bcm in 2019.

International projects, mainly the Zohr offshore field in Egypt, produced 4.97 bcm. Our operations in Vietnam and Canada also contributed.

¹ Recovered gas volume excluding flared gas and gas used in liquid hydrocarbons production.

Key Assets and Promising Projects of the Company's Gas Business

In line with its approved strategy, the Company focuses on high-ROI projects. Our key priority is to launch such projects within budget and on schedule, so that we can produce more than 100 bcm of gas annually by 2022 and increase the share of gas in total hydrocarbon production.

Rospan

The launch of Rospan, the largest gas project in the Company's portfolio, is key to achieving the mentioned objectives. The full-scale development of Rospan International's fields will be the primary source of near-term growth for both gas and other hydrocarbon production.

- Total recoverable reserves (AB1C1+B2C2) as at 1 January 2020:
- 912 bcm of gas
 - 169 mmt of gas condensate and crude oil

- Mid-term annual production outlook:
- over 21 bcm of gas
 - over 5 mmt of gas condensate and crude oil
 - up to 1.3 mmt of industrial propane/butane mixture

At the end of 2019, construction of key facilities was in its final phase:

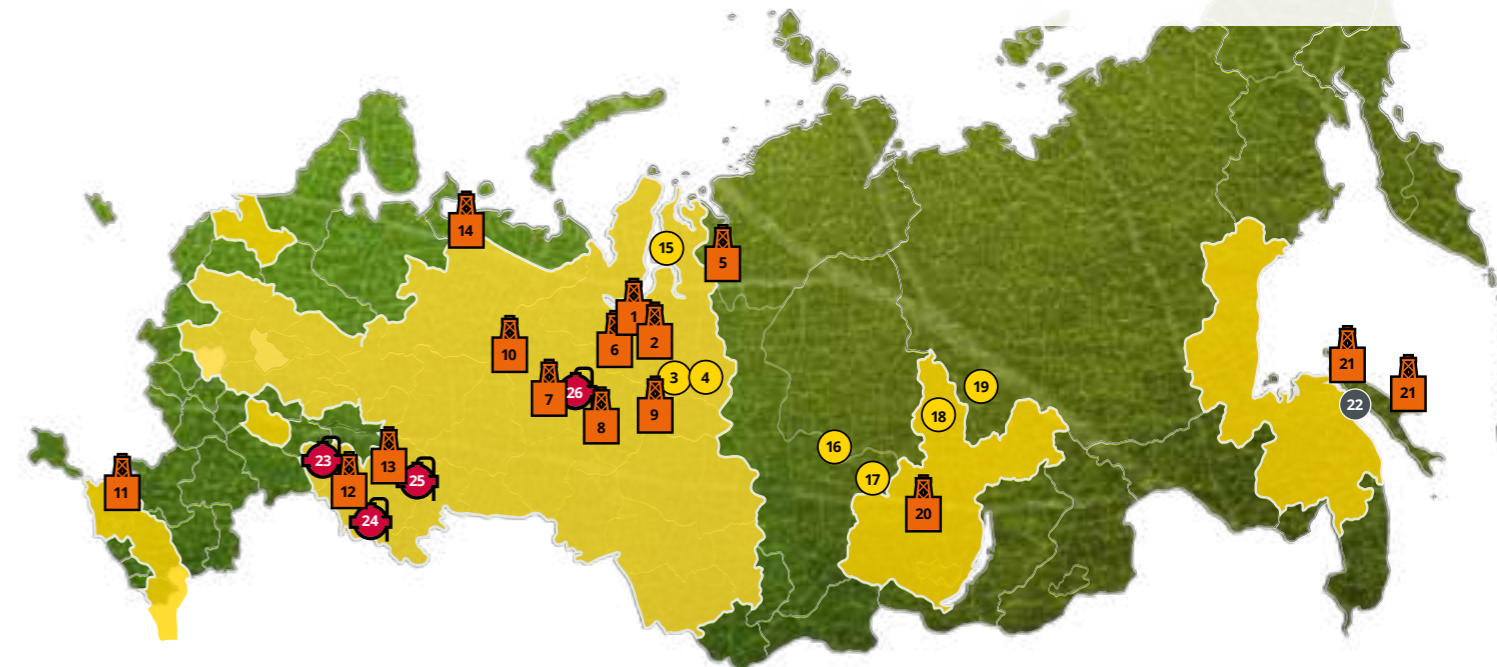
- core process equipment installed as part of the CGTU's first start-up complex in the Vostochno-Urengoysky licence area, key installation and testing tasks completed on the process pipelines;
- major construction and installation operations completed on the oil treatment unit, core process equipment being prepared for hot commissioning;
- six out of seven gas turbine units launched at the Vostochno-Urengoysky licence block's gas turbine power plant;
- at the Korotchaevo railway terminal, most of the installation completed on the process pipelines and shut-off and control valves.

Russian and foreign cutting-edge technologies ensure more efficient production at Rospan. For the first time in the Company's history, two horizontal wells were drilled in 2019 using multi-stage hydraulic fracturing and the HiWAY technique to enable production from reservoir edges and speed up the overall development, effectively boosting technical gas recovery by 2.1%.

Plans

Completion and launch in 2020.

- Gas supply regions
- Gas production
- Promising gas production projects
- LNG production projects
- Gas processing plants (GPPs)



- Rospan
- Sibneftegaz
- Kharampurneftegaz
- Kynsko-Chaselskoye Neftegaz
- Vankor group
- RN-Purneftegaz
- RN-Yuganskneftegaz
- Samotlorneftegaz
- Varyeganneftegaz
- RN-Nyaganneftegaz

- RN-Krasnodarneftegaz
- Orenburgneft
- Bashneft-Dobycha
- Bashneft-Polyus
- Minkhovskoye
- Yurubcheno-Tokhomskaya group
- Agaleevsky license area
- Verkhnechonskneftegaz
- Taas-Yuryakh Neftegazodobycha
- Bratskekogaz

- RN-Shelf-Far East, RN-Sakhalinmorneftegaz, Sakhalin-1
- Far Eastern LNG (as part of Sakhalin-1)
- Otradnensky and Neftegorsky GPPs in the Samara Region
- Buzulukskoye GPP in the Orenburg Region
- Shkapovskoye and Tuimazinskoye GPPs
- RN-YuganskGazPererabotka

Kharampur

Also vital to Rosneft's gas business is the project it runs together with BP 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.

- As at 1 January 2020, the field's AB1C1+B2C2 recoverable natural gas reserves, including the Turonian deposit, were close to 1 tcm.

- Once it reaches the design capacity, annual gas production is expected to be around 11 bcm, with a potential to expand to 25 bcm later.

In 2019, construction of key facilities remained in the active phase:

- construction and installation at the gas treatment unit involved placing foundation piles, pouring concrete, and assembling steelwork;
- construction and installation progressed at the gas shipment pipeline, with drilling started for the second Vasseyakha River crossing;
- 57 out of 61 project wells were drilled;
- geological data research and collection continued for a well put into pilot operation at the Turonian deposit;
- gas well cluster engineering facilities and feeder roads were completed; construction of gas gathering networks and fit-up of well pads and power facilities continued.

Plans

The near-term plans include:

- completion of gas production infrastructure for the Cenomanian deposit;
- completion of key facilities (the gas treatment unit, gas shipment pipeline, etc.);
- completion of the feasibility study for the full-scale development of the Turonian deposit and proceeding to the FEED stage.

The project launch is scheduled for 2021.

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. The Company has developed methodologies and

Sibneftegaz

techniques to explore the suite's reserves and estimate its resource potential.

In 2019, a comprehensive estimation at Kharampur resulted in its Berezovskaya suite's reserves being, for the first time in Russia, approved to the State Commission for Mineral Reserves (GKZ) and protected by Rosnedra.

In 2019, we also finalised our unique method of gas production from the Berezovskaya suite. The distinctive feature of this technology is that it allows fissure logging while drilling. The logging results can be used to identify the optimal layout of hydraulic fracturing ports, contributing to more effective development of the Kharampurskoye field. A patent application has been filed.

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

It produced 11.4 bcm of natural gas in 2019, with the cumulative gas output reaching 125 bcm by the year end.

As at 1 January 2020, its AB1C1+B2C2 recoverable reserves amounted to 532 bcm of gas and 31 mmt of gas, crude oil and gas condensate.

In 2019:

- 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.

Plans

The facilities are to be launched in 2020.

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 exceed 15 bcm.

Other Projects

In 2019, 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 Limited¹ were jointly exploring the Verkhnechonskoye oil and gas condensate field in the Irkutsk Region. The project will involve establishing a new gas production centre and building transport infrastructure. 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

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 in a long term is set to become a basis for a major gas production project.

Kynsko-Chaselsky licence area

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. This will include the development of 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 2019, the key design solutions were fully developed for its first stage, which targets an annual output of up to 8.7 bcm. Engineering surveys and the work on design documentation are to start in 2020.

Gas Processing and Better APG Utilisation

Our APG utilisation programme helps reduce the environmental footprint and address environmental issues in the producing regions by utilising associated petroleum gas.

In 2019, the Company's APG utilisation rate, including fields under development and greenfield projects at early stages of development, stood at 77.8%, or 6 p.p. lower than a year ago. If fields at early

stages of development are excluded, the rate was 89.3%.

The Company continued its full-scale efforts to improve utilisation and completed 23 APG facilities.

To further develop our gas processing capabilities, we worked on a project to build the Maisky gas processing complex in Western Siberia. In 2019, positive opinions of the Main Department of State Expert Evaluation were obtained after completing engineering surveys

and drafting design and cost estimate documents.

In 2019, the Company's APG utilisation rate² stood at **89.3%**

LNG Projects

The Company is involved in the Far Eastern LNG project as a member of the Sakhalin-1 consortium to monetise the natural gas reserves of the Russian Far

East. In 2019, the project's shareholders defined the marketing strategy and decided to proceed to the FEED stage. Competitive contractor selection

process was initiated, with designing and planning done for the early preparations to commence on the LNG plant site in 2020.

International Gas Business Development

Expanding 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 significant and 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, BP, Mubadala, and Egypt's state oil and gas company EGAS.

Vietnam: a 35% stake in Block 06.1 as the operator (current stage: natural gas and gas condensate production), a 100% stake in Block 05.3/11 (current stage: exploration), and a 32.67% stake in the Nam Con Son gas pipeline.

Brazil: a 100% stake in Solimões Basin blocks as the operator (current stage: exploration).

Mozambique: a 20% stake in three offshore blocks (A5-B, Z5-C and Z5-D) with a potential for large gas discoveries (current stage: exploration).

Latvia: a 10% stake in AS Latvijas Gaze, a major natural gas supplier in the Baltic markets.



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

² Excluding fields at early stages of development.

¹ See more in section XX.

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



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

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

In 2019, Zohr commissioned four new production wells, three gas treatment unit trains and the third pipeline for gas transportation from the field to the gas treatment facilities, enabling it to reach its production target of 76 mmcm per day in August 2019, five months ahead of the Development Plan.

Actual production in 2019 (100% of the project) totalled 23.4 bcm of gas and 0.2 mmt of gas condensate (Rosneft's share: 4.1 bcm of gas and 0.04 mmt of gas condensate).

The entire volume of gas production goes to Egypt's national gas system.

In December 2019, the partners deemed practicable to carry out exploration on the Shorouk Block in 2020–2021 by drilling an exploration well with a view to enhancing the project's resource potential.

**Actual production in 2019
(100% of the project)
totalled**

23.4
bcm of gas

0.2
mmt of gas condensate

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. Its efforts resulted in a number of gas discoveries. In 2019, the Company drilled the fourth prospecting well which helped detail the geological structure and the oil and gas bearing potential of the basin. Rosneft is currently considering monetisation options for the newly discovered gas reserves.

Iraq



Bashneft International B.V. is the project operator and owns 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, which confirmed the initial estimate of oil reserves at the Salman field. In late 2019, the Company submitted to the Iraqi side an application for potential commercial discovery and a further exploration programme for the next two years.

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 production sharing agreements (PSA).

In February 2019, oil production was piloted at the Bejil field.

In 2019, the Company started 3D seismic surveys, getting ready for exploration drilling.

Offshore Projects in Mozambique



Rosneft participates in the consortium for exploration of 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 2019, the consortium continued to process and interpret seismic data getting ready to drill prospecting wells.

Myanmar



Bashneft International B.V. is the project operator at Block EP-4, holding a 90% stake in the PSA.

Its efforts helped identify a number of targets for prospecting drilling. The first well is scheduled for 2020.

Offshore Projects in Vietnam



Rosneft participates in exploration projects and a joint 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 PSA. Block 06.1 contains three gas condensate fields, specifically Lan Tai, Lan Do, and PLD (Wild Orchid). The fields are located 370 km offshore in the Nam Con Son Basin.

Actual production in 2019 (100% of the project) totalled 4.16 bcm of gas and 0.04 mmt of gas condensate (Rosneft’s share: 0.78 bcm of gas and 0.01 mmt of gas condensate).

In 2013, the Company signed a PSA 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.

Rosneft also participates in the offshore Nam Con Son pipeline project (Rosneft Vietnam Pipelines B.V. – 32.67%, Perenco – 16.33%, PVN – 51%), 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.

The pipeline has a capacity of 7.7 bcm per year, carrying ca. 7 bcm of gas in 2019, including the gas produced from Block 06.1 and other operators in the Nam Con Son Basin. Its operational efficiency is 100%.

On 22 June 2019, Rosneft Vietnam B.V., one of the Group Subsidiaries operating in Vietnam, marked 17 years of safe offshore operations with no lost-time injuries, an important milestone in its activity.

Actual production in 2019 (100% of the project) totalled

4.16

bcm of gas

0.04

mmt of gas condensate

¹ Actual production in 2019 (100% of the project) totalled 23.4 bcm of gas and 0.2 mmt of gas condensate (Rosneft’s share: 4.1 bcm of gas and 0.04 mmt of gas condensate).

Downstream (Refining and Commerce)

The Company ranks No. 1 in Russia in terms of refining capacity and throughput. It operates 13 large refineries, which processed over 100 mmt of oil in 2019.

100.1 mmt
oil processed by Rosneft's Russian refineries in 2019

74.4%
refining depth in 2019

57.6%
light product yield

Key Results of 2019 (Oil Refining)

In 2019, the Company's oil refining activities were aimed at satisfying the demand for quality petroleum products.

In the reporting year, Rosneft's Russian refineries processed 100.1 mmt of oil. The total oil refinery throughput (including foreign assets) stood at 110.2 mmt. In the fourth quarter, Russian refineries' throughput amounted to 25.5 mmt, with the year-on-year change attributable to the repair cycle.

The refining depth and light product yield in 2019 was 74.4% and 57.6%, respectively.

The Company continued to expand its range of environmentally-friendly fuels. In May 2019, the Ryazan Refinery launched the production of AI-95-K5 Euro-6 gasoline to supply the Moscow Region with greener fuel. The Komsomolsk and Ufa refineries started producing RMLS, a low-sulphur marine fuel compliant with the IMO standards that went into effect in early 2020. The fuel contributes to

minimising the bunker's environmental footprint. The Ufa Refinery also began the industrial production of AI-100 high octane gasoline using a proprietary technology.

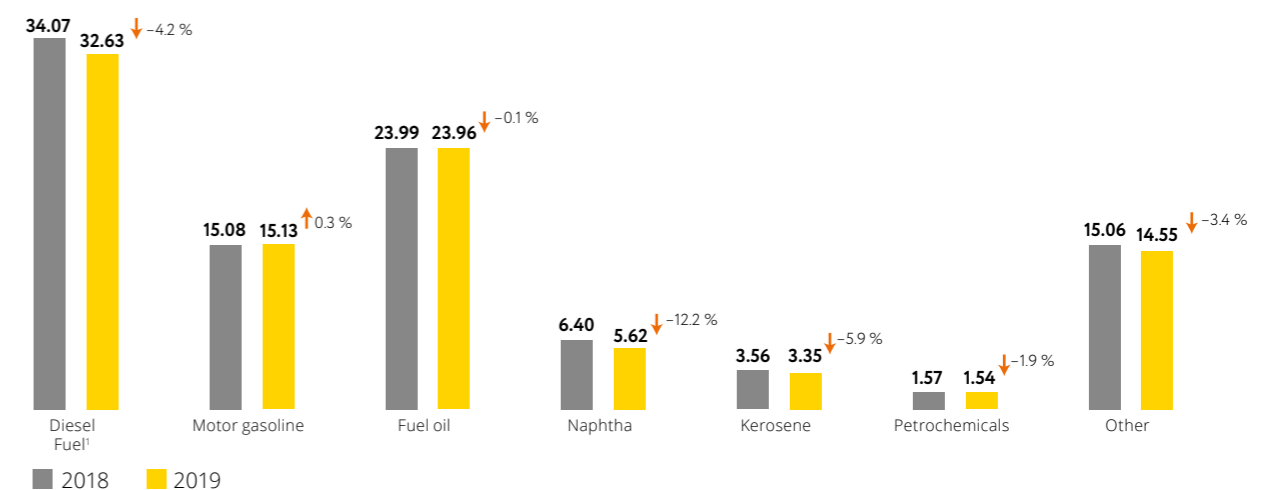
The first batch of hydrotreating catalysts suitable for Euro-5 compliant diesel fuel underwent industrial tests at Rosneft's Ufa group of refineries. This is the first-ever hydrotreating agent capable of fully replacing its foreign analogues for the Russian refining industry. The tests proved that Rosneft's proprietary catalyst was fit for the production of diesel fuel compliant with all the latest technical requirements. The catalyst is on par with the best foreign peers and even superior to them in some aspects.

Rosneft continues to implement the existing facility maintenance initiatives and refinery upgrade programmes. The total spending on Oil Refining maintenance

and upgrade projects under IFRS in the reporting year amounted to RUB 43.8 bln. 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.



Marketable Product Mix (Russian Refineries), mmt



¹ Including marine fuel.

Oil Refining



Russia

Rosneft operates the largest oil refining capacities in Russia and controls refineries in the key regions of the country. In 2019, the Company's domestic refineries processed 100.1 mmt of oil, while their average Nelson Index stood at ca. 8.0.

8.0

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, processing up to 12.8 mmtpa and having the average Nelson Index of 9.0.

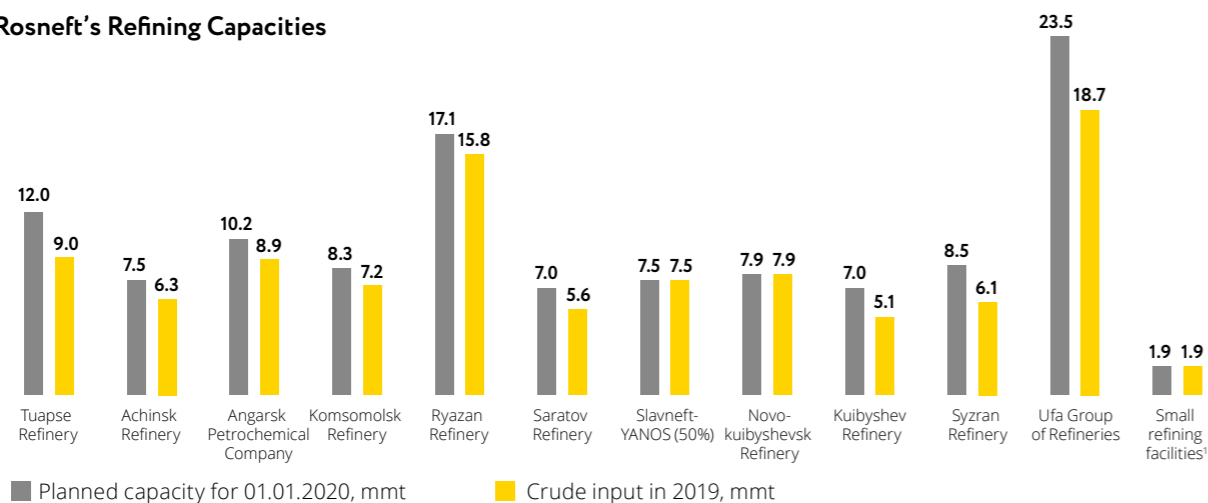
In Belarus, Rosneft indirectly holds a 21% stake in the Mozyr Refinery.

The Company also holds a 49% stake in India's second-largest high-tech refinery in Vadinar with a total processing

capacity of 20 mmtpa and the Nelson Index of 11.8.

The Company joined effort with its partners in the Asia-Pacific to design a refinery with 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, Strezhevskoy Refinery (50%); without processable waste.

Key Focus Areas in 2019



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 refining 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.

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

Achievements in 2019

- The Novokuibyshevsk Refinery piloted a kerosene preparation unit as part of the off-site facilities for a hydrocracking plant.
- The Tuapse Refinery completed the construction of water disposal (treatment) facilities and a jet fuel

filtration unit as part of its diesel pool project.

- The Syzran Refinery commissioned a central distribution substation as part of the off-site facilities for the catalytic cracking complex.
- The Yaroslavl Refinery developed a basic project for its DCU process and selected a designer for the basic project for diesel fuel hydrotreating process as part of the construction of a deep conversion unit.



Refinery Maintenance Programme in Russia

Rosneft continued to pursue projects on ensuring compliance with instructions issued by the regulatory authorities, minimising environmental risks, aligning rules and regulations with the relevant requirements, replacing worn-out equipment, and implementing target programmes at the Company's refineries in Russia.

In 2019, Rosneft continued to implement:

- 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;
- programme for measuring plant internal material flows;

- projects for emergency recovery of gas fractionation section of Achinsk Refinery's LK-6Us unit and hydrocracking unit of 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 2019, the product range of Russian refineries was expanded to meet market demand:

- In May 2019, the Ryazan Refinery launched the production of AI-95-K5 Euro-6 gasoline to supply the Moscow Region with greener fuel. The gasoline will help minimise the footprint of road transport and

- improve the environment, which is especially relevant for large cities; the Ufa Refinery also began the commercial production of AI-100 high octane gasoline using the proprietary technology;
- the Komsomolsk and Ufa refineries started producing RMLS, a low-sulphur marine fuel compliant

with the IMO standards that went into effect in early 2020. The fuel contributes to minimising the bunker's environmental footprint.



Environment

In 2019, the Company continued to implement a number of large-scale projects to minimise the environmental impact of Rosneft's operations, including:

- the renovation/upgrade of wastewater treatment facilities of the Ryazan, Kuibyshev and

- Novokuibyshevsk refineries, and oil sludge disposal unit of Bashneft-Ufaneftekhim branch of Bashneft; the construction of a new two-unit desulphurisation system and an elementary sulphur complex at the Ryazan Refinery, and two additional

elemental sulphur production lines at Bashneft-UNPZ.



Import Substitution, Development and Launch of New Products, and Product Approval Processes

The first batch of hydrotreating catalysts suitable for Euro-5 compliant diesel fuel underwent industrial tests at Rosneft's Ufa group of refineries. This is the first-ever hydrotreating agent capable of fully replacing its foreign analogues for the Russian refining industry. The

tests proved that Rosneft's proprietary catalyst was fit for the production of diesel fuel compliant with all the latest technical requirements. The catalyst is on par with the best foreign peers and even superior to them in some aspects.



Comprehensive Accelerated Digital Transformation Plan

In 2019, initiatives under the comprehensive accelerated digital transformation plan in Oil Refining included:

- concept study of seven new digital transformation initiatives in five Group Subsidiaries;

- ten technological prototypes / test runs in four Group Subsidiaries and the Head Office of the Oil Refining segment;
- System For Optimised Mixing Of Heavy Petroleum Products piloted at the Syzran Refinery;

- tender procedures to select a vendor for the implementation of optimised process control systems at 49 units of Ryazan and Saratov refineries, and Bashneft.



Refineries' Operational Efficiency Improvement in 2019

In 2019, the planned and additional measures of the operational efficiency improvement programme delivered the economic effect of RUB 17.6 bln.

The energy saving initiatives contributed to:

- economic effect of over RUB 1.5 bln;
- 1.8 point improvement in Solomon Energy Intensity Index in 2019.

In 2019, the Oil Refining segment saved 567.7 ktce, overachieving its energy saving target of 510.0 ktce.

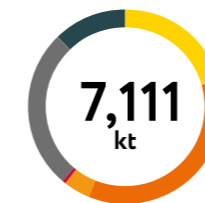
Main Areas of Operational Efficiency Improvement Programme	Key initiatives of 2019
Capacity and product yield optimisation	<ul style="list-style-type: none"> • Reducing the output of fuel oil and implementing new solutions to optimise mixing of petroleum products • Optimising flows to increase the output of high-margin petroleum products • Implementing advanced process management systems at refineries • Replacing fractionation trays
Reducing energy consumption	<ul style="list-style-type: none"> • Renovating facilities' heat and steam condensate systems • Improving efficiency of waste heat boilers • Improving efficiency of process furnaces • Improving efficiency of heat exchangers

Refining Capacities in Russia

Novokuibyshevsk Refinery



Petroleum Product and Petrochemical Output, kt



Motor gasoline	1,465
Diesel fuel ¹	2,534
Kerosene	317
Naphtha	30
Fuel oil	1,911
Other	854

¹ * Including marine fuel.

Refinery throughput

7.9 mmt

Refining depth

74.2%

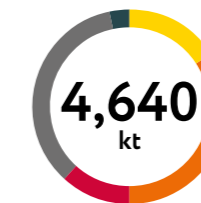
Investments over the year were aimed at maintaining the existing facilities, building a hydrocracking and hydrotreating complex with off-site facilities, implementing operational efficiency projects, and designing other investment projects for the facility upgrade.

In 2019, the refinery commissioned its kerosene preparation unit.

Kuibyshev Refinery



Petroleum Product and Petrochemical Output, kt



Motor gasoline	746
Diesel fuel	1,584
Naphtha	537
Fuel oil	1,628
Other	145

Refinery throughput

5.1 mmt

Refining depth

66.1%

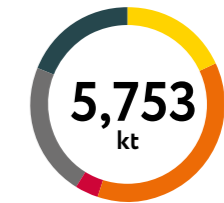
In 2019, investments were focused on further construction of a vacuum gasoil hydrotreating unit, hydrogen and sulphur production units, off-site facilities, and FCC unit, as well as maintenance and operational efficiency projects.

Three monitoring stations were commissioned in order to assess the environment on a 24-hour basis. The new equipment is part of the industrial environmental monitoring system.

Syzran Refinery



Petroleum Product and Petrochemical Output, kt



Motor gasoline	1,040
Diesel fuel ¹	2,140
Naphtha	209
Fuel oil	1,280
Other	1,084

Refinery throughput

6.1 mmt

Refining depth

78.0%

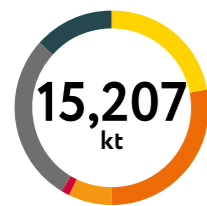
As part of the upgrade programme, a 35 kV central distribution station was put into operation to receive, convert and distribute electricity for processing facilities covered by the programme.

The debottlenecking projects in 2019 included the replacement of the fractionation trays for the K-10 vacuum column of the crude oil distillation unit as part of the project to increase the vacuum gasoil extraction at ELOU-AVT-6 unit.

Ryazan Refinery



Petroleum Product and Petrochemical Output, kt



Motor gasoline	3,374
Diesel fuel ¹	4,247
Kerosene	1,085
Naphtha	247
Fuel oil	4,268
Other	1,986

¹ Including marine fuel.

Refinery throughput

15.8 mmt

Refining depth

72.4%

The refinery launched commercial production of AI-95-K5 Euro-6 motor gasoline with improved environmental and operational properties compliant with STO 44905015-006-2017.

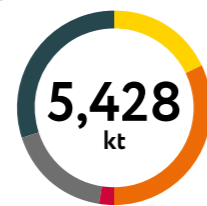
Investments over the year were aimed at maintaining the existing facilities, implementing operational efficiency projects, and designing investment projects for the facility upgrade.

The construction of a single laboratory building was completed, followed by the commissioning of a new high-tech laboratory, and 19/5, GFU, L-35/6-300, L-35/5-300, L-24/6 process units were transitioned to cutting-edge microprocessor-based distributed control systems (DCS).

Saratov Refinery



Petroleum Product and Petrochemical Output, kt



Motor gasoline	976
Diesel fuel	1,739
Naphtha	140
Fuel oil	952
Other	1,621

Refinery throughput

5.6 mmt

Refining depth

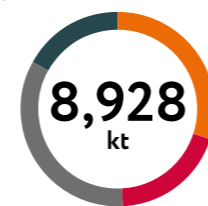
81.8%

In 2019, the refinery focused on the maintenance of existing facilities, operational efficiency improvements, highly efficient debottlenecking projects related to facility configuration, as well as projects to hone the refinery's long-term competitive edge.

Tuapse Refinery



Petroleum Product and Petrochemical Output, kt



Diesel fuel	2,702
Naphtha	1,695
Fuel oil	3,030
Other	1,501

Refinery throughput

9.0 mmt

Refining depth

66.1%

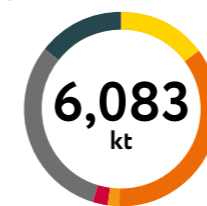
In 2019, investments were focused on the large-scale renovation projects, including the construction of a hydrocracking and hydrotreating complex with off-site facilities. Other implemented projects included the maintenance of the existing facilities and operational efficiency improvement.

The Tuapse Refinery completed the construction of water disposal (treatment) facilities and a jet fuel filtration unit as part of its diesel pool project.

Achinsk Refinery



Petroleum Product and Petrochemical Output, kt



Motor gasoline	905
Diesel fuel ¹	2,161
Kerosene	118
Naphtha	156
Fuel oil	1,876
Other	867

¹ Including marine fuel.

Refinery throughput

6.3 mmt

Refining depth

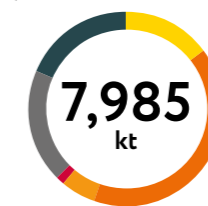
68.7%

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 the maintenance of the existing facilities, including the restoration of a gas fractionation section of LK-6Us unit.

Angarsk Petrochemical Company



Petroleum Product and Petrochemical Output, kt



Motor gasoline	1,195
Diesel fuel ¹	3,232
Kerosene	467
Naphtha	105
Fuel oil	1,503
Other	1,483

Refinery throughput

8.9 mmt

Refining depth

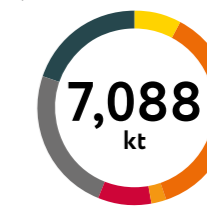
80.5%

In 2019, investments were focused on the comprehensive upgrade programme, including the construction of sulphuric acid alkylation units and diesel fuel hydrotreater with off-site facilities, as well as on operational efficiency improvement and the maintenance of the existing facilities.

Komsomolsk Refinery



Petroleum Product and Petrochemical Output, kt



Motor gasoline	566
Diesel fuel ¹	2,609
Kerosene	189
Naphtha	626
Fuel oil	1,709
Other	1,389

Refinery throughput

7.2 mmt

Refining depth

75.9%

In 2019, 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 the maintenance of the existing facilities.

The Komsomolsk Refinery was connected to the ESPO pipeline.

**Bashneft refining complex:
Bashneft-Novoil,
Bashneft-Ufaneftekhim,
and Bashneft-UNPZ**



Motor gasoline	3,639
Diesel fuel ¹	7,152
Kerosene	202
Naphtha	551
Fuel oil	3,250
Other	1,767

¹ Including marine fuel.

In 2019, the throughput stood at

18.7 mmt

Refining depth

81.0%

In 2019, investments were largely focused on maintenance of existing capacities, aligning rules and regulations with the relevant requirements, and implementation of the comprehensive upgrade programme.

Small refining facilities



Motor gasoline	49
Diesel fuel ¹	654
Kerosene	134
Naphtha	926
Other	95

In 2019, the throughput amounted to

1.9 mmt

The company holds interests in several small refining facilities in Russia (*Nizhnevartovsk Refinery, Krasnoleninsky Refinery, Purneftepererabotka and Strezhevskoy Refinery 50%*). In 2019, these facilities processed a total of 1.9 mmt of oil, 1.5 mmt of which was processed at the Nizhnevartovsk Oil Refining Association.

Novokuibyshevsk Oils and Additives Plant



In 2019, the throughput amounted to

1.2 mmt

Marketable product output

0.5 mmt

In 2019, the facility continued to implement the programme on high-quality oil production for the hydrogenation complex under construction (Phase 1 and 2), as well as proceeded with its environmental, infrastructure and maintenance initiatives.

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.

In 2019, the Company introduced an 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 2019, the Company continued expanding the range of additives that improve performance characteristics of motor fuel. Tests performed on the additives helped reduce purchase costs by increasing the number of available alternatives.

As part of the import substitution programme, the Company's refineries use anti-wear additives produced by the Group Subsidiaries in Russia.

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, which contains less sulphur, benzene, aromatic and olefinic hydrocarbons and resins, and has a longer shelf life.

In addition to the launch of AI-95-K5 Euro-6 production at Bashneft, Bashneft-Novoil (to be sold in the Republic of Bashkortostan) and at the Saratov Refinery (for sales across the Krasnodar Territory) in 2018, the Ryazan and Syzran refineries have also put this motor gasoline into production. The Ryazan Refinery has been supplying Euro-6 to the Ryazan, Kaluga and Tula regions since May 2019, and to Moscow and the Moscow Region since December 2019.

Overview of International Oil Refining Projects

Mozyr Refinery

The Company indirectly holds a 21% interest in Mozyr Refinery, Belarus, through Slavneft. Rosneft's share in the throughput of the Mozyr Refinery

amounted to 2.1 mmt in 2019. In 2019, the Company supplied a total of 5 mmt of oil to the refinery, while completing its investment project for the construction of a heavy residue hydrocracking unit.

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, Indonesian oil and gas company, through the establishment of a joint venture named PT Pertamina Rosneft Pengolahan dan Petrokimia (Rosneft holds 45%, Pertamina – 55%) on 28 November 2017.

PT Pertamina Rosneft Pengolahan dan Petrokimia, a joint venture by Rosneft and Pertamina, Indonesian state oil and gas company, 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 final investment decision (FID) on the project will probably be made after the completion of BED and FEED and will

be based on the results of fundraising. The plant is expected to become one of the most hi-tech facilities globally (with a Nelson Index of 13.1). 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.

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 the technological structure of the refinery and aromatic hydrocarbons complex. Following a change in the Chinese petroleum product market, the parties agreed to update the project's feasibility study.



Nayara Energy Limited

In August 2017, Rosneft closed the deal to acquire 49.13% of shares in Essar Oil Limited (renamed as Nayara Energy Limited in May 2018), an Indian company that owns the country's largest refinery situated in Vadinar and a retail network 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 ten 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.

The Vadinar refinery has achieved high operational efficiency for its assets as 17 of its 28 Solomon benchmarks are in the top 1st quartile.

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

Nayara Energy Limited runs a large network of filling stations under the Essar brand in India, which included 5,628 operating stations as at the end of December 2019. The number of filling stations more than doubled over the period of four years. The company has three own oil depots and 13 under rent.

Nayara Energy Limited operates in 27 out of 28 states of India, its market share by sales being around 5.3%. The company is planning to increase the number of filling stations to 7.3 thousand by 2022 selecting the most promising territories for development.

Nayara Energy Limited is implementing a phased development programme for its Vadinar refinery. During the first phase, the company will reconstruct the catalytic cracking facility and build new polypropylene production units with an annual capacity of up to 450 kt.

Kurdistan Pipeline Company Pte. Ltd.

In January 2019, a concession agreement on the operation of crude oil export pipeline in Iraqi Kurdistan came into effect. The pipeline's design capacity

will be nearly 950 kbpd. The concession term is 20 years with a 5-year extension option. The Company's share in the project is 60%.

Oil Refining Assets in Germany

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) joint venture. Following ROG reorganisation in 2016, Rosneft gained direct control over more than 12% of Germany's oil refining facilities with a total throughput of about 12.8 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' equity to 25%, 24% and 54.17%, respectively. At the same time, BP accumulated 100% shares of the Gelsenkirchen refinery.

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

Rosneft is the third largest player in the German oil refining market. Operating activities are carried out by its subsidiary, Rosneft Deutschland GmbH, which was established in 2017. Rosneft supplies almost a quarter of crude oil imports to Germany – ca. 23 mmtpa.

On 1 January 2019 Rosneft Deutschland GmbH initiated the direct sales of petroleum products manufactured at the three German refineries partially owned by Rosneft. The product mix includes motor gasoline, diesel fuel, light heating oil, jet fuel, LPG, bitumen, heavy marine fuel 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 to deliver petroleum products 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.

In 2019, Rosneft Deutschland increased sales of polymer-modified bitumen (PMB) Alfabit by 37.5% year-on-year. Alfabit is a high-tech material featuring high elasticity and wear resistance. Rosneft Deutschland began supplying Alfabit to German consumers in 2018, shortly after the start of sales and marketing of bitumen in the country. The Company also established a supply chain for PMB in Germany using feedstock from the PCK, Bayernoil, and MiRO refineries.

In 2019, Rosneft Deutschland supplied Alfabit PMB and other bitumen products to KUTTER GmbH & Co. KG for the construction of an extended runway at the Memmingen (Allgäu) Airport in Bavaria. The products were used to lay about 57 kt of asphalt on 165 thousand sq m of airport land. Thanks to its strategically located shipping terminals and the flexibility of the logistics system, Rosneft Deutschland was able to supply bitumen within a very short time.

Over the past year, the company's customer base has grown by 30%, with bitumen products delivered to Poland, Austria, the Czech Republic, Switzerland, France and other countries.

Apart from that, Rosneft Deutschland signed contracts on into-plane fuelling with airports in Munich and Berlin (Tegel and Schönefeld) as part of its jet fuel market share expansion in Germany. Rosneft Deutschland owns a share in the PCK Refinery in Brandenburg which produces 300 ktpa of jet fuel, accounting to almost a half of the total kerosene consumed at Berlin airports.



MiRO GmbH & Co. Refinery KG is located in Karlsruhe, Baden-Wuerttemberg. 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.

The PCK Raffinerie GmbH is located in Schwedt, Brandenburg. Thanks to its location it can supply Urals through the Druzhba pipeline. Capacity – 11.6 mmtpa (Rosneft's share – 6.3 mmtpa), the Nelson Index – 9.8. The company is working on a mid-term development programme to introduce heavy residue processing at the facility.

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.

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;
- Novokuybyshevsk Petrochemical Company;
- Ufaorgsintez.

Rosneft also has petrochemical production lines at Bashneft-Ufaneftekhim (an aromatic hydrocarbon production complex) and the Angarsk Refinery (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 Refinery as feedstock.

In 2019, the Angarsk Polymer Plant processed 719.3 kt of hydrocarbon feedstock, while its output of high value-added marketable products amounted to 550.4 kt.

Novokuybyshevsk Petrochemical Company

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 items, 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 high-octane additives for TAME 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 2019, the company processed 1,013.3 kt of feedstock, while its output amounted to 969.1 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 low freezing point, the first of its kind in Russia.

Ufaorgsintez

Ufaorgsintez is one of the largest petrochemical enterprises in Russia focusing on the production of phenol, acetone, high-density polyethylene, polypropylene and its copolymers, synthetic rubber, and other organic synthesis products. The plant produces over 30% of Russia's total phenol output 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, and other products for industrial and agricultural application, and industrial rubbers. Ufaorgsintez's products are of high demand in mechanical engineering, consumer goods, healthcare, electronics, and electrical engineering sectors.

Some of its organic synthesis products are unrivalled in Russia. The company's

ethylene propylene diene monomer rubber (EPDM) is a component of various industrial rubber products, including those used in the defence industry, and wire and cable insulation in electrical appliances.

In 2019, the company processed 685.3 kt of feedstock, its output being 617.3 kt of marketable products.

Gas processing

The Company's gas processing assets process the 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)

5 GPPs
integrated into
the Company

Otradnensky Gas Processing Plant

In 2019, the OGPP processed 255.5 mmcm of associated petroleum gas derived from the oil and gas fields of Samaraneftegaz and Orenburgneft.

Its main products are dry stripped gas, natural gas liquids (NGLs), 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, which will improve operational efficiency and increase automation.

Neftegorsky Gas Processing Plant

In 2019, the NGPP processed 456.1 mmcm of associated petroleum gas derived from the oil and gas fields of Samaraneftegaz and Orenburgneft.

Its main products are dry stripped gas, NGLs, 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, which will improve operational efficiency and increase automation.

Tuymazinskoye Gas Processing Plant

In 2019, the TGPP, part of Bashneft, processed 26.5 mmcm of associated

petroleum gas derived from the oil and gas fields of Bashneft-Dobycha (Oil and Gas Production Board (OGPB) Tuymazaneft), and 92.5 kt of NGLs using its own or third-party products.

Its main products are liquefied gases such as industrial propane/butane mixture, isobutane fraction, and normal butane fraction, as well as stable natural gasoline and industrial sulphur.

Shkapovskoye Gas Processing Plant

In 2019, the ShGPP, part of Bashneft, processed 46.2 mmcm of associated

petroleum gas derived from the oil and gas fields of Bashneft-Dobycha (OGPB Ishimbayneft and OGPB Ufaneft), and 72 kt of NGLs using its own or third-party products. Its main products

are liquefied gases such as industrial propane-butane, motor propane, isobutane fraction, and normal butane fraction, as well as stable natural gasoline.

Buzulukskoye Gas Processing Plant

In 2019, the BGPP, which includes two standalone production facilities, the Pokrovskaya Gas Treatment Unit and the Zaykinskoye GPP, processed 1,054.8 mmcm 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, motor propane-butane, industrial 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 the BGPP to process additional volumes of sulphur associated petroleum gas from the prospective licence areas of Orenburgneft.



Production of Catalysts

Novokuibyshevsk Catalysters Plant

In 2019, the Novokuibyshevsk Catalysters 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.

At present, there are eight pilot batches of various types of new catalysts (catalysts for diesel fuel hydrotreatment,

deep hydrodesulphurisation of vacuum gasoil, isodewaxing, hydrofinishing of diesel fractions, diolefin hydrogenation, hydrodemetallisation, and silicon traps) developed by corporate R&D units (RN-TsIR and VNII NP) for the use in various oil refining processes.

Angarsk Plant of Catalysts and Organic Synthesis

Work is under way at the Angarsk Plant of Catalysts and Organic Synthesis to build a production unit for

platinum-containing reforming catalysts and gasoline isomerisation catalysts. Scheduled for commissioning in the first quarter of 2021, the unit with a capacity of 600 tonnes per year is designed to improve the quality of reforming and

gasoline isomerisation catalysts. It also intends to reduce platinum losses, increase production reliability and safety, and ultimately meet the need of all Russian refineries for such catalysts.

Commerce and Logistics

Oil sales

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

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 100.1 mmt of oil to Russian refineries. In addition to shipments to its refineries in Russia during 2019, the Company supplied 2.8 mmt of own oil to German refineries where it holds a stake.

The total sales to third parties in 2019 amounted to 155.0 mmt, including 5.6 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 149.4 mmt. Eastbound exports, in particular pipeline supplies to China and sales via the Kozmino and De-Kastri ports, are the most profitable for the Company. In 2019, supplies in eastern direction, including international trading, reached 79.7 mmt, up 35% year-on-year. Oil produced in Russia accounted for 53.9 mmt of these supplies (up 7% year-on-year), with another 25.8 mmt sold through international trading units, which represents an almost threefold increase year-on-year. In addition, the Company exported 61.0 mmt of oil to

Northwestern, Central, and Eastern Europe, the Mediterranean and other non-CIS countries, while also shipping 8.7 mmt to the CIS.

The bulk of crude oil is exported via the Transneft system, including the trunk pipeline network and ports. In the reporting year, we primarily exported crude oil via the following channels:

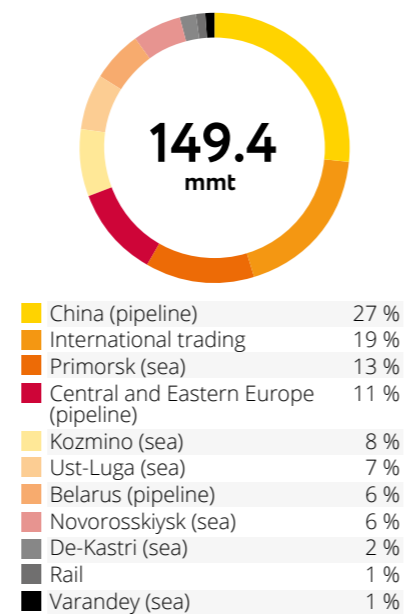
- Pipeline: approximately 114.4 mmt (76.6% of total FSU and non-FSU exports), with 49.5 mmt of this volume shipped via ports, and around 64.9 mmt through pipelines to China, Belarus, and Central and Eastern Europe;
- Rail and mixed transport: 2.2 mmt, accounting for 1.5% of total exports, excluding the effect of asset acquisition. These were mainly supplies via the Caspian Pipeline Consortium (CPC) running from the Tengiz field in Western Kazakhstan to the port of Novorossiysk;
- Other, including shipments through the De-Kastri export terminal: 4.0 mmt.

Rosneft joined the CPC in 1996. It holds a 7.5% stake in the project via Rosneft Shell Caspian Ventures Ltd., a joint venture between the Company (51%) and Shell (49%).

Oil Supplies under Long-Term Contracts

In 2019, the Company continued supplying oil to China National Petroleum Corporation (CNPC) under the China-Russia government agreement. The supplies, which total 40.0 mmt, including 10.0 mmt transported through Kazakhstan, enable Rosneft to retain its presence in this strategic export market.

Breakdown of Exports, %



KEY ACHIEVEMENTS

- In 2019, eastbound oil supplies, including international trading, soared 35% to 79.7 mmt, with around 58.3 mmt shipped to China, up 17% year-on-year.
- Shipments under a long-term contract with CNPC, our key counterparty, remained robust at 40.0 mmt.
- Rosneft's trading subsidiaries shipped 28.7 mmt of third-party oil to non-FSU countries, many times more than in 2018.



Expanding Cooperation with Oil and Petroleum Product Consumers

In 2019, the Company continued to focus on end-consumers, with exports exceeding 72 mmt.

In an effort to maintain and strengthen cooperation, we signed a two-year contract with PKN Orlen S. A. to

supply oil to Poland via the Druzhba pipeline. We also obtained a three-year extension for the existing contract with this company to ship oil to refineries in the Czech Republic. Furthermore, Rosneft made an agreement with JXTG Nippon to supply ESPO and Sokol crude in 2020.

We continue to foster collaboration with end-consumers of petroleum products.

In 2019, we shipped 0.7 mmt of stable natural gasoline to JXTG Nippon.

The Company steps up domestic sales of vacuum gasoil processed at TANECO and Orsknefteorgsintez refineries. Over the year, we supplied 27.4 kt of this product.

Petroleum Products Sales



Export Sales of Petroleum Products

In 2019, export sales of petroleum products totalled 70.1 mmt¹.

Rosneft makes regular wholesale shipments of light and dark oil products to Mongolia. In 2019, we supplied 1.3 mmt of light petroleum products, up 0.2 mmt from the previous year.

The Company continues to focus on expanding its international footprint and diversifying its sales routes. During the summer shipping season in 2019, we used our fleet to export diesel fuel directly from the Syzran and Saratov refineries to a foreign port on CFR terms. This arrangement helped us maximise the use of its own tanker fleet and avoid the cost of additional transshipment at sea ports.

Domestic Sales of Petroleum Products

In 2019, domestic sales of petroleum products totalled 42 mmt, up 2.2% year-on-year².

Rosneft is Russia's largest motor fuel exchange trader. In 2019, we traded extensively in petroleum products. The share of Rosneft (including the Ufa group of refineries) in total sales during the main session stood at:

- 47.7% for motor gasoline;
- 36.4% for diesel fuel;
- 51.9% for fuel oil.

The Company exceeded on-exchange sales targets set by a joint order of the Russian Federal Antimonopoly Service and the Russian Ministry of Energy dated 12 January 2015. The reporting year saw 24.8% of total motor gasoline, 9.8% of diesel fuel, 14.7% of kerosene, and 3.4% of fuel oil from Rosneft refineries (including the Ufa group) sold on the exchange vs the required 10%, 5%, 10%, and 2%, respectively.

As requested by our counterparties, we supplied motor fuel in full and on time under the Northern Supply Haul programme.

Sales of Petroleum Products to FSU Countries

In 2019, Rosneft maintained stable and uninterrupted tanker supplies of petroleum products to Armenia, shipping 234.7 kt of high-quality gasoline and diesel fuel to the country from its Russian refineries (up 34% year-on-year).

We also supply gasoline and diesel fuel to RN-Kyrgyznefteprodukt, our sales subsidiary in the Kyrgyz Republic, for resale via its own retail network and wholesale channels. In 2019, petroleum product shipments totalled 100.9 kt.

We continued to supply petroleum products to the retail network in Georgia, with volumes reaching 180.5 kt, up 37 kt from the previous year.

Meeting federal customers' demand

Meeting federal customers' demand for petroleum products is our key priority under the corporate policy. In 2019, 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



Rosneft supplies natural gas, dry stripped gas, and associated petroleum gas to consumers in Russia and abroad.

Associated petroleum gas is processed at the Company's own gas processing plants and by third parties, such as SIBUR Holding and Surgutneftegas.

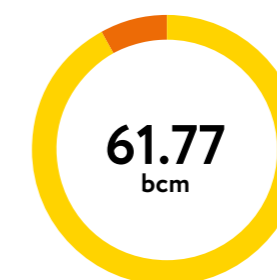
Under the contact with Gazprom, we use its transportation system to supply the bulk of natural and dry stripped gas to end-consumers and regional sales companies in almost 40 Russian regions. On international markets Rosneft mainly sells natural gas in Egypt and Vietnam.

Our long-term goal is to become a leading independent gas supplier on the domestic market.

In 2019, Rosneft's domestic natural gas deliveries were 59.92 bcm while sales amounted to RUB 200.4 bln.

The Sverdlovsk Region remains our key region in terms of gas sales. Our supplies cover approximately 82% of local gas

Gas Deliveries, bcm



In Russia	56.92
Abroad	4.85

demand from both industrial facilities and residents.

International gas deliveries amounted to 4.85 bcm, with the bulk of the product coming from the Zohr field.

In 2019, gas sales grew by 10.7% to RUB 258.8 bln mainly due to increased exports and a 1.4% indexation of gas prices for industrial consumers from 1 July 2019.

Gas Revenue, RUB bln



In Russia	200.4
Abroad	58.4

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 2019, we sold 0.06 bcm, which represents 0.5% of the total trading volume.

Retail Sales

As at the year-end, Rosneft's retail sales covered 66 Russian regions. We operate the largest and most geographically diverse retail chain in Russia, holding a leading position in most regions. We also have retail chains in Abkhazia, Belarus, and Kyrgyzstan. Rosneft is a leading Russian fuel brand in terms of recognition and quality perception.

As at 31 December 2019, the Company's retail chain comprised 3,069 filling stations, including 63 in Belarus, Abkhazia, and Kyrgyzstan. Our own and leased filling stations operated 2,079 shops. Over the same period, the Company had 132 oil depots with a combined capacity of 2.2 mmcm and approximately a thousand gasoline tanker trucks in operation.

In 2019, Rosneft closed a deal to acquire a 100% equity stake in Petersburg Fuel Company. As a result, Rosneft established itself as a leader in one of its key regions, while also expanding its retail chain to 3,069 filling stations as at the year-end.

Petroleum product retail sales increased by 6% year-on-year to 14.5 mmt, mostly driven by the use of fuel cards (+16%), and average sales per filling station came in at 13.1 t per day.

In accordance with its retail business strategy, the Company took the following steps:

- expanded the Family Team and BP Club loyalty programmes to cover 13.6 million people in 64 regions as at 31 December 2019;
- launched virtual BP Club and Family Team cards issued via a mobile app to eliminate the need for a plastic card;

- kicked off a service for exchanging bonus points or miles between the BP Club and Family Team programmes and the Aeroflot Bonus programme;
- held a survey of Family Team and BP Club members, which showed a satisfaction level of 98–99%;
- piloted fuel payments via Moscow Credit Bank's World of Privileges mobile app. The service enables BP customers in Moscow, the Moscow Region, St Petersburg and Tver to pay for fuel without leaving the car;
- launched a virtual B2B fuel card across our entire retail chain;
- expanded sales geography for the better performing eco-friendly Euro-6 motor gasoline, a Top 100 product in Russia, to cover nine regions where our retail networks operate;
- closed a deal to acquire a 100% equity stake in Petersburg Fuel Company, the largest independent motor fuel operator in St Petersburg;
- refurbished 102 filling stations in the Rostov, Kursk and Belgorod regions as part of the TNK-to-Rosneft rebranding project;
- increased the number of CNG modules at the existing filling stations to a total of 12. These modules service 2.5 thousand vehicles daily, with monthly sales standing at 1,7–2 mmcm;
- continued to expand the food offering in cafés at filling stations by creating self-service areas and installing hot dog rollers. As at 31 December 2019, we served coffee at 2,530 outlets and hot dogs at 1,450 outlets, with self-service areas and coffee corners available at 780 outlets. Our retail stations saw hot drink revenue and non-fuel revenue for the year increase by 6% and 2% year-on-year, respectively;

- carried on with the Active Sales programme, with sales targets set for key product categories at each filling station;
- staged over 100 nationwide promos of various types at Rosneft, BP and Bashneft filling stations to boost non-fuel sales;
- completed a project to overhaul 14 existing BP filling stations with a focus on the café offering, opened five additional small-size filling stations in the Moscow Region and Tver. The refurbished filling stations feature a single customer service area which accommodates a Wild Bean Café and a fuel section;
- arranged for private label products (water, chocolate bars, wipes, and screen wash) to be sold at 35 subsidiaries;
- performed over 9,000 checks at the filling stations in 47 Russian regions as part of the ongoing fuel quality assessment using mobile laboratories;
- In 2019, the Federal Agency for Technical Regulation and Metrology (Rosstandart) conducted 32 independent inspections across Russia, which covered 4 oil depots and 74 retail stations. The inspections confirmed the high quality of our motor fuel.

Improvements in Retail Business Efficiency

In 2019, the Company continued with phased automation of all material flow measurements and introduction of a monitoring system keeping track of inventories at subsidiaries. As at 31 December 2019, we automated measurements at 81 oil depots and more than 2,900 filling stations and



provided measuring instruments for 99% of material flows at filling stations and 79% at oil depots.

To ensure sustainable demand and maximise retail and wholesale customer loyalty, we will focus on:

- developing a risk-based fuel quality management system across the supply chain, from refinery to consumer;
- implementing an electronic system to guarantee the quality and quantity of petroleum products delivered in gasoline tanker trucks;
- expanding the fuel offering in regions where Rosneft operates its retail chain;
- expanding the non-fuel offering, including private label products

and merchandise from other FMCG players;

- developing digital communication channels at filling stations to acquire new customers and enhance customer experience.

In 2019, the Company continued to improve the efficiency of its retail business by optimising administrative costs and operating costs at filling stations and oil depots. Despite an increase in variable storage and transportation costs driven by a 9% rise in retail sales, we managed to reduce unit operating costs by 3% year-on-year.

As part of our efforts to improve the efficiency of oil depot facilities, we shut down seven underperforming

depots that did not meet its technical requirements. We also cut transportation costs by optimising the logistics of direct petroleum product supplies from refineries using tanker trucks. In 2019, we increased direct supply volumes by 4% year-on-year.

B2B



Aircraft Refuelling Business

In 2019, sales of jet fuel reached 3.4 mmt. With a 31.2% share of the Russian market in terms of jet fuel output in 2019, the Company maintained its leading position in the country.

The sales structure in 2019 was as follows:

- 2.2 mmt sold to airlines and refuelling facilities;
- 1.2 mmt sold in bulk, including commodity exchange sales (0.5 mmt).

In Russia, jet fuel is sold through a chain of Rosneft's refuelling facilities at 21 airports and third-party refuelling facilities at 22 airports. The Company also sells jet fuel at seven airports in Germany, Georgia and Mongolia.

Key customers of the Company are Aeroflot Group, S7 Group, Ural Airlines, Pegas Group, Volga-Dnepr Group, Yamal Airlines, NordStar Airlines, Turkish Airlines, and Lufthansa Group.

Bunkering Business

Rosneft's bunker fuel is sold in all major Russian sea and river ports and a number of foreign destinations. Bunker fuel sales in 2019 amounted to 2.85 mmt, including bulk sales to foreign consumers (operators of transcontinental container shipping lines) at sea ports in the Russian Far East.

The sales structure was as follows: 0.6 mmt (20%) was sold in the domestic market, and 2.3 mmt (80%) was sold to non-resident shipping companies.

In 2019, the Company took action to increase the output of environmentally friendly marine fuels compliant with the Russian and international standards, including the marine fuel sulphur content restrictions imposed by MARPOL (Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter) in effect from 1 January 2020. In particular:

- RN-Komsomolsk Refinery began manufacturing RMLS 40 low-sulphur marine fuel (max. 0.5% sulphur content) for the Russian Far East;

- Krasnoleninsky Refinery started the production of DMF-III distilled marine fuel (max. 0.5% sulphur content) for Central Russia;
- Nizhnevartovsk Refinery put DMF-III distilled marine fuel (max. 0.5% sulphur content) into production. The fuel is intended to be sold at river ports in the Volga and Don basins and in Western Siberia.
- Bashneft-Ufaneftekhimi began manufacturing RMLS 40 bunker fuel oil (E II category with max. 0.5% sulphur content and E I category with max. 0.1% sulphur content).

Sales of Bitumen Products

Sales of bitumen materials in 2019 reached 2.6 mmt. Sales of road bitumen compliant with the new GOST 33133-2014 standard amounted to 1 mmt, a sizeable increase from 0.6 mmt in 2018.

The domestic market accounted for 98% of total bitumen sales in the reporting period.

Rosneft continues expanding production of an innovative polymer-modified bitumen (PMB), which substantially improves the road surface quality. Sales of PMB in 2019 grew 41% year-on-year to 107 kt.

Sales of Lubricants

In 2019, sales of the Company's oil business totalled 1,075 kt, up 6% (70 kt) year-on-year. Domestic sales accounted for 712 kt (66% of total sales).

Sales of premium lubricants in the reporting period reached 77 kt.

In 2019, sales of lubricants to end consumers under direct contracts increased by more than 40% (41 kt) year-on-year.

Production Planning and Logistics



2019 Performance Highlights

- The Company met its targets for oil and petroleum product shipments.
- Refineries' production programmes and petroleum product sales destinations were chosen to maximise consolidated netback.
- Rosneft and Russian Railways extended their petroleum product transportation contracts providing for discounts on railway transportations from the Saratov Refinery, Samara group of refineries and refineries in Eastern Siberia (Angarsk, Achinsk and Komsomolsk), and signed a contract for discounted railway transportations from the Ufa group of refineries.
- The Company launched an initiative to synchronise daily production and shipment plans and performed factor analysis to identify deviations across the branches of RN-Trans to decrease the downtime of empty freight cars.

Performance Priorities for 2020

- The Company views improvement of production programmes for its refineries, optimisation of shipment schedules and reduction of costs as its top priorities. In 2020, the Company will continue working to achieve the above goals through:
- optimisation of production programmes for the refineries and sales of petroleum products to the most profitable destinations;
 - tendering out contracts for the transportation and forwarding of oil and petroleum products from all of Rosneft's loading terminals, and awarding five-year contracts to rolling stock operators based on the bidding results;
 - reduction of logistics costs associated with the transportation of petroleum products by different modes of transport, optimisation of costs associated with the Company's own logistics assets, elimination of

- bottlenecks in logistics, and finding new and efficient logistics routes;
- fulfilment of commitments regarding railway shipments of petroleum products to extend the discounts offered by Russian Railways to the Company, and further negotiations with Russian Railways on discounts;
- development of the Company's shipping services following the commissioning of its new tanker fleet (several Aframax tankers).

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.

2019 Performance Highlights

- In 2019, the terminal commissioned an additional fire fighting system for tank farms No. 2 and No. 4 and a terminal-wide automatic measurement, stocktaking and balancing system.
- 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.
- The work is underway to introduce a monitoring system for material flows in tanks and pipelines and install stationary protective equipment to prevent falls from loading/unloading racks and lighting tower ladders.

In 2019, the total transshipment volume (including export and domestic bunkering services) at the terminal in Tuapse amounted to

15.2 mmt

The Company's deep-water berth accounted for 9.3 mmt of the total transshipment volume.

RN-Morskoi Terminal Tuapse transshipped an additional

0.95 mmt

of crude oil for the Tuapse Refinery.

In 2019, the terminal was upgraded to receive petroleum products from sea-going ships, with

>90 kt

of petroleum products additionally delivered by the Company's tankers (Rosneftflot).

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 and Sakhalin regions).

2019 Performance Highlights

- The terminal is upgrading its production assets to make them compliant with the latest industrial, environmental and fire safety requirements.
- In 2019, the work continued to upgrade a tank farm, an oil tanker pier and clean-up facilities to meet the requirements of applicable regulations.
- In the fourth quarter of 2019, the terminal commissioned a new fire station. A segregated technology is adopted to transship DTI-Euro-K5 diesel fuel (for the needs of the Russian Federal Security Service).

Target programmes of the Company

- Target programme for the petroleum product quality assessment and assurance:
 - in the fourth quarter of 2019, the terminal piloted the first phase (petroleum products at tank farms) of the online accounting system;
 - in the fourth quarter of 2019, the terminal piloted the fourth phase (petroleum products at unloading) of the online accounting system (rail weighing scales for moving tank cars arriving at the terminal for unloading);
 - in the fourth quarter of 2019, the terminal began construction and installation for the second phase (petroleum products at the oil tanker pier) of the online accounting system (installation of the petroleum product measurement and quality assessment system at the loading pipelines to measure the weight of petroleum products loaded onto the tanker).
- Target programme for the installation of protective equipment to prevent falls from height at marine terminals of the Company:
 - in the fourth quarter of 2019, the terminal commissioned safety equipment to prevent falls of the personnel from unloading racks No. 1 and No. 2.

In 2019, the total transshipment volume (including bunkering) at the terminal in Nakhodka amounted to

5.7 mmt,

including 0.22 mmt of third-party products.

RN-Arkhangelsknefteprodukt 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. It is also used to deliver fuel to the Far North and supply wholesale buyers in the Arkhangelsk Region.

2019 Performance Highlights

- The following systems were installed and commissioned at the terminal:
 - APCS: control cables replaced in the TRL/2 system of the tank farm; level gauges replaced in the petroleum product measuring (weighing) channels of vertical steel tanks;
 - Process Pipelines: four mass flow meters installed in the bunkering system at piers, commissioned and integrated into the online accounting information system;
 - Video Surveillance System: a tank car video recording system, including IR imagers, installed and commissioned. The unloading rack underwent repairs to increase its bunker fuel unloading capacity.
- A mothballed pumping station was put back into operation at an increased unloading capacity; the volume of bunker fuel stored at a time was increased; 10 th. cub m tank No. 30 and 1 th. cub m tank No. 28 underwent capital repairs.

In 2019, the total transshipment volume (including export and domestic bunkering services) at the terminal amounted to

1.2 mmt,

including 0.46 mmt of third-party products.



03

**Market Overview
and Competitive
Environment**

Macroeconomic Environment in 2019

GDP

According to January 2020 estimates from the International Monetary Fund (IMF), global economic growth in 2019 (PPP¹ GDP in constant 2011 prices) slowed down to 2.9% year-on-year (3.6% year-on-year in 2018). GDP growth rates in developed economies dropped from 2.2% year-on-year in 2018 to 1.7% year-on-year in 2019 while slipping in emerging markets from 4.5% year-on-year to 3.7% year-on-year.

The global GDP growth was largely halted by a cyclical economic slowdown in developed economies (above all in the USA and the European Union) and escalation of trade conflicts.

According to OECD data, GDP growth in the USA slowed down to 2.3% year-on-year in 2019 on the back of lower investment activity. As the economy was slowing down, the U.S. Federal Reserve

started loosening its monetary policy by cutting its key interest rate by 25 bps three times in 2019 to 1.5–1.75% p. a. as at the end of December 2019.

According to an initial assessment from OECD as at the end of January 2020, GDP growth rate in the Eurozone went down from 1.9% year-on-year in 2018 to 1.2% year-on-year in 2019, driven by weaker consumer spending and external demand for European goods amid rising protectionism in global trade.

As a result of slower economic growth and inflation dropping from 1.8% to 1.2%, the European Central Bank (ECB) lowered its deposit rate in September 2019 by 10 bps to –0.5% p. a., announced that it would resume purchasing assets for EUR 20 bln per month starting from November and extended the maturity of targeted longer-term

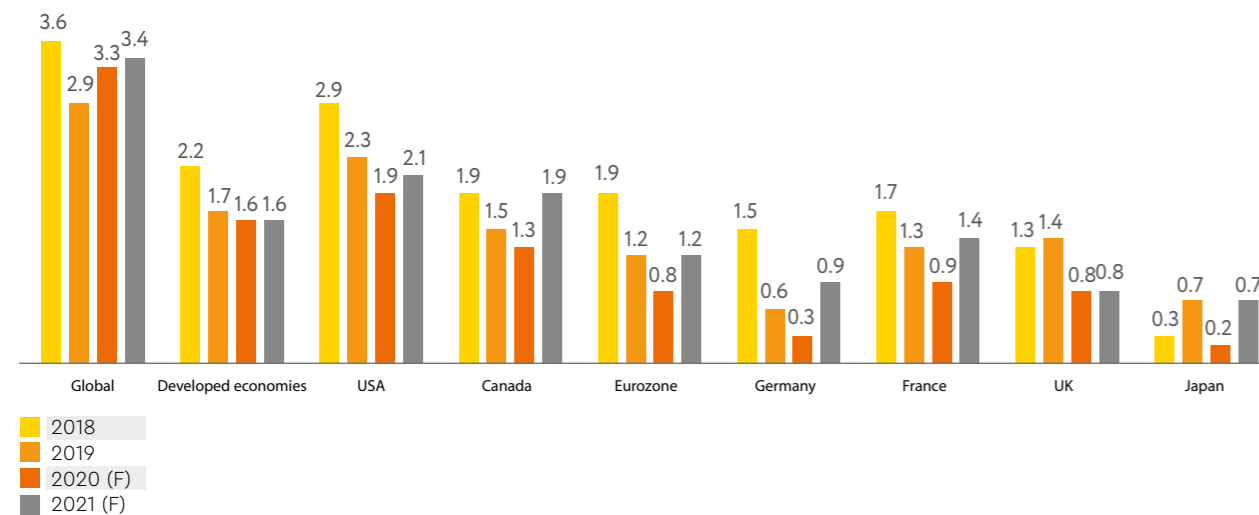
refinancing operations (TLTRO) from two to three years.

Export-oriented economies were adversely affected by changes in trade agreements and the newly imposed trade restrictions. In particular, GDP growth in Germany slowed down from 1.5% in 2018 to 0.6% in 2019.

According to OECD data, GDP growth in the UK slightly accelerated to 1.4% (vs 1.3% in 2018). The growth was mainly driven by consumer spending and government consumption. The effect from capital investments remained very marginal.

GDP growth rate in Japan rose from 0.3% in 2018 to 0.7% in 2019 on the back of higher consumer spending and government expenditures as well as private investment in housing construction.

GDP Growth Rates in Developed Economies², % year-on-year

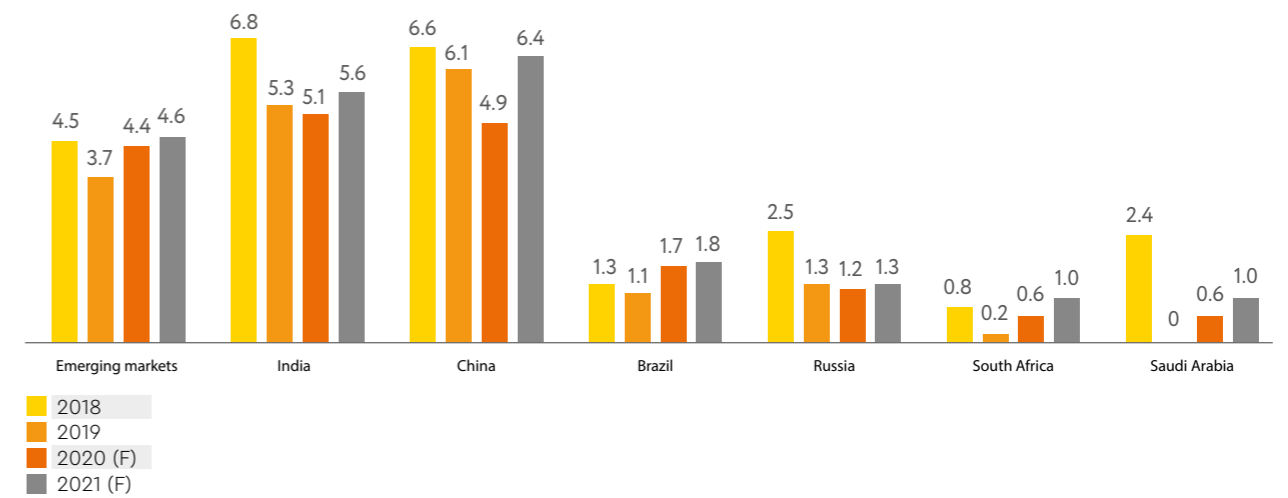


Sources: International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), Eurostat

¹ Purchasing power parity.

² The data provided hereinafter is based on forecast figures for 2020 and 2021.

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



Sources: IMF, OECD, Federal State Statistics Service (Rosstat)

In 2019, emerging markets demonstrated the lowest GDP growth rates since the global meltdown in 2008–2009. Some of the emerging economies suffered from a slump in commodity prices and geopolitical tensions all over the world.

The Chinese economy continued to slow down as its growth rate dropped to 6.1% year-on-year in 2019 (the lowest value in the last 28 years), which was driven by shrinking net exports of goods and services amid the unfolding trade conflict with the USA and halted domestic demand as a result of tougher financial sector regulations.

GDP growth rate in India decelerated from 6.8% in 2018 to 4.8% in 2019. The sluggish economic growth was due to reduced investment activity.

GDP growth in Brazil slowed down from 1.3% in 2018 to 1.1% in 2019. Mexico was facing stagnation with a zero GDP growth (2.1% year-on-year in 2018). Overall, GDP growth rates in Latin America and the Caribbean fell from 1.1% year-on-year in 2018 to 0.1% in 2019, mainly due to downturns caused by lingering structural challenges in some countries.

The Middle East and Central Asia suffered a major setback (with GDP growth rates going down from 1.9% in 2018 to 0.8% in 2019, including Saudi Arabia descending from 2.4% to 0.2%). So did the European emerging markets (climbing down from 3.1% in 2018 to 1.8% in 2019).

In January 2020, the IMF cut its global growth outlook for 2020 from 3.3% (vs 3.4% projected in October 2019). The coronavirus pandemic caused the OECD to review its global GDP growth forecast for 2020 to 2.4% in the base-case scenario. In 2021, GDP growth is expected to recover to 3.3%.

Global Trade

According to IMF estimates, global trade saw a major slowdown from 3.7% year-on-year in 2018 to 1.0% year-on-year in 2019, which was caused by heightening political and commercial contradictions between the USA and China.

The growth rates of trade in goods and services in developed economies dropped from 3.2% year-on-year in 2018 to 1.3% year-on-year in 2019 while sinking in emerging markets from 4.6% year-on-year to 0.4% year-on-year. As projected by the IMF, global trade will

accelerate to 2.9% year-on-year in 2020 and 3.7% year-on-year in 2021¹. The growth will be mainly driven by a further rise in domestic demand, with capital investments prompting investment imports.

¹ The forecast was completed before the coronavirus pandemic.

Russian Economy

In 2019, the Russian economy slowed down. According to an initial assessment from the Federal State Statistics Service (Rosstat), the Russian GDP rose by 1.3% year-on-year in 2019 (vs 2.5% year-on-year in 2018).

The slowdown was solely attributable to shrinking exports, with the entire GDP growth in 2019 driven by a 2.6% increase in domestic demand for Russian-made goods for both consumer and investment purposes.

In addition, gross capital accumulation, including both fixed and working capital, was growing marginally and still struggling to reach its pre-crisis state, also resulting in a weaker economic growth.

Amid a stronger rouble and expanding domestic demand, imports of both investment and consumer goods and services increased by 2.2% in 2019 (vs 2.6% in 2018).

In physical terms, export volumes dropped by 2.1% (up 5% in 2018). The OPEC+ agreement on production cuts remained in effect, somewhat holding down Russia's exports.

According to Rosstat data, the following sectors were the largest contributors to the GDP growth in 2019: financial and insurance services (0.4 p.p.), natural resources (0.3 p.p.), manufacturing industry and trade (0.2 p.p. each), and transportation and storage (0.1 p.p.).

Investment demand was sluggish, which resulted in a lower gross value added (GVA) in construction (contributing 0.02 p.p.) and a shrinking GVA in machinery manufacturing.

In 2019, the country's GDP was negatively affected by a shrinking GVA in real estate transactions (down 0.1 p.p.),

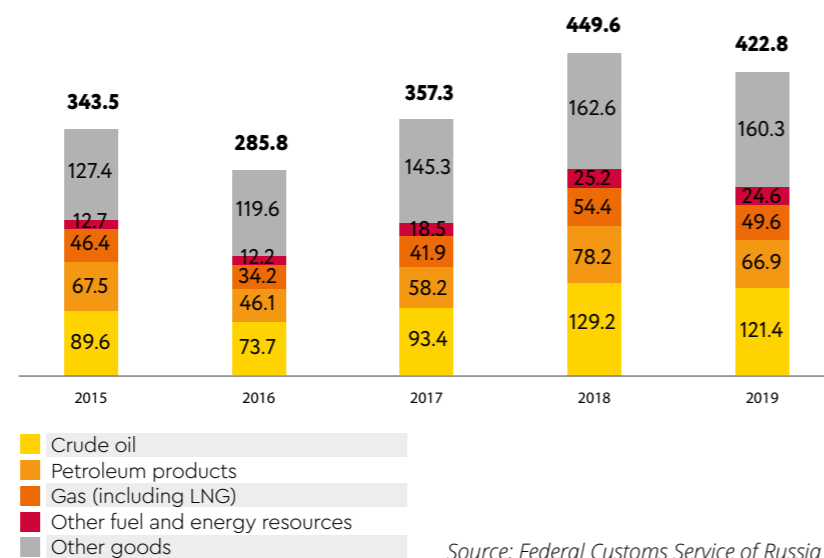
mostly due to fewer residential properties going on stream. On top of that, the GDP was impacted by lower activities in healthcare and social services (down 0.1 p.p.) as a result of contracting federal budget expenditures.

As a result, Russia's economic growth was mainly driven by private domestic demand, which translated into more jobs and higher real wages. Large-scale government expenditures were key to maintaining macroeconomic stability.

According to the Federal Customs Service of Russia, exports of Russian goods¹ in value terms in 2019 amounted to USD 422.8 bln. As compared to 2018, exports of goods declined by USD 26.8 bln, or 6.0% year-on-year.

The Russian exports contracted in 2019 mainly due to exports of fuel and energy resources dropping by USD 24.5 bln amid decreasing prices for crude oil and natural gas.

Russian Exports, USD bln



Exports of goods were also negatively affected by metals and metalware (down by USD 6.1 bln), lumber and pulp and paper (down by USD 1.1 bln), machines, equipment and vehicles (down by USD 0.7 bln), food and soft commodities (down by USD 0.2 bln).

2019 saw a steep increase in exports of gems and jewellery (up by USD 5.1 bln).

Exports of crude oil in value terms in 2019 shrank by 6.0% to USD 121.4 bln, exports of petroleum products dropped by 14.5% to USD 66.9 bln, exports of natural gas, including liquefied natural gas (LNG), slipped by 9.0% to USD 49.6 bln. In 2019, crude oil and petroleum products accounted for 56.3% of total exports, down 2.0 p.p. year-on-year.

As at 1 January 2020, Russia's international reserves rose by USD 85.9 bln

mainly through FX purchases in the domestic market under the fiscal rule.

In 2019, the unemployment rate and the number of those employed both continued on a descending trajectory. In December 2019, employment amounted to 72.4 mln people, down 0.2 mln year-on-year. In the medium term, shrinking manpower is likely to hinder the country's economic growth.

In December 2019, the unemployment rate dropped to 3.5 mln people, down 0.2 mln year-on-year.

As a result, the unemployment rate was 4.6% of economically active population, down 0.2 p.p. year-on-year. Russia enjoys the lowest unemployment rate in its modern history.

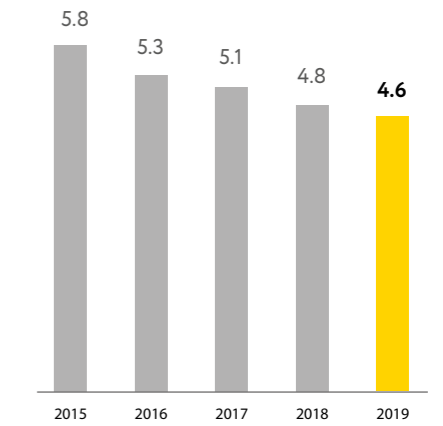
In 2019, real household income grew 1.5% year-on-year (vs 1.1% year-on-year in 2018) while real disposable income

added 0.8% year-on-year (vs 0.1% year-on-year in 2018). According to Rosstat, income growth continues to lag behind real wages, which rose by 2.9% year-on-year in 2019.

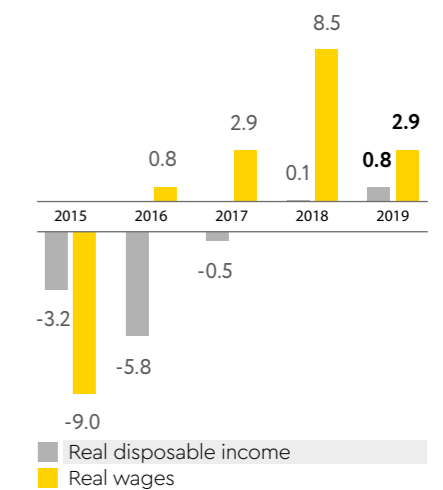
According to the Bank of Russia's base-case scenario as at February 2020, Russia's GDP will grow by 1.5–2.0% in 2020. The growth will be mainly driven by higher government investment spending as national projects are gaining traction.

The Russian economy is projected to accelerate up to 1.5–2.5% in 2021 and 2.0–3.0% in 2022 on the back of gradually accruing positive effects from planned budget initiatives and national projects, if successful. However, the growth in 2021–2022 will be halted by a potentially weaker external demand with Russian exports struggling to increase by 2.0–2.5% in 2021 and 2.5–3.0% in 2022.

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



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



Sources: Central Bank of the Russian Federation (Bank of Russia), Rosstat

¹ According to the customs statistics.

Energy Prices, Foreign Exchange Rates and Inflation in Russia

In 2019, the annual average Brent price was USD 64.3 per barrel, down 9.5% year-on-year¹.

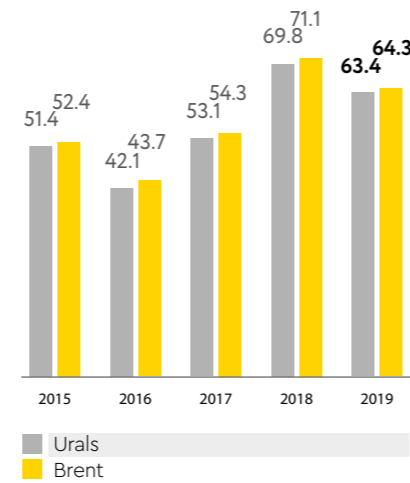
Throughout 2018, global oil prices were driven by mixed trends. In January through April 2019, oil prices were rising (with the monthly average Brent price increasing from USD 59.5 per barrel in January to USD 71.3 per barrel in April) on the back of production cuts by both OPEC countries under the OPEC+ agreement and. In May through August, oil prices were declining (with the monthly average Brent price slipping from USD 71.1 per barrel in May to USD 59.0 per barrel in August) as risks were rising for global demand amid the escalating trade conflict between the USA and China. In September, oil prices saw a spike (with the monthly average Brent price reaching USD 62.8 per barrel) as a result of production cuts by Saudi Arabia following a drone attack. However, Saudi Arabia quickly restored oil production and the Brent price dropped to USD 59.7 per barrel in October against the backdrop of concerns about a global economic slowdown.

In November, the monthly average Brent price bounced back to USD 63.0 per barrel as the trade row between the USA and China eased up. In December, prices rose to USD 67.0 per barrel following the OPEC+ agreement on further production cuts starting January 2020.

Amid continued geopolitical tensions and new sanctions against Russia, the Russian national currency was weakening in 2019. According to the Bank for International Settlements, the annual average nominal USD/RUB exchange rate declined by 3.0% to RUB 64.73 per USD in 2019.

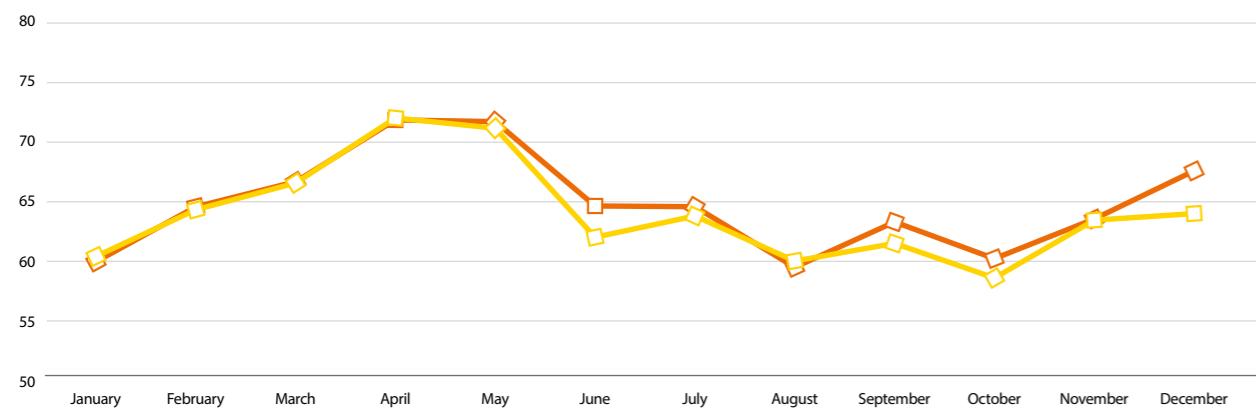
As at the end of December 2019, the nominal USD/RUB exchange rate appreciated by 11.8% year-on-year to RUB 62.27 per USD as at 31 December 2019, driven by higher oil prices, the Fed cutting its interest rate, and buoyant demand for Russian financial assets (with the share of non-residents in the federal loan bonds market rising by 7.8 p.p. to 32.2% as at 1 January 2020, according to the Bank of Russia).

Annual Average Urals and Brent Prices, USD/barrel



Source: Platts

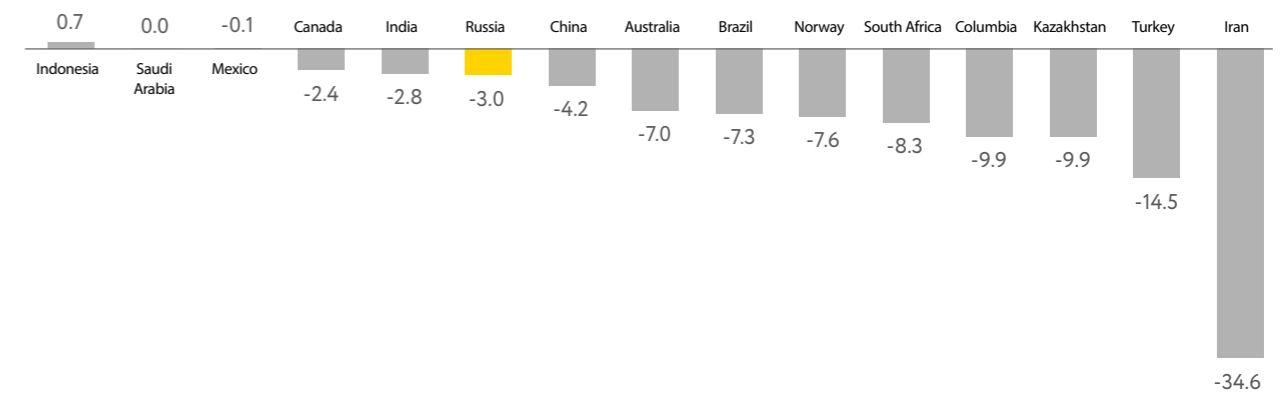
Monthly Average Urals and Brent Prices in 2019, USD/barrel



Source: Platts

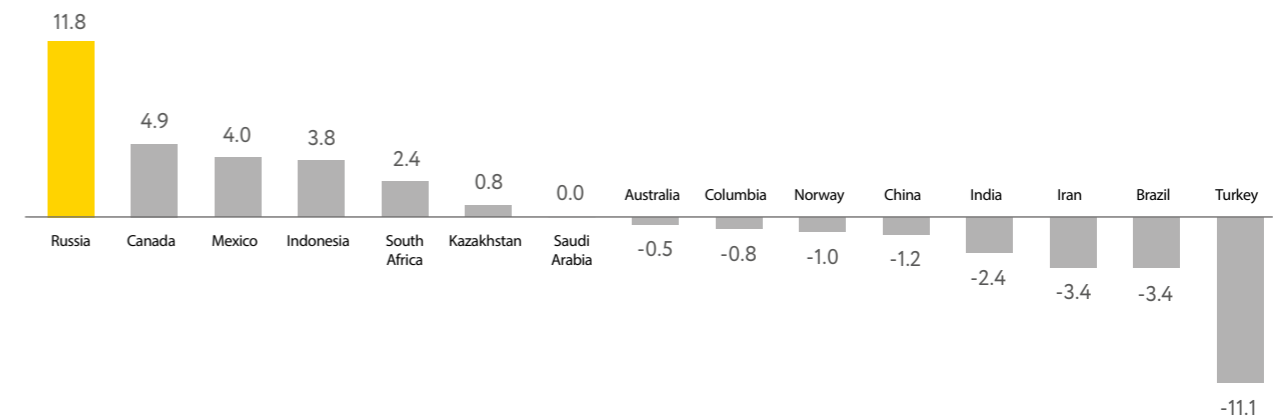
¹ In 2019, the annual average Urals price was USD 63.4 per barrel, down 9.1% year-on-year (USD 69.8 per barrel in 2018).

Changes in Annual Average Nominal Exchange Rates of the Largest Emerging Markets' and Oil-Producing Countries' National Currencies to USD in 2019, % year-on-year



* "+" means currency appreciation while "-" means currency depreciation.
Source: Bank for International Settlements

Changes 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



* "+" means currency appreciation while "-" means currency depreciation.
Source: Bank for International Settlements

As at the end of December 2019, inflation stood at 3.0% year-on-year (vs 4.3% in 2018), which is below the 2019 target of 5.0–5.5% set in the Monetary Policy Guidelines for 2019–2021 published by the Bank of Russia. The main driver behind the declining inflation in 2019 was the nominal rouble appreciation, given

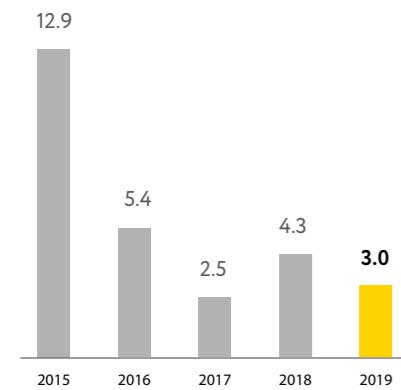
a significant share of imported goods in household consumption (ca. 36%). 2019 saw a certain slowdown in private consumption, which was also driving down inflation in Russia.

By contrast, the annual average consumer price index rose to 4.5%

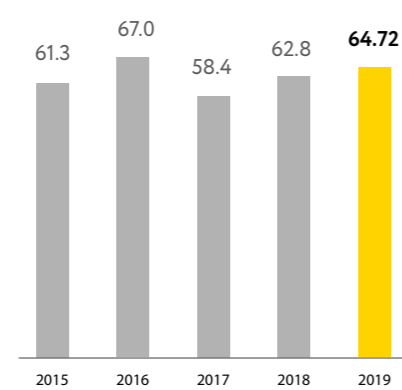
year-on-year in 2019 (vs 2.9% year-on-year in 2018).

According to the Bank of Russia's projections as at February 2020, inflation will stand at 3.5–4.0% in 2020 and remain at ca. 4% in 2021–2022 in line with the Bank of Russia's monetary policy.

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



Annual Average Nominal USD/RUB



**CHANGES
IN TRANSNEFT'S TARIFFS**

- As at 1 January 2019, Transneft's crude oil transportation tariffs via trunk pipelines increased by 3.87%.
- As at 1 February 2019, transit tariffs for oil transportation via the Republic of Belarus were indexed by 7.6%.

**CHANGES IN RUSSIAN
RAILWAYS' TARIFFS**

- As at 1 January 2019, railway transportation tariffs increased by 3.5%.

Sources: Bank of Russia, Bank for International Settlements

In 2019, the annual average industrial producer price index in Russia was 102.9% (vs 111.9% in 2018). As at December 2019, producer prices went down by 4.3% year-on-year (up 11.7% year-on-year in 2018), mainly driven by lower prices in the extractive industry, which dropped by 9.2% year-on-year (up 20.7% year-on-year in 2018¹).

The freight rate index was 1.5% year-on-year as at December 2019 while the annual average index stood at 2.8%.

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



¹ December 2018 vs December 2017.

Global Oil and Gas Market

Global Oil Market

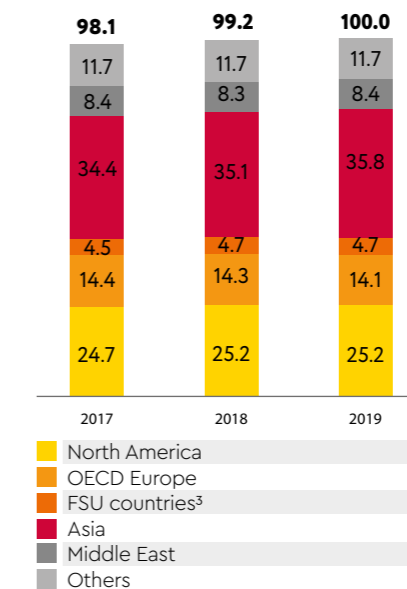
In 2019, the global market had an oversupply of 0.5 mmb per day, according to the International Energy Agency (IEA). Amid strong growth in crude oil production in the USA (driven mostly by shale production) and sluggish growth in global demand in the first and second quarters of 2019, the global market had 0.9 mmb per day of excess supply. In the third and fourth quarters of 2019, a slowdown in US production and rise in consumption of liquid hydrocarbons¹ caused the global oversupply to go down to 0.1 mmb per day.

Global demand for liquid hydrocarbons slowed down in 2019 alongside an increase in global GDP and reached 0.8%, according to the IEA (1.1% in 2018). Global demand for liquid hydrocarbons came in at 100.0 mmb per day. The growth in 2019 was driven by Asia (85% of the increase) and FSU countries (13%). These two regions accounted for 36% and 5% of global demand for liquid hydrocarbons respectively.

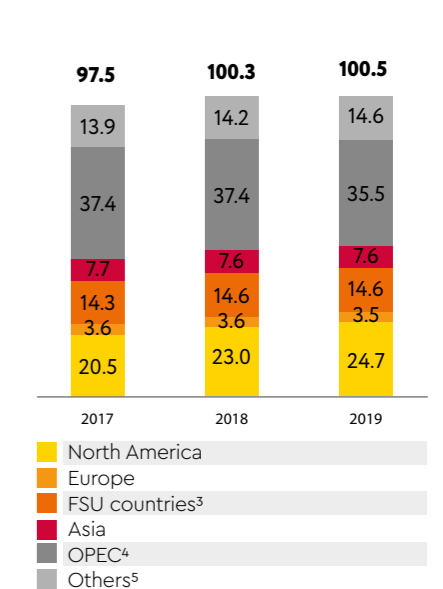
According to the IEA, global production of liquid hydrocarbons² increased by 0.2% year-on-year to 100.5 mmb per day in 2019.

In the USA, production of liquid hydrocarbons continued its strong momentum (10.8% growth year-on-year) and reached 17.2 mmb per day, with production of crude oil and gas condensate adding 11.3% year-on-year and hitting 12.2 mmb per day.

**Demand for Liquid Hydrocarbons
by Region, mmb per day**



**Output of Liquid Hydrocarbons
by Region, mmb per day**



Source: IEA

A considerable rise in production of liquid hydrocarbons in 2019 was also seen in Brazil (up by 6.8% year-on-year to 2.9 mmb per day) as a result of continued development of subsalt offshore fields. In Canada, the momentum of liquid hydrocarbons production decelerated to 2.6% year-on-year (compared to more than 8% year-on-year in 2018), with output totalling 5.5 mmb per day.

In China, 2019 production climbed 1.9% year-on-year to 3.9 mmb per day.

Improved crude oil production in the USA and other countries was mostly offset by lower output of liquid hydrocarbons in the OPEC countries³ (both as part of the OPEC+ agreement and as a result of the sanctions). Total production of liquid hydrocarbons in the OPEC countries in 2019 went down by 5.0% year-on-year to 35.5 mmb per day, with crude oil production dropping by 5.8% year-on-year to 30.0 mmb per day.

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 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.

³ Excluding Estonia, Latvia and Lithuania.

⁴ 14 member countries as at 31 December 2019.

⁵ Including production in other countries, global biofuel output, and volume growth during refining.

As part of the OPEC+ agreement to cut production, Saudi Arabia reduced its supply of liquid hydrocarbons by 4.2% year-on-year to 11.8 mmb per day, with crude oil production shrinking by 5.1% year-on-year to 9.8 mmb per day. Lower annual average output in Saudi Arabia was also due to an attack of drones and missiles on the country's oil infrastructure, causing a temporary suspension of 5.7 mmb per day of production. According to IEA, Saudi Arabia's production of liquid hydrocarbons dropped by 8.2% month-on-month in September 2019 to 10.9 mmb per day, with crude oil production declining by 7.9% month-on-month to 9.0 mmb per day.

The UAE also delivered a considerable growth in production of liquid hydrocarbons among the OPEC countries: the increase totalled 5.5% year-on-year, to 4.0 mmb per day, with crude oil production improving by 6.0% year-on-year to 3.2 mmb per day.

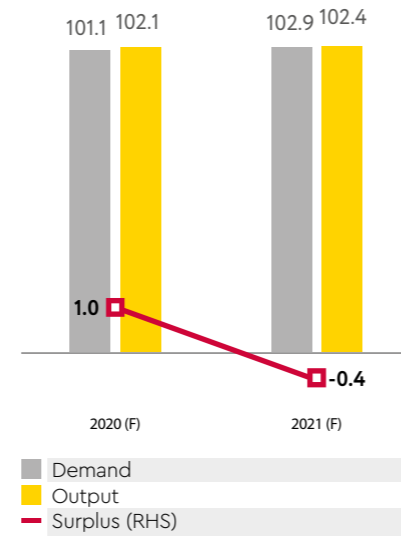
Mexico, which is also a party to the OPEC+ agreement on production cuts, saw its 2019 output of liquid hydrocarbons go down by 7.0% year-on-year to 1.9 mmb per day.

In December 2019, commercial crude inventories in OECD¹ countries totalled around 1.1 bln barrels, which is a 0.2% increase vs December 2018.

In its March report, the IEA expects global demand for liquid hydrocarbons to go down by 0.1% year-on-year in 2020 to 99.9 mmb per day as a result of the coronavirus pandemic.

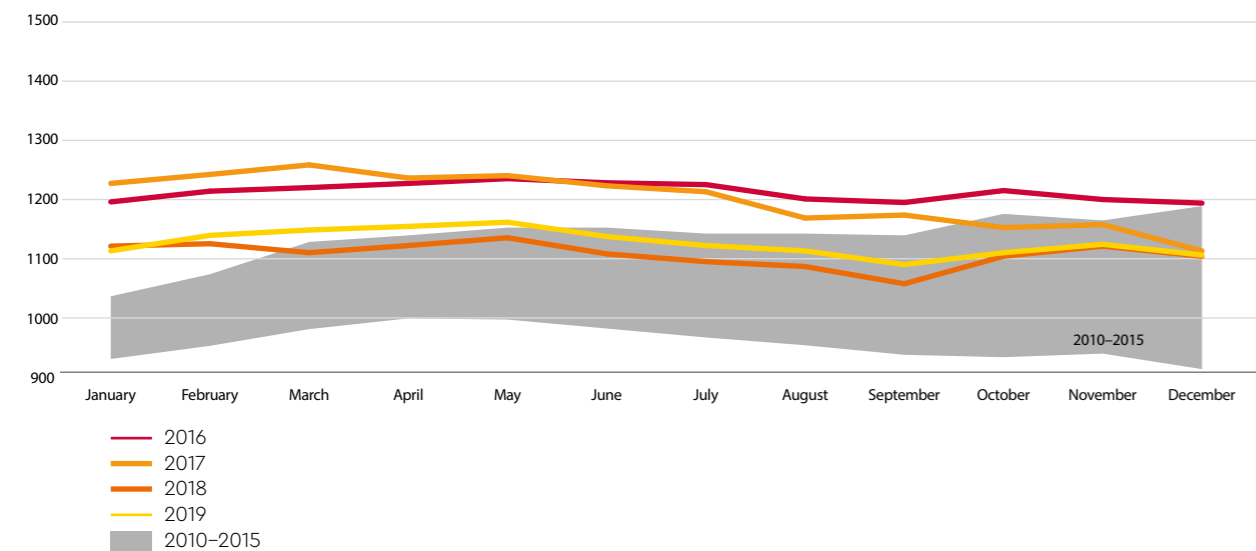
The US Energy Information Administration (EIA) forecasts a 1.0 mmb per day oversupply of liquid hydrocarbons globally in 2020 before the market moves towards a state of shortage (0.4 mmb per day) in 2021. According to EIA estimates, global demand for liquid hydrocarbons in 2020 will grow by 0.4% year-on-year to 101.1 mmb per day, with global output of liquid hydrocarbons improving by 1.5% year-on-year to 102.1 mmb per day.

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



Source: forecast by U.S. Energy Information Administration as at March 2020

Commercial Crude Inventories in OECD Countries, bln barrels



Source: IEA

¹ Official national estimates of crude inventories, IEA data. The discrepancies in crude stock estimates for 2010–2018 as compared to the previous annual report of the Company are due to the IEA's updates and revisions made during the year.

Global Gas Market

In 2019, global demand for gas went up by 2.4% year-on-year to 3.93 tcm.² Stronger gas consumption worldwide is supported by toughened environmental policies adopted by many countries, including as a way to curb CO2 emissions, along with the development of gas infrastructure and transportation solutions, also as liquefied natural gas (LNG). Lower prices in regional gas markets contributed a lot to the gas consumption growth across the globe.

The strongest rise in demand for gas in 2019 was seen in the Asia-Pacific Region and Europe. The Asia-Pacific Region posted an increase in gas consumption by 5.0% year-on-year in 2019 (an increase of 41.0 bcm) to 866.3 bcm (22.1% of global gas consumption), mainly driven by China, Indonesia, and Australia. In Europe, consumption improved by 4.2% year-on-year (up by 21.8 bcm) to 535.6 bcm (13.6% of global gas consumption), which is attributable to weaker gas prices in the region as a result of oversupply of both LNG and pipeline gas. Demand for gas in North America, which is the largest gas consumer in the world, went up by 2.3% year-on-year in 2019 and reached 1.05 tcm (26.8% of global gas consumption).

In Latin America, 2019 gas consumption grew by 0.5% year-on-year to 179.9 bcm (4.6% of global gas consumption), while Africa saw a reduction of 0.5% year-on-year to 150.9 bcm (3.8% of global gas consumption).

Improved gas demand came on the back of global natural gas production¹ going up to 3.99 tcm. More than 27%

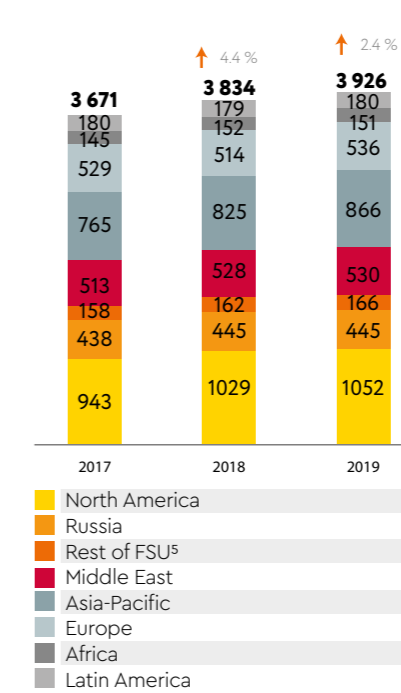
of global output was attributable to North America, which delivered a 7.0% increase year-on-year, taking 2019 gas production to 1.13 tcm (as a result of a record high gas output level in the USA). Around 22% came from Russia and the CIS, Middle East accounted for 17%, and the Asia-Pacific Region had a share of 16% in global gas production. In Europe, gas output went down by 3.6% year-on-year to 222.5 bcm.

Every year approximately 33% of natural gas produced globally is exported. In 2019, gas exports are estimated² at

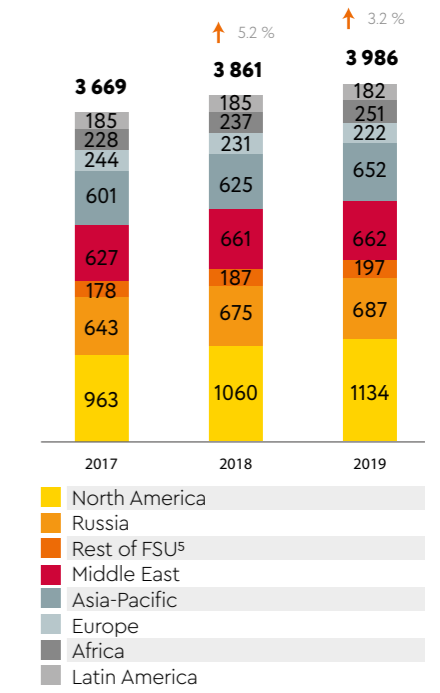
some 1.3 tcm. Around 65% of global gas exports are transported by pipelines and 35% as LNG. Russia, the world's largest gas exporter, accounted for approximately 20% of gas exports globally in 2019 (260.4 bcm according to the Federal Customs Service of Russia and CDU TEK; or around 242 bcm under European standards; an increase of 5.2% year-on-year).

In 2020 and 2021, global growth in gas demand³ will be down to 1.3% and 0.7% respectively, with gas consumption standing at 3.98 tcm and 4.01 tcm.

Gas Consumption by Region, bcm⁴



Gas Production by Region, bcm



Source: IHS

¹ IHS Markit preliminary estimates.

² Rosneft's estimates based on data by IHS Markit, IEA and BP.

³ IHS Markit estimates.

⁴ Data of Russian and European (international) statistics on gas include discrepancies because of the differences in the measurement standards: 1 European cub m of gas = 1.074 Russian cub m of gas

⁵ Excluding Estonia, Latvia and Lithuania.

LNG Market

In 2019, global LNG exports increased by 12.7% year-on-year and reached 358.5 mmt (or 494.4 bcm)¹. LNG accounted for 12.5% of global gas consumption in 2019 (vs 11.2% in 2018)².

Stronger demand for LNG in 2019 was mostly driven by Europe, where LNG exports went up by 75.3% year-on-year to 87.4 mmt, with the UK posting a growth of 2.7 times year-on-year to 13.3 mmt and France of 92.9% year-on-year to 16.3 mmt. In the Asia-Pacific Region, LNG imports expanded by 2.9% year-on-year to 247.8 mmt, including a 13.9% year-on-year growth in China (to 62.5 mmt). Japan, the world's largest importer of LNG, reduced its purchases by 6.8% year-on-year to 77.3 mmt.

The Middle East and North Africa³ saw a notable reduction in its demand for LNG, which was down by 27.5% year-on-year to 7.0 mmt as a result of gas fields developed in Egypt and also higher imports of pipeline gas to Jordan from Egypt and Israel. Following the commissioning of the Zohr field, Egypt became

fully self-sufficient in gas and ceased LNG imports in October 2018. The field is being developed by an international consortium, where Rosneft has a share of 30%.

A major component of the export growth in 2019 were new LNG trains coming on stream:

- first and second trains of the Corpus Christi LNG plant with a capacity of 4.5 mmtpa, first train of the Freeport LNG facility with a capacity of 5.1 mmtpa, fifth train of the Sabine Pass LNG plant with a capacity of 4.5 mmtpa, and first train of the Cameron LNG project with a capacity of 4.0 mmtpa in the USA. As a result, the USA became the leader by absolute growth in LNG exports in 2019 (an increase of 13.8 mmt to 34.8 mmt, or 65.4%; 9.7% of global LNG exports);
- commissioning of the second train of Ichthys LNG with a capacity of 4.45 mmtpa, and the Prelude floating liquefied natural gas (FLNG) facility with a capacity of 3.6 mmtpa.

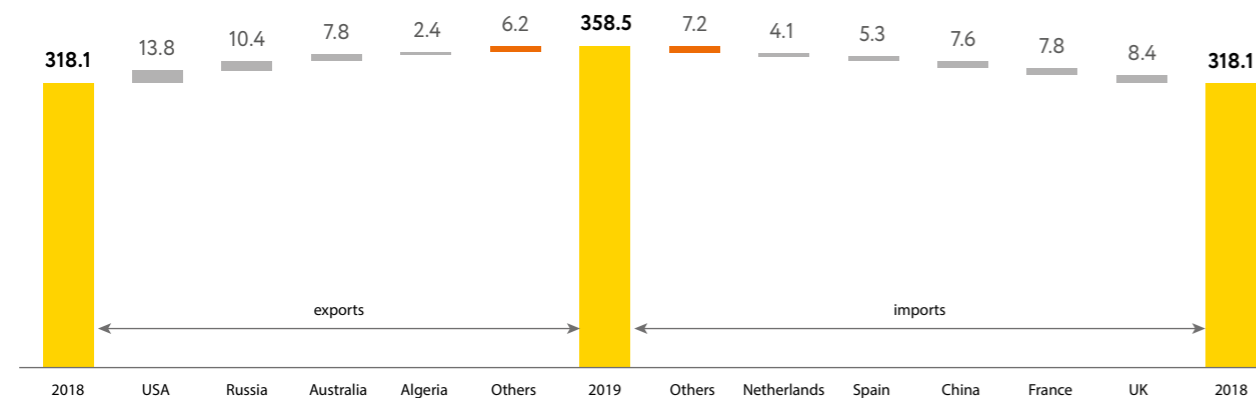
In 2019, Australia considerably increased its output (by 11.4% year-on-year to 76.5 mmt; 21.3% of global LNG exports), coming close to Qatar, the market's long-standing leader;

- ramp-up to full capacity of the third train of the Yamal LNG plant with a total capacity of 5.5 mmtpa⁴ in Russia (in 2019, LNG production in Russia grew by 54.7% year-on-year to 29.3 mmt; 8.2% of global LNG exports).

Qatar's export volumes recovered (by 1.4% year-on-year to 78.3 mmt) to the 2016 level, making up 21.8% of global LNG exports.

2019 saw a record-breaking number of final investment decisions⁵ on LNG plant projects: FIDs were approved for total capacities of 70.4 mmtpa, including Golden Pass LNG in the USA (15.6 mmtpa), Arctic LNG 2 in Russia (19.8 mmtpa) and Mozambique LNG in Mozambique (12.9 mmtpa).

Increase in LNG Exports and Imports in 2019 by Country, mmt



Source: IHS

¹ IHS Markit preliminary estimates

² IHS Markit estimates.

³ Egypt, Israel, Jordan, Kuwait, and UAE.

⁴ The first train of the Yamal LNG plant with a capacity of 5.5 mmtpa was put into operation in December 2017.

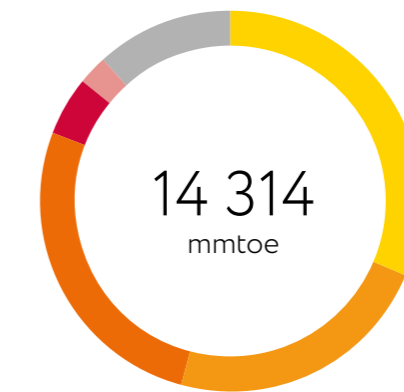
⁵ Final investment decision (FID) is the decision to proceed with a project. As a rule, FID is taken after the design stage is completed, necessary permits obtained, an EPC (Engineering, Procurement, and Construction) contract signed, and financing sources and target markets for the project products identified.

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. According to top global energy agencies, oil and gas producers, consulting companies¹, 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 oil² 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 demand for oil will grow by more than 700 mmt vs 2018, exceeding 5.2 bt. Key growth drivers will be countries of the Asia-Pacific Region, which in 2040 are expected to account for some 37% of the world's demand for oil, or over 1.9 bt.

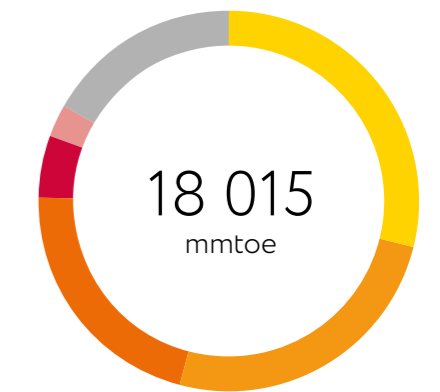
Global Energy Consumption by Fuel Type in 2018, %



Oil	31.4
Gas	22.9
Coal	26.7
Nuclear	5.0
Hydro	2.5
Other renewables	11.5

Source: IEA

Global Energy Consumption by Fuel Type in 2040, %



Oil	28.9
Gas	25.3
Coal	21.1
Nuclear	5.2
Hydro	2.9
Other renewables	16.5

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



¹ This section contains forecasts based on data by the IEA, OPEC, U.S. Department of Energy, IHS Markit, BP, ExxonMobil and Rosneft.

² Oil demand indicates the consumption of petroleum products from oil and gas condensate and consumption of oil as fuel.

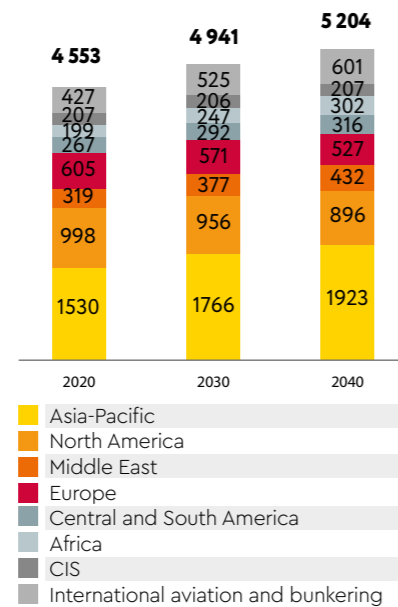
Oil demand will go down in North America (to 896 mmt in 2040) and Europe (to 527 mmt in 2040), with these two regions making up approximately 17% and 10% of global demand for oil respectively.

Until 2030, natural gas will be outperforming all other energy sources in terms of increase in global demand in absolute terms.

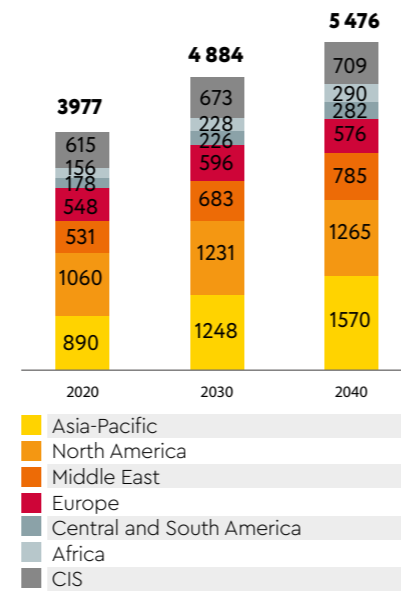
Global demand for gas will be adding an average of 1.5% a year, reaching almost 5.5 tcm by 2040 and accounting for more than a quarter of the global energy mix. Strong growth in demand for gas will be supported by its superior environmental performance as compared to other fossil fuels.

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 oil consumption, with its demand going up by 756 bcm vs 2018 to almost 1.6 tcm, exceeding the level of consumption in North America (1.3 tcm in 2040, an increase of 198 bcm against 2018). North America will remain the leader in

Oil Demand by Region, mmt



Gas Demand by Region, bcm



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

natural gas production (1.6 tcm of gas in 2050, 30% of global production). The most considerable rise in gas output (around 25% of the global increase) in

the forecast period will be seen in the Middle East (over 930 bcm in 2040).

Russian Oil Industry

Russia is a top three oil producer globally (alongside the USA and Saudi Arabia). In 2019, oil and gas condensate production in Russia stood at 560.3 mmt, up by 0.8% year-on-year. The growth was due to the December 2018 decision of the OPEC+ agreement to increase oil output target. For Russia, the production target was raised from 10.96 mmb per day to 11.22 mmb per day.

The main contributors to the production growth were the Ural Federal District (up by 1.0% year-on-year to 310.1 mmt; 55.3% of Russia's total production), Far Eastern Federal District (up by 5.8% year-on-year to 33.3 mmt; 5.9%

of Russia's total production), and Volga Federal District (up by 1.4% year-on-year to 118.9 mmt; 21.2% of Russia's total production). In the Ural Federal District, crude oil production increased in the Yamal-Nenets Autonomous Area (up by 6.1% year-on-year to 61.5 mmt; 11.0% of Russia's total production) and declined in the Khanty-Mansi Autonomous Area (down by 0.2% year-on-year to 236.0 mmt; 42.1% of Russia's total production) and the Tyumen Region (down by 0.2% year-on-year to 12.5 mmt; 2.2% of Russia's total production). In the Far Eastern Federal District, oil and gas condensate production went up in the Republic of Sakha (up by 10.7% year-on-year to 13.5 mmt; 2.4% of Russia's

total production) and the Sakhalin Region (including offshore production, up by 2.6% year-on-year to 19.8 mmt; 3.5% of Russia's total production). In the Volga Federal District, oil and gas condensate production increased in the Orenburg Region (up by 3.9% year-on-year to 21.7 mmt; 3.9% of Russia's total production), Samara Region (up by 2.6% year-on-year to 16.1 mmt; 2.9% of Russia's total production), Republic of Tatarstan (up by 0.8% year-on-year to 36.7 mmt; 6.5% of Russia's total production), and the Perm Territory (up by 1.8% year-on-year to 16.0 mmt; 2.9% of Russia's total production). In the Southern Federal District, oil and gas condensate production saw an increase

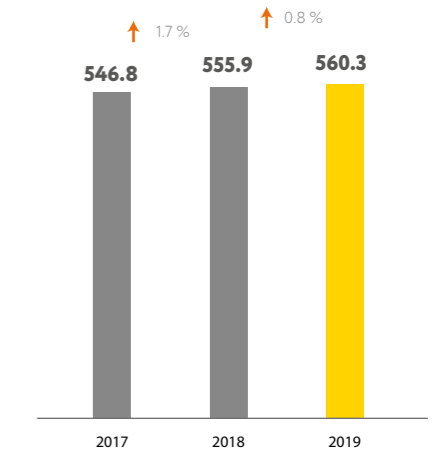
of 1.9% year-on-year to 14.6 mmt (2.6% of Russia's total production) due to improved output in the Astrakhan Region (including offshore production, up by 5.3% year-on-year to 11.3 mmt; 2.0% of Russia's total production).

In 2019, production in the Northwestern Federal District continued to decline (down by 1.3% year-on-year to 31.2 mmt; 5.6% of Russia's total production), mostly as a result of dwindling output in the Nenets Autonomous Area (down by 3.2% year-on-year to 16.0 mmt; 2.9% of Russia's total production) and the North Caucasian Federal District (down by 6.2% year-on-year to 1.0 mmt; 0.2% of Russia's total production) predominantly as a result of lower output in the Stavropol Territory (down by 8.1% year-on-year to 0.7 mmt; 0.1% of Russia's total production). Production

also went down in the Siberian Federal District (down by 3.5% year-on-year to 51.3 mmt; 9.1% of Russia's total production), mostly due to lower output in the Krasnoyarsk Territory (down by 2.8% year-on-year to 23.9 mmt; 4.3% of Russia's total production), Irkutsk Region (down by 3.1% year-on-year to 17.9 mmt; 3.2% of Russia's total production), and Tomsk Region (down by 5.6% year-on-year to 9.1 mmt; 1.6% of Russia's total production).

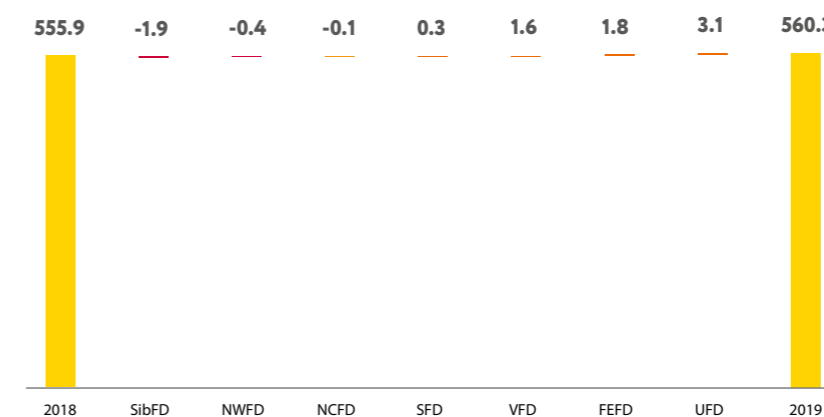
In 2019, Russian oil and gas condensate refining volumes decreased by 0.6% year-on-year to 285.1 mmt, while oil exports increased by 3.3% year-on-year to 266.2 mmt. The export share in total oil and gas condensate production totalled 47.5% in 2019 (up by 1 p.p. year-on-year).

Oil and Gas Condensate Production in Russia, mmt



Source: CDU TEK

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

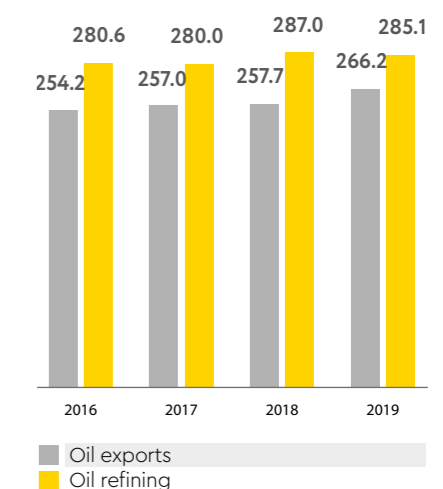


Source: CDU TEK

The increase in oil and gas condensate exports was driven by supplies to countries outside the CIS growing by 3.7% year-on-year to 248.6 mmt. Almost 64% of export volumes to countries outside the CIS were transported by sea (around 158.9 mmt), including 19.1% via Primorsk and 13.3% via the Kozmino oil

port. Oil and gas condensate exports to CIS countries declined by 2.4% year-on-year to 17.6 mmt in 2019 as a result of reduced supplies to Belarus (down by 2.2% year-on-year to 17.6 mmt) and discontinuation of shipments to Uzbekistan (vs 36 kt in 2018).

Russian Oil and Gas Condensate Exports and Refining, mmt



Source: CDU TEK

Russian Gas Industry

Russia is the world's No. 2 gas producer (surpassed only by the USA) and the world's largest gas exporter.

In 2019, natural and associated gas production in Russia increased by 1.7% year-on-year and reached 737.7 bcm¹. Rosneft accounted for around 8.5% of the nation's total production, or 62.36 bcm².

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 260.4 bcm in 2019, going up by 5.2% year-on-year, or 12.9 bcm. Export volumes via Gazprom's pipelines³ stood at 219.9 bcm, including 181.8 bcm exported to countries outside the CIS (down by 1.2% year-on-year, or 2.3 bcm),

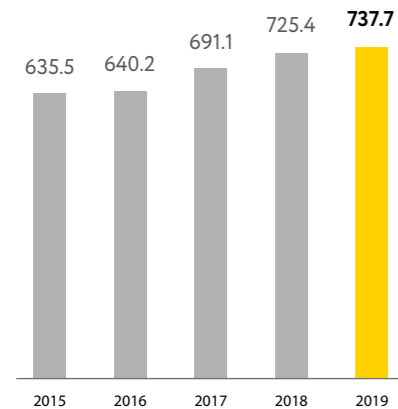
while supplies to CIS countries totalled 38.2 bcm (up by 4.4% year-on-year, or 1.6 bcm).

Exports of LNG⁴ grew by 13.6 bcm in 2019 (by 50.3% year-on-year) and reached 40.5 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.

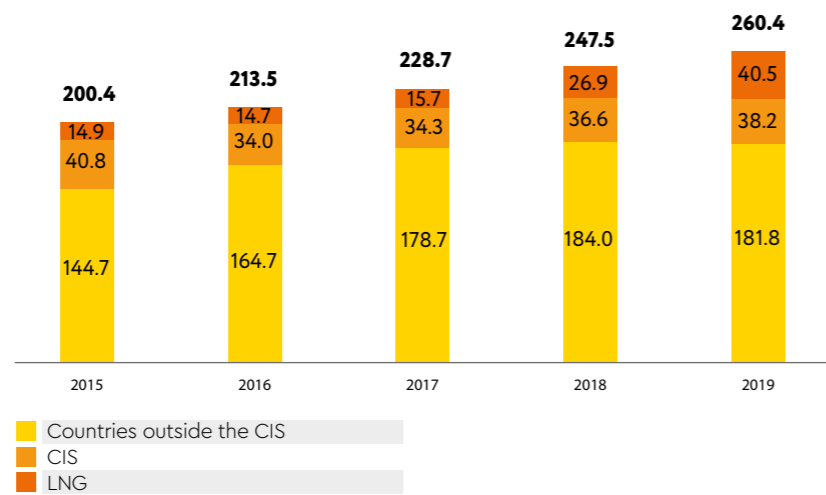
Metric, bcm	2015	2016	2017	2018	2019
Natural gas production	635.5	640.2	691.1	725.4	737.7
Natural gas exports	200.4	213.4	228.7	247.5	260.4
including to countries outside the CIS	144.7	164.7	178.7	184.0	181.8
including to the CIS	40.8	34.0	34.3	36.6	38.2
LNG	14.9	14.7	15.7	26.9	40.5

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 Including gas used in liquid hydrocarbons 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 is based at the Sakhalin-based LNG plant built as part of Sakhalin-2, a project operated by Sakhalin Energy, 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).

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. 583/19 dated 13 May 2019 (for consumers other than households) and No. 580/19 dated 13 May 2019 (for households). In accordance with the Orders, gas prices for all categories of consumers were subject to indexation of 1.4%.

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.

Indexation of Regulated Prices (Tariffs) for Infrastructure Sector Products (Services) for 2020–2021, %

Metric	2020	2021
Wholesale price indexation for all categories of consumers other than households	July 0.3%	July 0.3%
Wholesale price indexation for households	July 0.3%	July 0.3%

Source: Forecast of Social and Economic Development of the Russian Federation for the Period Until 2024

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. 216e/1 dated 8 June 2015 and were not indexed in 2016–2019.

Gazprom also provides independent gas producers with underground gas storage services. The main gas consumption regions currently have 25 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 2019, 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 2019, natural gas sales under exchange-traded contracts stood at 12.9 bcm, with total sales since the launch of SPIMEX now exceeding 70 bcm.

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. Resource sustainability, including the size of reserves, reserves-to-production ratio and efficient reserves management, is one of the key investment highlights of an oil and gas company.

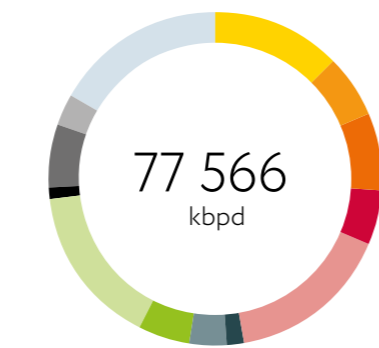
For many years, we have been steadily building up our reserves of commercially recoverable hydrocarbons. This was possible thanks to our consistent efforts to increase production from brownfields and launch new fields and prospects, as well as to our successful exploration operations. We pay special attention to exploration and sustainable reserves growth at the existing licence areas, with resource base integration and expansion being key focus areas at our new assets.

Under the SEC (U.S. Securities and Exchange Commission) classification, Rosneft's proved hydrocarbon reserves totalled 42,018 mmboe (5,678 mtoe) as at 31 December 2019. Compared to the end of 2018, our hydrocarbon reserves grew by 587 mmboe (81 mtoe), or 1%. We engaged DeGolyer & MacNaughton to conduct a life-of-field audit of the reserves.

As at the year-end, Rosneft's SEC-proved reserve life exceeded 20 years, and the SEC-proved organic reserve replacement ratio stood at 129% in 2019 and 163% in 2017-2019.

For several years now, Rosneft has surpassed the world's public oil and gas majors in terms of SEC-proved reserve replacement ratio. At the same time, we boast high exploration and production efficiency and maintain traditionally low finding and development costs.

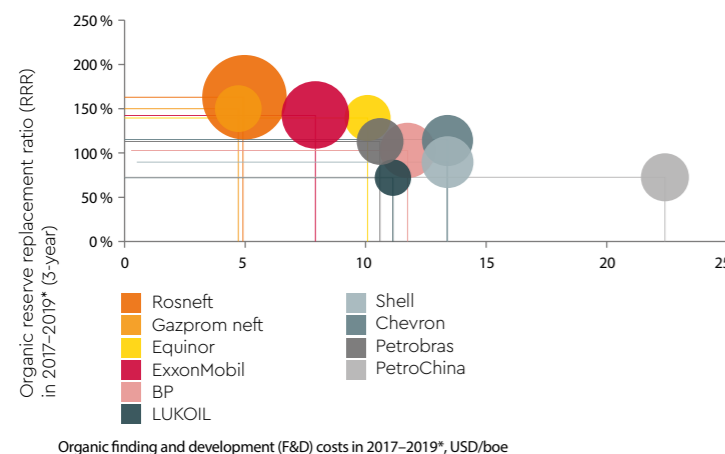
Global oil production



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

Source: Wood Mackenzie.

Reserve Replacement and F&D Costs



Source: company reports. * Including affiliates. PetroChina data for 2016-2018 does not include affiliates.

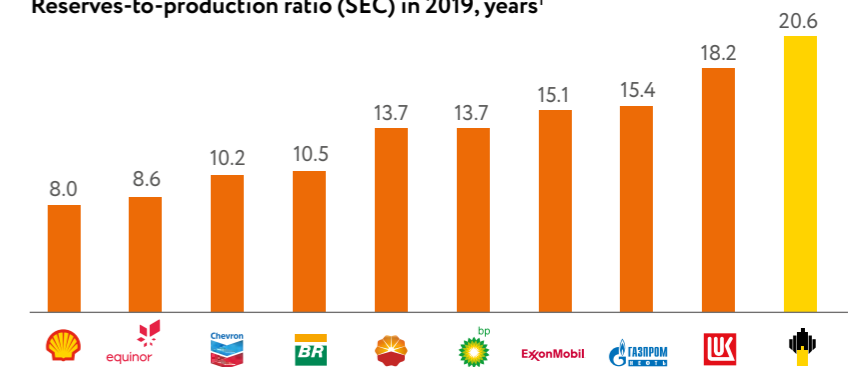
42,018 mmboe
Proved hydrocarbon reserves (SEC)

As at 31 December 2019, the Company's reserves under the PRMS (Petroleum Resources Management System) standards, according to DeGolyer & MacNaughton, totalled 47,289 mmboe (6,400 mtoe) in the 1P category, 84,926 mmboe (11,504 mtoe) in the 2P category, and 125,296 mmboe (16,976 mtoe) in the 3P category. In 2019, total 3P reserves grew by over 4 bboe (550 mtoe).

An upward revision of reserves estimates and the full replacement of hydrocarbon production in 2019 were due to 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, and Varyeganneftegaz along with assets in Eastern Siberia.

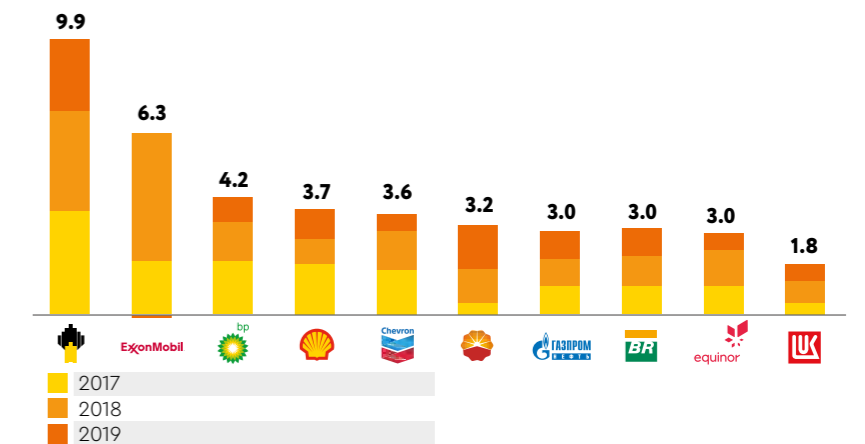
For years, Rosneft has invariably maintained a high reserve replacement ratio (reserve replacement cost in 2017-2019 was USD 0.3 per boe). In 2020-2022, we intend to replace no less than 100% of our hydrocarbon production. The Company also plans to fast-track the development of new reserves by reducing

Reserves-to-production ratio (SEC) in 2019, years¹



Source: company reports.

Organic reserves growth (SEC), bboe²



Source: company reports.



¹ Including affiliates. PetroChina data for 2018 does not include affiliates.

² Including affiliates. PetroChina data for 2016-2018 does not include affiliates.



preparation timelines, accelerate viability-based resources to reserves conversion, and make exploration drilling in Russia more successful.

The Company accounts for 41% of the total oil production of Russia and for approximately 6% of the global oil output. On top of that, we boast the highest 10-year average production growth among peers.

Rosneft is Russia's leading petroleum company in terms of launching new projects. In 2016, we put on stream a number of large fields, including Suzunskoye, Yurubcheno-Tokhonskoye, Kondinskoye, Tagulskoye, Russkoye, Srednebotuobinskoye (Phase 2), Zapadno-Erginskoye, Vostochno-Messoyakhskoye and Kuyumbinskoye. We also made great progress in developing RN-Yuganskneftegaz mature fields, our key asset, and the fields of Samaraneftegaz, RN-Nyaganneftegaz and Varyeganneftegaz. At Samotlor, we optimised production decline rates. In the medium term, we plan to enhance production from mature fields and develop new high-potential oil and gas projects, including the Vankor, Erginsky and Danilovsky clusters, Rospan, Kharampurskoye and

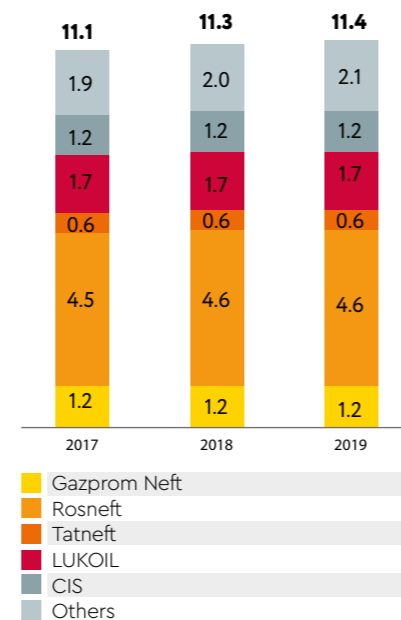
Severo-Komsomolskoye fields to increase the output through organic growth.

In furtherance of the Russian President's instruction to increase the cargo flow along the Northern Sea Route, we are preparing for 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.

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.

To develop our technological capabilities, we keep rolling out cutting-edge techniques that help expand the pay zone coverage, increase flow rates, and optimise well and infrastructure construction. As part of our digitalisation efforts, we launched the Digital Field information system covering all

Oil and gas condensate production in Russia, mmb per day



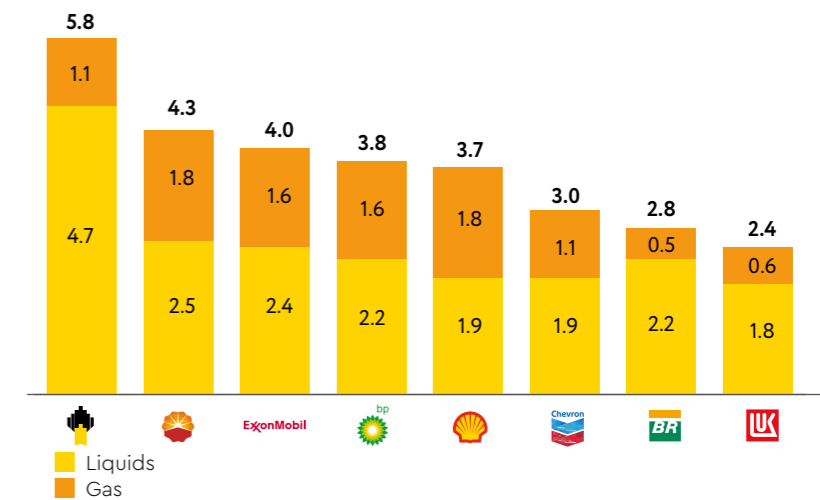
Source: CDU TEK

77,566
kbpd
global oil production in 2019

key oil production and logistics processes at the Ilishevskoye field in the Republic of Bashkortostan. The expertise gained in the course of the pilot project will be rolled out at all of our fields. RN-UfanIPneft, part of Rosneft's research and design cluster, developed the first commercial software suite for geomechanical modelling of drilling operations – RN-Sigma. It enables the Company's engineers to capitalise on wider applications of geomechanical calculations for borehole stability and reduce the risk of complications while drilling directional and horizontal wells.

Pursuant to our plans to diversify our portfolio of production assets and implement international upstream projects, we are expanding production outside Russia. In particular, we keep developing production blocks in Iraqi Kurdistan under the Production Sharing Agreements signed in October 2017. In the first quarter of 2019, we piloted production at Block 11 of the Bejil field. By taking part in the development of the unique Zohr field together with Eni (a 50% stake) and BP (a 10% stake) – global energy majors and our strategic partners – we were able to promptly step up gas production abroad and penetrate the Egyptian market with a view to further strengthening our foothold both in the country and the entire region. June 2018 saw Mubadala Petroleum join the project. The field was put on stream in December 2017, and in August 2019, five months ahead of schedule, it reached the full design capacity of 76 mmcm per day.

Hydrocarbon production in 2019, mmboe per day



Source: company reports for 2019.

Average production growth for ten years, %

Rosneft	9.3%
PetroChina	2.7%
Shell	1.6%
Chevron	1.3%
Petrobras	0.9%
LUKOIL	0.7%
Gazprom	0.6%
ExxonMobil	0.1
BP	-0.6%

Sources: company reports; Wood Mackenzie (Gazprom).

Refining and Commerce

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 2019, as the largest supplier of motor fuels to the Far Eastern Federal District, Rosneft ensured stability of small-scale wholesale and retail prices in the region through building up its supplies (+15% vs. 2018). However, the Far Eastern increment to the damper was not introduced after all since there were no executive orders by Russia's Government and Federal Antimonopoly Service that would set forth the procedure for its application.

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. Meanwhile, the Company continues its efforts to connect the refineries to Transneft's oil trunk pipeline system. In the third quarter of 2019, a 8 mmt oil pipeline section between the ESPO and the Komsomolsk Refinery was commissioned. The completion of this project will enable the Company to enhance the reliability of petroleum product supplies to the Far Eastern Federal District. The project was financed under a long-term tariff agreement with Transneft, with the total investment for connecting the Komsomolsk Refinery to

the trunk pipeline system amounting to RUB 50 bln.

The oil refineries continue upgrade and maintenance projects related to their existing capacities. In March 2019, the Ryazan Refinery, a subsidiary of Rosneft, completed the upgrade of a catalytic reforming unit, replacing reactors on the reformer. As a result, the octane grade of the motor gasoline component increased to 97 according to the research method. Moreover, the unit was switched to a three-year run between repairs, significantly improving its economic, environmental and safety performance.

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 was the first in Russia to start the production and sale of Euro 6 gasoline in 2018, gradually expanding the sales geography in 2019. Currently, Euro 6 gasoline is offered at 727 filling stations of Rosneft in the Republic of Bashkortostan, Krasnodar Territory, Republic of Adygeya, Tula, Kaluga, Ryazan and Vladimir Regions, in Moscow and the Moscow Region, as well as in small-scale wholesale quantities. The Ufa Refinery launched the production of AI-100 motor gasoline. Retail sales of AI-100 gasolines have started in the Republic of Bashkortostan, Republic of Mordovia, Orenburg, Sverdlovsk, Bryansk, Voronezh, Lipetsk, Orel, Penza, Rostov, Archangelsk, Samara and Ulianovsk Regions, and also in the Krasnodar Territory.

In 2019, the Komsomolsk Refinery started the production of RLMS, a low-sulphur marine fuel compliant with the IMO 2020 requirements.

In March 2019, RN-TsIR (a Rosneft R&D unit), with the help of RN-Lubricants, patented a know-how to produce eco-friendly technical TDAE (treatment distilled aromatic extract) oil, which is used for the production of synthetic rubbers, tyres, and industrial rubber products. This know-how will enable the Company to become a leading producer and supplier of safe and high-quality TDAE oil for the production of synthetic rubbers, tyres and industrial rubber products.

Rosneft's Innovation Development Programme is aimed at substituting imported technologies for the production of high-quality petroleum products. Its key objective 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.

Currently, the Company's specialist enterprises play a key role in the import substitution programme for additives and catalysts. In particular, the Angarsk Plant of Catalysts and Organic Synthesis, the Novokuibyshevsk Catalyst Plant, RN-Kat and corporate R&D units (RN-TsIR and VNII NP) develop and manufacture samples of high-tech products for the oil refining industry.

In 2018, the Company started using catalysts made by the Angarsk Plant of Catalysts and Organic Synthesis at hydrogen units of the Kuibyshev Refinery and the Ryazan Refinery. Before that, Angarsk Plant's catalysts replaced foreign-made steam methane reforming analogues at hydrogen units of Bashneft-Ufaneftekhim Bashneft-Novoil and Syzran Refinery. The share of own steam reforming catalysts in the production of hydrogen at the Company's refineries reached 77% in 2019.



The Ryazan Refinery has started using Angarsk Plant's catalysts to produce Euro 5 gasoline, as well as innovative Euro 6 and AI-100 gasoline grades.

In 2019, RN-Kat, Rosneft's specialist catalyst production subsidiary, conducted industrial tests at the Company's Ufa refineries on the first batch of hydro-treating catalysts suitable for Euro 5 compliant diesel fuel. This is a unique hydrotreating agent capable of fully replacing its foreign peers for the Russian refining industry.

The Digital Plant system is being rolled out as part of Rosneft-2022 Strategy with a focus on qualitative changes across all business segments. In 2019, the Digital Plant was tested and

implemented on units and systems at the refineries in Komsomolsk-on-Amur, Novokuibyshevsk, Ryazan, and Syzran.

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 the Company's own refineries in Russia and abroad.

In general, the Company continues diversifying its oil supply channels, while increasing crude oil exports to the east. 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. In 2018, Rosneft signed long-term contracts with Grupa Lotos to supply from 6.4 mmt to 12.6 mmt of oil to Poland and with Total Oil Trading to supply from 4.8 mmt to 10.8 mmt of oil to Germany. The Company also captures opportunities of expanding partnerships through short-term contracts. In November 2018, Rosneft and China National Chemical Corporation (ChemChina) signed a contract to supply up to 2.4 mmt of ESPO crude annually via the port of Kozmino. Thanks to the contract, the Company can increase direct oil supplies to China, which is a strategic market for Rosneft. It also signed annual contracts with Shell and Eni to export 3.9 mmt of crude oil to Germany,

and with Socar Trading to supply up to 1 mmt of oil to Socar's Turkish refinery. The Company continues its cooperation with the Republic of Belarus, and in 2019 it signed contracts with Naftan, Belarusian Oil Company and Mozyr Oil Refinery to supply them with up to 8.7 mmt of oil. In February 2017, Rosneft also signed a contract with the government of Iraqi Kurdistan for sale and purchase of oil in 2017–2019. This contract expands the Company's trading opportunities and bolsters the efficiency of supplying feedstock to Rosneft's refineries abroad.

The Company is consolidating its competitive position in the European market through the operation of its German refineries. As of 1 January 2017, following the restructuring of the ROG joint venture with BP Plc Rosneft's indirect interest in the Bayernoil Refinery increased from 12.5% to 25%, in the MiRO Refinery from 12% to 24%, and in the PCK Refinery (Schwedt) from 35.42% to 54.17%. The Gelsenkirchen Refinery is now fully controlled by BP Plc. In December 2019, Rosneft Deutschland closed the deal to acquire 3.57% of shares in Bayernoil Raffineriegesellschaft mbH oil refinery from BP Europa SE, increasing its stake to 28.57%. As a result, the Company saw its share in the refining capacities of Bayernoil Refinery grow to almost 3 mmtpa, its total throughput in Germany now reaching 12.8 mmtpa, which strengthened its positions both in Bavaria, one of the largest industrial regions of Germany, and in Austria. Rosneft is currently the third largest player in the German refining market. Its capacities provide, on average, oil refining depth of 93% and 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 closed a strategic deal to acquire a 49% stake in Essar Oil Limited in August 2017 (Nayara Energy Limited since June 2018).

The acquisition of a stake in the best-in-class asset with a significant upside potential enabled the Company to enter the oil refining market of India, one of the fastest growing emerging markets. The Vadinar Refinery strategy is currently being shaped, with a focus on the setup of petrochemical production and entry to the Indian petrochemical market. In March 2019, Nayara Energy Limited launched its first high-tech railway terminal for fuels and lubricants. Located in Wardha, the state of Maharashtra, it has an area of over 200 thousand sq m and a capacity of about 16 mln litres. Petroleum products will be supplied from the Vadinar Refinery, the state of Gujarat. Thanks to the unique location of the railway terminal, Nayara Energy will be able to meet the needs of customers and partners operating in the eastern Vidarbha region of Maharashtra. As an environmentally responsible company, Nayara Energy has launched a 300 kVA solar power plant at the terminal. The power plant is designed to generate 450 thousand kWh per year.

Rosneft's main competitors in Russian oil exports are vertically integrated companies such as LUKOIL, Surgutneftegas, Gazprom Neft, and Tatneft. Meanwhile, 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. The Company expanded its Russian retail chain to 3,006 filling stations at year-end 2019, offering petroleum products in all federal districts. The Company relies on extensive proprietary and third-party infrastructure 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.

In 2019, despite a year-on-year decrease in refining volumes in Russia due to major overhauls at the refineries in Saratov, Syzran, Kuibyshev, Tuapse and Achinsk, Rosneft increased supplies of Euro 5 gasoline to the domestic market against a backdrop of a negative domestic gasoline premium. Other Russian oil refining companies mostly cut their volumes of Euro 5 gasoline supply to the domestic market.

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. In partnership with Petrocas Energy JV, in which Rosneft holds a 49% stake, the Company ships petroleum products to the Mediterranean market, primarily to Turkey and Greece. In the first quarter of 2017, Rosneft and Turkey's Demiroren Group Companies signed a product supply agreement for 2018–2020. In 2019, the actual supply volume amounted to 0.6 mmt of diesel fuel with ultra low sulphur content of 10 ppm. As the Company seeks to expand cooperation with end consumers, it signed a contract with Japan's JXTG Nippon for the supply of over 0.7 mmt of gasoline and gas mixture in 2019. In the first half of 2018, the Company signed long-term contracts for the supply of gasoline and diesel fuel with Mongolia's largest importers of petroleum products. The total value of contracts amounts to USD 2.1 bln. For over 10 years on the Mongolian fuel market, Rosneft has boosted its share to 80%.

On 1 January 2019, Rosneft Deutschland GmbH initiated the 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 product wholesale market. The company supplies petroleum products directly from three German oil 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.

Over the past year, the company's customer base has grown by 30%, with bitumen products delivered to Poland, Austria, the Czech Republic, Switzerland, France and other countries.

Apart from that, Rosneft Deutschland has signed contracts on into-plane fuelling with airports in Munich and Berlin (Tegel and Schönefeld) as part of its jet fuel market share expansion in Germany. Rosneft Deutschland owns a stake in the PCK Refinery

in Brandenburg, which produces ca. 300 ktpa of jet fuel, accounting for almost a half of the total kerosene consumed at Berlin airports.

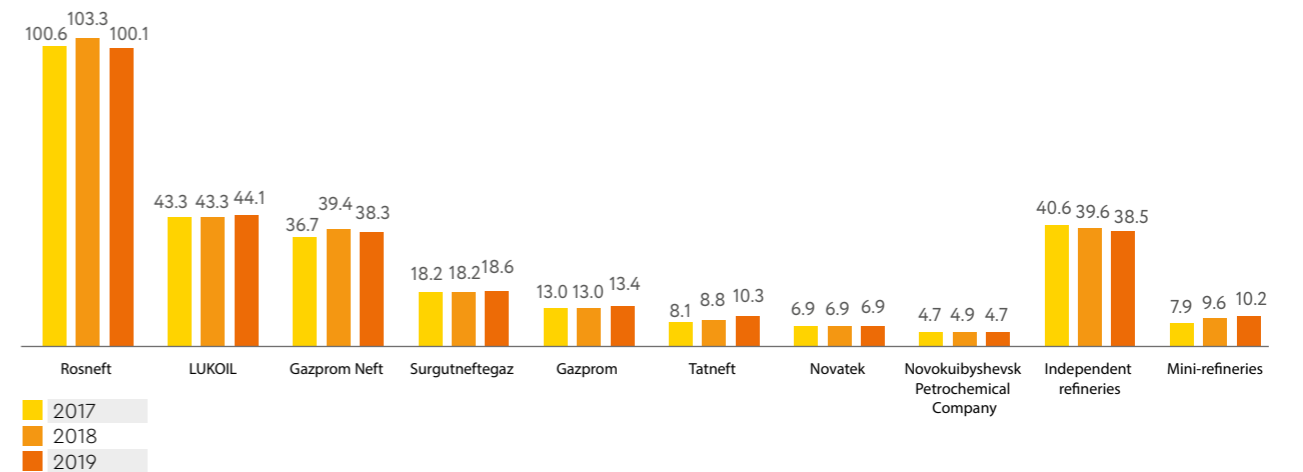
Alongside Rosneft, Russian oil majors LUKOIL, Surgutneftegas, Gazprom Neft, Tatneft and other oil companies offer petroleum products in the domestic market. Key competitors in export markets include transnational oil companies Shell, BP, Total, ExxonMobil, Chevron, etc.

The Company is also developing its gas business, with a focus on production technologies, efficient gas monetisation by building a portfolio of long-term supply contracts and 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 key 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. In November 2018, Rosneft and Beijing Gas Group Company Limited (Beijing Gas) signed a joint venture agreement for construction and operation of an NGV filling station network in Russia based on Vankorskoye UTT. Under the terms of this agreement, Beijing Gas will own a 45% stake in the JV. The parties are planning to build about 170 NGV filling stations in Russia. They will also be considering options for using LNG as a motor fuel.

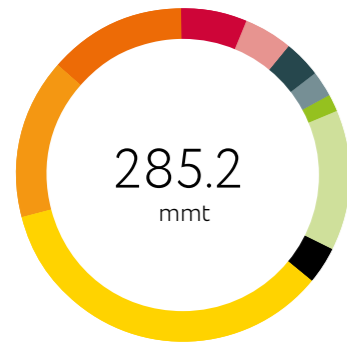
Rosneft is also building up its trading potential and trading competencies in the international LNG market.

Russia's Oil Refining Dynamics, mmt



Source: CDU TEK, Rosneft's reports

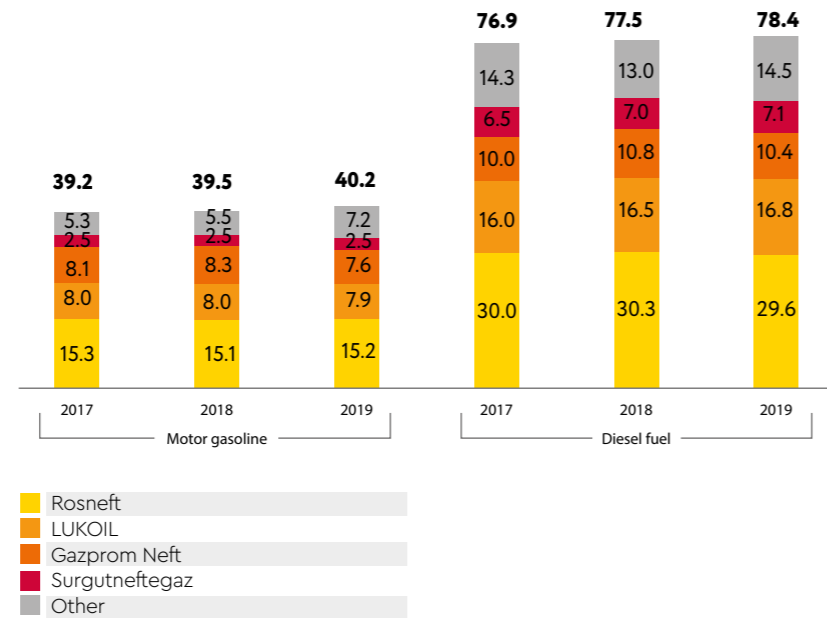
Russia's Oil Refining Breakdown, mmt



Rosneft	100.1
LUKOIL	44.1
Gazprom Neft	38.3
Surgutneftegaz	18.6
Gazprom	13.4
Tatneft	10.3
Novatek	6.9
NNK	4.7
Independent refineries	38.5
Mini-refineries	10.2

Source: CDU TEK, Rosneft's reports

Russia's motor fuel production², mmt



* Reporting data. Rosneft's diesel fuel volumes do not include marine fuel.

Operational and Financial Efficiency

The reporting year was marked by a number of events that had a significant impact on the Company's production volumes, including the extension of OPEC+ agreement, as well as the incident with high levels of organic chlorides found in Transneft's network in April, leading to major failures in trunk pipeline operation. In spite of that, high efficiency and rational allocation of exploration and production capex in 2019 ensured a balanced output growth through new projects and stimulating production at mature fields.

Rosneft is highly efficient in its exploration and production operations and maintains traditionally low finding and development costs. Rosneft's average F&D costs over the last five years stood

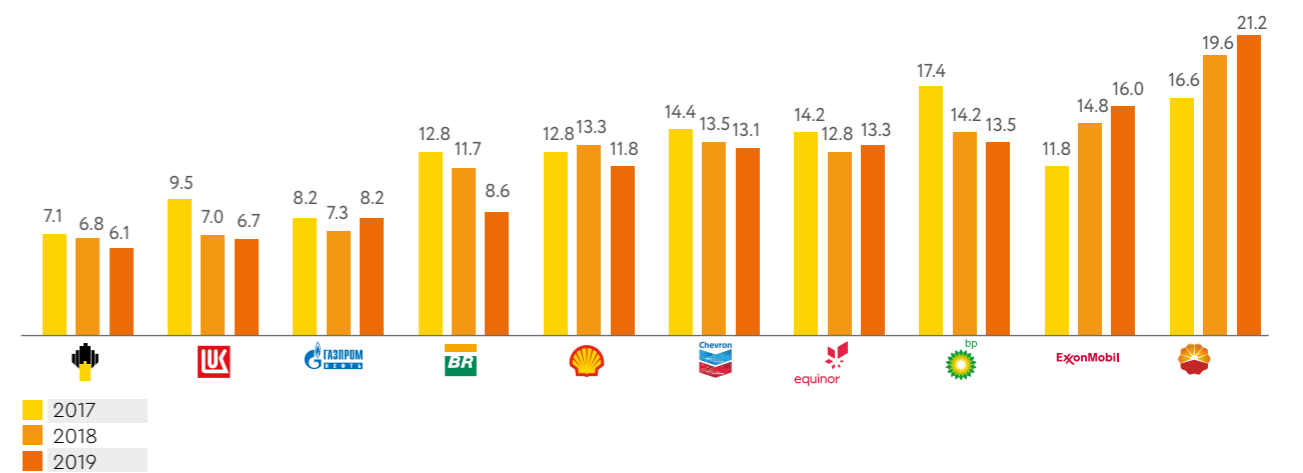
at USD 4.56 per barrel, while the RRR of SEC1P reserves in 2014-2018 reached 151%.

Low unit production costs is yet another indicator of Rosneft's operational efficiency. In the reporting period, we maintained undisputed leadership in production costs in Russia through the use of most suitable technologies and stringent cost controls. Rosneft's current operating costs per barrel are significantly lower than those of international majors, and 15-25% lower than the lifting costs of Russian peers. This gap could be bigger if we factored in temporary decrease or slowdown of growth in the costs of Russian competitors in 2018-2019 due to the shutdown of low-margin wells and limited production

at mature fields in Russia, and increased production at greenfields with tax breaks, while the production is limited by OPEC+ decisions.

Over many years, Rosneft has demonstrated a positive free cash flow, which makes us stand out among most competitors, whose performance tends to be highly volatile and sometimes negative as a result of asset acquisition or at the start of investment projects. In 2018-2019, Rosneft was in the middle of the investment cycle and bore considerable capital expenditures for construction and launch of new projects, and still demonstrated unit free cash flow of USD 6-8 per boe.

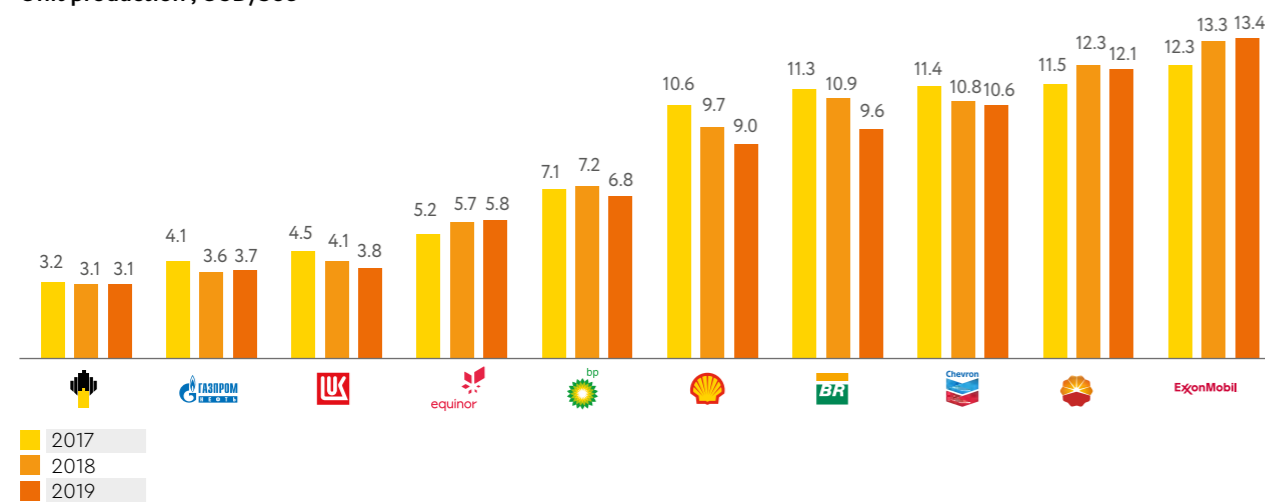
Unit capex in exploration and production¹, USD/boe



¹ Petrobras unit capex in exploration and capex in Brasil

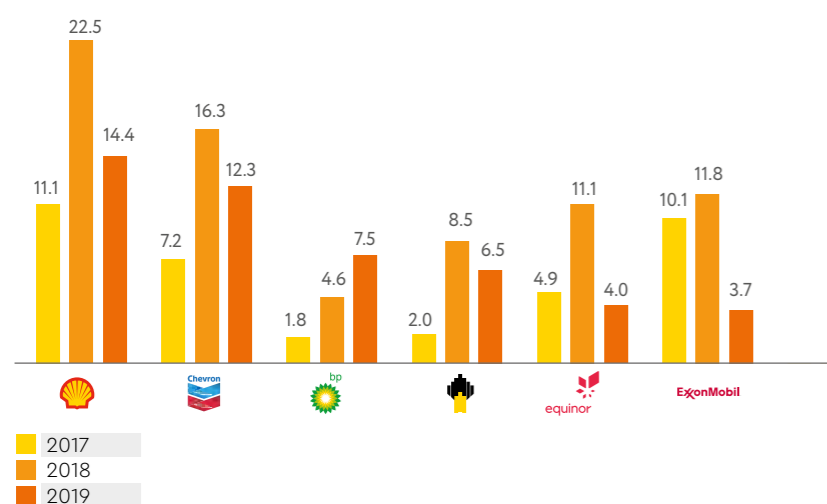


Unit production¹, USD/boe



¹ Petrobras data, unit capex in Brazil

Free cash flow 2017–2019, comparative analysis (majors) in USD/boe



*Per boe of liquid hydrocarbons production, including subsidiaries

Climate Agenda and Carbon Management

Before the UN Climate Action Summit that was held during the 74th session of the UN General Assembly in September 2019, Russia's Prime Minister signed Government Resolution No. 1228 *On the Adoption of the Paris Agreement* dated 21 September 2019, de facto ratifying it.

Russia's Intended Nationally-Determined Contribution (INDC) suggests a long-term target of limiting anthropogenic greenhouse gases in the country to 70–75% of the 1990 levels by 2030, subject to the maximum possible account of absorbing capacity of forests.

In December 2019, the Russian Government's Resolution No. 3183-r introduced a "first-stage" national action plan of adapting to climate change until 2022. The plan states that based on years of observation by the Federal Service for Hydrometeorology and Environmental Monitoring, the average surface air temperature in Russia has been growing 0.47°C every ten years since the mid-1970s, which is 2.5 times higher than the global average of 0.18°C per ten years. A significant part of the Russian territory is subject to (observed and predictable) climate changes. The

negative consequences of the expected climate changes in Russia include more frequent, intense and lasting droughts in some regions; extreme precipitation and floods in others; an increased risk of forest fires; melting of permafrost in the northern regions causing damage to buildings and communication lines; disruption of the ecological balance (including some species replacing others); and increased energy consumption for air conditioning in the warm season. Potential benefits include reduced energy consumption during the heating season; more favourable ice conditions and hence easier Arctic cargo transportation; better access to Russian continental shelf in the Arctic Ocean; and increased productivity of boreal forests.

With climate change climbing higher on the global agenda, environmental, social and governance (ESG) criteria are becoming a key factor in determining a 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. Most human activities involving the burning or oxidation of carbon/hydrocarbon produce greenhouse gas emissions. Reducing GHG emissions and climate change associated with them involves burning less of certain fuels. Over the last decades, Rosneft has structured its GHG initiatives around reducing associated petroleum gas (APG) flaring, improving energy efficiency, and decreasing hydrocarbon losses in the key production processes. This is an area of ongoing focus for the Company. In 2006, we launched and have since been expanding our Gas Investment Programme, which is 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 implementation projects under the Kyoto Protocol. The projects aimed to reduce APG flaring and resulted in a 2 mmt decrease in annual CO₂ emissions. Rosneft's Energy Efficiency Programme was approved in 2009 and is regularly updated with direct input from the Board of Directors.

In 2013, Rosneft started a systemic assessment and monitoring of its GHG emissions. In 2017, we launched a programme to regularly monitor and optimise production losses, and to ensure sustainable use of energy by our facilities.

This ongoing initiative will enable us to achieve lower GHG intensity compared to peers. For any oil and gas company, exploration and production operations are the key source of emissions. Traditionally, these operations account for 40–70% in the carbon footprint of the vertically integrated oil and gas producers.

On 20 December 2018, the Board of Directors approved the Company's ESG initiatives and announced its commitment to the 17 UN Sustainable Development Goals. In June 2019, we joined the Guiding Principles on Reducing Methane Emissions across the Natural Gas Value Chain.

In August 2019, we set up a Carbon Management Subcommittee under the Health, Safety, and Environment Committee. Its aim is to coordinate our work towards strategic goals of reducing GHG emissions. At its meeting in December 2019, the Board of Directors reviewed the approaches and a phased

action plan to develop carbon management (for details see the Health, Safety, and Environment section).

As a result of our efforts over the year, we became one of the leading global oil and gas companies in the CDP's carbon disclosure rating¹. Following an independent review, Rosneft received a "B", which is the best grade among Russian oil and gas producers, two notches higher than the average of European peers.

Overview of Key Taxation Changes in the Russian Federation with the Largest Impact on the Company's Financial and Business Operations

Tax policy in the oil industry: tax manoeuvre completion and AIT introduction

Completion of the tax manoeuvre in the oil industry

On 1 January 2019, the Russian Tax Code and Russian Law on the Customs Tariff were amended to effect 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.

Additionally, the tax manoeuvre ended with the adoption of the so-called reverse excise tax on petroleum feedstock, a scheme providing for an excise tax to be levied when crude oil is sent to a refinery with increased deductions received. The right to receive the

reverse excise tax and to have relevant amounts reimbursed by the government is granted to the owners of petroleum feedstock sent for refining (including under tolling arrangements) in Russia.

Introduction of reverse excise tax on petroleum feedstock

The excise tax rate per tonne of petroleum feedstock to be refined depends on the actual past-month macroeconomic performance (Urals price and USD rate) and the refinery's product portfolio. An increased rate applies to refineries located in certain regions. For example, the highest multipliers are used in the excise tax calculation

formulas for the Krasnoyarsk Territory (1.5) and Irkutsk Region (1.4).

The reverse excise tax also contains the so-called damping component (damper), which increases (in case of a positive damper) or decreases the final amount of excise tax reimbursed by the government, depending on the volume of motor gasoline and diesel fuel produced and supplied by the taxpayer to the domestic market, as well as the difference between the export alternative and notional domestic prices. Simultaneously, the MET calculation formula for oil was changed to include C_{MGDP} , an additional summand increasing the rate in case of a positive damper.

Formula of reverse excise tax on petroleum feedstock

Excise tax due	Tax deduction amount	Amount to be reimbursed by the government (reverse excise tax)
$E_{PF} \times V_{PF}$	$E_{PF} \times V_{PF} \times 2 + C_{DAMP}$	$E_{PF} \times V_{PF} \times 2 + C_{DAMP}$

E_{PF} is the excise tax rate depending on the actual past-month macroeconomic performance, the portfolio of products made at the refinery and refinery location;

V_{PF} is the volume of petroleum feedstock sent for refining;

C_{DAMP} is a damping component determined depending on the volume of motor gasoline and class 5 diesel fuel sold

domestically and the difference between the domestic and international prices for these petroleum products (can be either positive or negative). The CDAMP calculation formula effective since 1 January 2019, was adjusted on 1 July 2019.

¹ CDP (Carbon Disclosure Project) is the most reputable non-profit organisation that assesses companies' environmental, strategic, governance and risk management effort as regards battling climate change. Climate ratings assigned by CDP following the disclosure assessment are published by the leading analytical agencies along with financial data and used by investors to screen investments. CDP works with 525 institutional investors managing USD 96 trln worth of assets. In 2019, over 8.4 thousand companies, including 62 from Russia, with more than 50% of the global market capitalisation disclosed environmental data through CDP.

Tax on additional income from production of hydrocarbons

With effect from 1 January 2019, a limited number of oil production projects in Russia (see below for applicability criteria) are subject to a tax on additional income from hydrocarbon extraction (AIT).



AIT applicability

Group	Geographic location of subsoil areas	Depletion level as at 1 January 2017	Notes
1	Sakha Republic (Yakutia), Irkutsk Region, Nenets Autonomous Area, Yamal-Nenets Autonomous Area, north of the 65th parallel north, Krasnoyarsk Territory, Caspian Sea	Below 5%	Right of one-time exemption from AIT payment
2	No applicable limitations	No applicable limitations	Subsoil areas include reserves of the fields specified in Note 8 to the EAEU Commodity Nomenclature of Foreign Economic Activity as at 1 January 2018. Voluntary transition to AIT
3	Khanty-Mansi Autonomous Area – Yugra, Yamal-Nenets Autonomous Area, Komi Republic, Tyumen Region	20%–80% (10%–80% if the depletion level as at 1 January 2011 is below 1%)	The subsoil areas are listed in the law
4	Khanty-Mansi Autonomous Area – Yugra, Yamal-Nenets Autonomous Area, Komi Republic, Tyumen Region	Below 5%	The subsoil areas are listed in the law

The AIT rate is 50% of the tax base determined individually for each subsoil area using the following formula:



For the purpose of AIT tax base calculation, the estimated revenue is determined based on the market prices for hydrocarbons, the capital expenditures are recognised when paid, and losses (including historical losses incurred in the development of subsoil areas of groups 1, 2 and 4) are carried forward with an annual indexation of 16.3%.

Given the specifics of tax base calculation, AIT is actually paid after the start of commercial production in the subsoil area and reimbursement of losses incurred.

Transition to AIT does not exempt from MET, though payable at a much lower rate than usual, and export customs

duties. Besides, subsoil areas belonging to groups 1 and 2 are expected to be exempt from oil export duties at the initial development stage (seven years from the beginning of commercial production).

Excise on Petroleum Products

With effect from 1 January 2019, excise duties on petroleum products increased as planned (excise duties grew by 50% for Euro5 motor gasoline and diesel fuel, and by 39% for middle distillates, compared to the rates applied from

June 2018) and a reverse excise tax was introduced for dark marine fuel with an increased tax deduction (with rate 2) allowed when it is used as fuel for marine vessels and installations (structures).

VAT and Corporate Property Tax

On 1 January 2019, the generally applicable VAT rate increased from 18% to 20%, and movable property ceased to be subject to corporate property tax.

Excise rates for petroleum products in 2018–2019, RUB per tonne

Excisable goods	1 January to 31 May 2018	1 June to 31 December 2018	1 January to 31 December 2019
Motor gasoline			
Non-compliant with EURO-5	13,100	13,100	13,100
EURO-5 compliant	11,213	8,213	12,314
Straight-run gasoline	13,100	13,100	13,912 ¹
Diesel fuel	7,665	5,665	8,541
Jet fuel	2,800	2,800	2,800
Motor oils	5,400	5,400	5,400
Benzene, paraxylene, orthoxylene	2,800	2,800	2,929 ¹
Middle distillates	8,662	6,665	9,241
Dark marine fuel	-	-	2,100 ²

Further changes in tax legislation

A number of laws adopted in 2019 provide for further changes in the oil industry's fiscal regime. Some of the new tax measures with the greatest impact on the Company include:

- adjustment of MET on oil due to the changing damper mechanism to compensate for additional budget expenses arising out of the changing damper mechanism, which is used as part of the reverse excise tax on petroleum feedstock, from 1 January 2020, the C_{MGDF} coefficient used to increase MET rate for oil will be supplemented with a new

increment in the amount commensurate with the new damper (the new damper calculation formula has been in use since 1 July 2019 and is generally meant to increase excise deductions compared to the previously used formula);

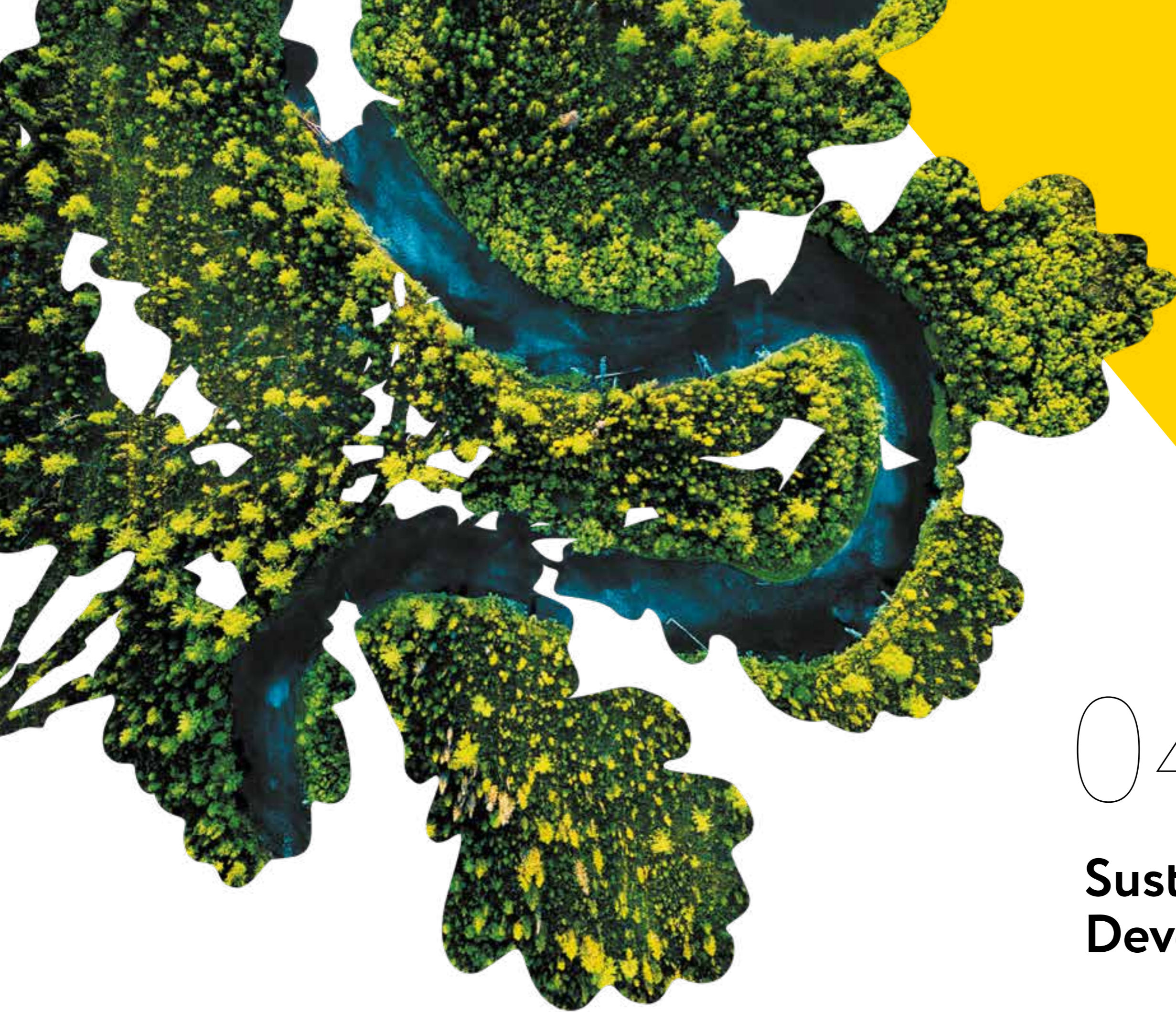
- changes in middle distillate excise taxation
From 1 April 2020, the middle distillates category used for excise calculation and payment purposes will be significantly expanded to include nearly all heavy petroleum

products, with certain exceptions listed in Article 181 of the Russian Tax Code.

From the said date, a new middle distillate excise rate formula will apply. The formula is linked to the excise rate for diesel fuel and prices for diesel fuel. An increased tax deduction (with coefficient 2) will be introduced for middle distillates used as fuel for electricity and/or heat generation, and the tax deduction will increase for the sale of middle distillates as a bunker fuel taken outside of the Russian Federation as supplies.

¹ The rates are determined using the following formulas: $ESRG = 100 + 865 \times Cadj$ for straight-run gasoline; $EBPO = 800 + 774 \times Cadj$, where $Cadj = 0.167$, for benzene, paraxylene, orthoxylene.

² For fuel sold by an organisation registered as an entity engaged in petroleum feedstock refining, and produced at the refining facilities located in the Khabarovsk Territory; in other cases of sale (receipt) of dark marine fuel, the excise is equal to zero.



04

**Sustainable
Development**

Health, Safety and Environment



Strategic Intent

Rosneft understands its responsibility for the Health, Safety and well-being of our employees, contractors, communities and stakeholders and the protection of the environment around which the Company operates. This responsibility encompasses the activities conducted by over 300 thousand company employees and about 200 thousand contractor employees.

We assess, prioritize and eliminate HSE risks in our workplace and strive for the highest standards of care for our workforce and contractors while minimizing the environmental footprint from Company operations. We also continue to remediate and eliminate historical environmental impacts in a systematic way.

In the area of carbon management and energy transition, we analyze risks to the company and identify opportunities for our portfolio, including conducting scenario analyses and stress testing to inform further management actions.

Responsible HSE Governance

In December 2018, the Rosneft Board of Directors approved the strategic guidelines for the company linked to implementation of the UN Sustainable Development Goals. The Company's mission, values, objectives, and strategic guidelines are therefore aligned with these 17 United Nations Sustainable Development Goals.

More specifically, the Board identified five SDGs of strategic priority for Rosneft's core businesses, including SDG 3 on Good Health and Well-Being; SDG 7 on Affordable and Clean Energy; SDG 8 on Decent Work and Economic Growth; SDG 13 on Climate Action and SDG 17 on Partnerships for the Goals.

Since the announcement of these commitments, governance has been strengthened across a number of key HSE risk areas through more robust management processes and procedures, increased capability and improved monitoring of HSE performance across the company.

HSE Performance Goals

Rosneft-2022 strategy is aimed at continuous improvement of HSE performance equivalent to top quartile

amongst our industry peers, and including targets of a 5% reduction of Greenhouse gas emissions on a per unit

basis and 8 million tonnes of avoided CO₂ equivalent emissions by 2022.

From Commitment to Action

The Strategic Planning Committee of the Board of Directors reviews HSE performance, updates of the corporate HSE strategy implementation and progress against the Company's strategic goals on a quarterly basis. These goals form part of the performance KPIs of the Executive Team.

The Company's HSE Committee is an advisory body to the CEO and the Management Board and is led by senior Executives and includes senior management representatives from

across the company. In 2019, the Committee met six times to review progress on a number of HSE programs including contractor management, aviation safety, integrity management and environmental performance.

In 2019, a Carbon Management Sub-Committee was established and is also led by a Senior Executive to oversee the development of the carbon management agenda, as well as monitor delivery of annual carbon reduction and energy efficiency plans.

STRATEGIC HSE AREAS

- Leadership and Safety Culture
- Competency and Capability development
- Safety Management System
- Internal Controls
- Risk and Integrity Management
- Reporting and Performance Analysis



Safety of our people is our top priority

Our highest priority is the safety of our employees, contractors, operations and the communities in which we operate. We focus on creating a culture where employees are strongly encouraged to report any hazards or incidents.

The Company's Safety Leadership objective is to embed the principles of the revised corporate HSE Policy and HSE Leadership standard launched in 2018. These principles focus on improving direct communication between management and employees to create a safer working environment. In 2019, over 83 thousand employees

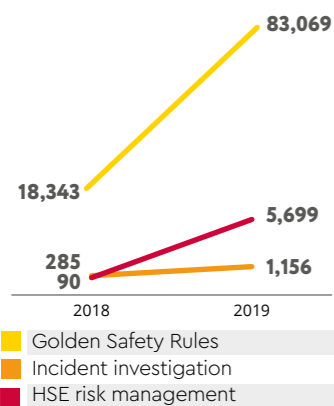
were trained on the Golden Safety Rules to manage the performance of high-risk activities across the organization.

The Company continues to invest significant resources in the development of its safety management activities, training of its personnel and improvement of operational safety barriers, with about 55 billion rubles spent on these activities in 2019.

> 83 thousand employees completed the Golden Safety Rules course in 2019

Our 2019 survey involving over 3.5 thousand employees showed that our safety culture continues to improve with 94% of respondents understanding the importance of personal responsibility in adhering to the Golden Safety Rules in their jobs.

HSE Training (number of employees)



RUB 55 bln has been spent on occupational health and safety



Operational Risk Assessments

Building on the work done in 2018, and as part of a formal company procedure, a number of systematic improvements in risk management have been implemented to assess and strengthen operational safety barriers. These actions are expected to both contribute to the prevention of potential accidents in key risk areas as well as reduce the severity of their consequences across the Company. In 2019, this process was implemented across 72 Rosneft Group Subsidiaries.

Process Safety and Integrity Management

The implementation of targeted well control management programs has resulted in preventing well blowouts or uncontrolled releases from exploration and development drilling for over two years (11 million meters drilled). There were also no process safety incidents involving over 61,000 high-pressure operating vessels. Rosneft has also introduced a new company procedure on energy isolation for safely conducting repairs or maintaining equipment.

Driving safety and road transport

Due to the scale of Rosneft's operations, our employees & contractors drive over 2 billion kilometers annually. A Vehicle Safety Management System is in place and sets requirements for both vehicles and drivers to reduce the risks to employees, contractors and third parties. As a result, over 50 thousand drivers were trained in defensive driving, and over 52 thousand vehicles were equipped with in-vehicle monitoring systems. In addition, we work with the regional authorities near to the Company's operations and the State Road Traffic Safety Inspection Department in Russia to reduce transport accidents in these regions.

52 thousand vehicles are equipped with on-board monitoring systems

Managing the work of our contractors

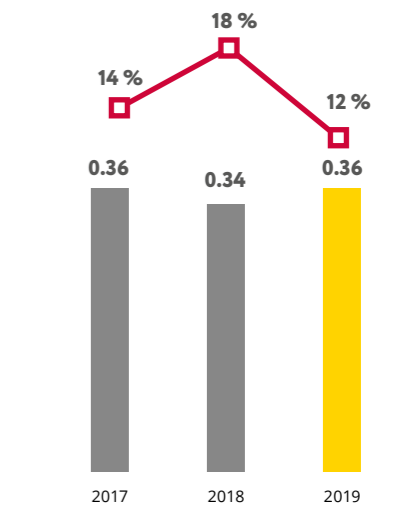
In 2019, the Company introduced new contractor management requirements to improve conformance with Rosneft's safe work practices. These requirements included HSE standards and procedures for contractor selection, mandatory risk assessment processes, performance monitoring and contractor personnel capability and training. In 2019, over 10 contractor safety leadership conferences were held across Russia to share best practices, lessons learned and to develop safety leadership competencies.

Improved Incident Investigation System

The Company has initiated a program to improve its incident investigation process and investigation capability to address root causes and sustainable corrective actions. Over 1.1 thousand employees have been trained on these investigative techniques.

The overall LTIF trend shows a decrease in the percentage of severe injuries.

Lost Time Injury Frequency (LTIF)¹



■ Lost time injury frequency (LTIF)
— Share of severe injuries in the total amount of lost time injuries

¹ across the Company

Environmental Responsibility

Green Investment

The Company implements a number of organizational and technical environmental improvement activities as well as ecological and investment projects to improve environmental performance. The Rosneft-2022 strategy commits to investing RUB 300 bln in these "Green investments" aimed at

reducing flaring of associated petroleum gas (APG), improving pipeline integrity, water and waste management and increasing land remediation.

A total of around 80 billion rubles was spent in 2018 and 2019 on these 'Green Investments' projects.

In the 2020–2022 period, Rosneft's "Green Investments" will average

7% of the Company's annual capital expenditure

Carbon Management – Managing Climate-related Risks and Opportunities

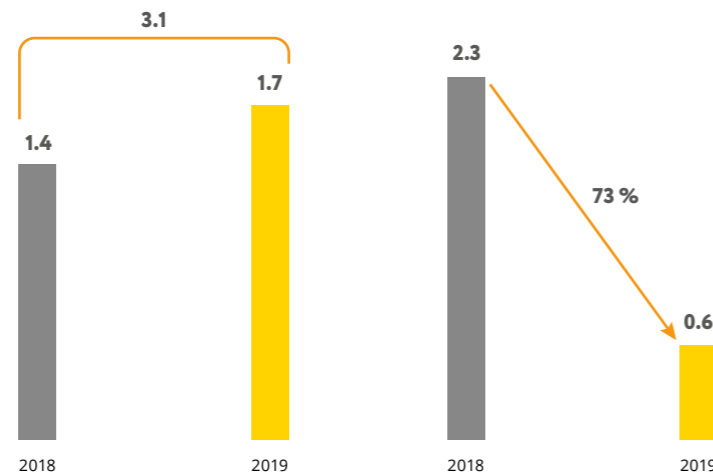
Rosneft has continued to strengthen its carbon-management processes as the Company seeks opportunities to reduce its operational carbon footprint.

The Carbon Management Sub-Committee leads the development of annual and longer-term carbon-management plans and tracks progress of existing programs, in particular, the Gas Investment Program and Energy Saving Program. Rosneft's energy efficiency performance improved by 14% in the last two years resulting in 3.1 million tonnes of CO₂ equivalent avoided emissions over this period.

As part of its commitment to work across industry groups, Rosneft joined the Methane Guiding Principles industry initiative with one of its senior Executives on its Steering Team.

The Company has developed a methane management plan in alignment with its peers and in 2019, Rosneft reduced its known fugitive emissions by 73% compared to 2018, benefitting from its major operational improvements.

Greenhouse gas emissions avoided in 2018 and 2019 (mln t CO₂ eq.)



In 2019, Rosneft was awarded a B rating by CDP on climate change resilience, the highest among the participating Russian oil and gas companies

In 2019 Rosneft reduced known fugitive methane emissions from its upstream operations by

73% (year-on-year)

Environmental Management – Minimizing Our Environmental Footprint



The Company aims at having the lowest possible footprint across its operations and has implemented organizational and technical improvements to drive its environmental agenda.

Water Stewardship

One of Rosneft's strategic priorities is the sustainable use of water resources involving infrastructure upgrade projects and application of the best available technologies.

In 2019

>90% of water used in Company operations was recycled, minimizing freshwater withdrawal

WASTEWATER DISCHARGES WERE REDUCED BY 4% IN 2019

The Bashneft-Ufaneftekhim biological water treatment complex, one of the most advanced water treatment facilities in Russia and Eurasia,

went into full operational in 2019. This resulted in significant wastewater quality improvement and greater than a twofold increase in recycled water.

In 2019, Rosneft participated in the CDP water rating for the first time and was awarded a

B- rating by CDP

Non-GHG Air Emissions

In 2019, the Company recorded a 3% reduction in non-GHG air emissions into the atmosphere.

Increasing the efficiency of oil spill management

The Company's oil spill response system reduces potential oil spill impacts from incidents once they occur and we work closely with responsible government agencies for transparent reporting and immediate response to incidents.

Rosneft's in-field pipelines span over 120 thousand km and, in 2019, the Company completed implementation of the 2015-2019 Pipeline Reliability Improvement Program to increase pipeline reliability. This program led to a decrease in the pipeline failure rate by 30% compared to 2013 and a further reduction in oil spill volumes from pipeline failures in 2019.

Legacy Contamination and treatment of oil contaminated waste

In 2019, legacy oil-contaminated land was reduced by 16% year-on-year with a 6% improvement in the efficiency of treatment of oil-contaminated waste.

Biodiversity Conservation

The Company has also invested over 870 million rubles over the past five years for conserving biodiversity across Russia. In addition, Rosneft signed an Agreement in 2019 to cooperate with the Russian Ministry of Natural Resources on a national Ecology project. This project focuses on biodiversity conservation, primarily in the Arctic. The planned budget for this work is approximately 250 million rubles.

There is also focus on environmental activities within Rosneft's international operations, such as Brazil, where waste management practices, water conservation efforts and reforestation activities have all been improved.

~1 million of forest plants set out in 2019 as part of the forest preservation initiatives.

>37 million fish fingerlings of different species were released in support of ecosystems sustainability in 2019.

In 2019, Rosneft and the Russian Arctic National Reserve launched comprehensive restoration of the protected Frantz Josef Land Archipelago, Russia's northernmost territory, involving the country's best experts in geology, chemistry, biology and geography.



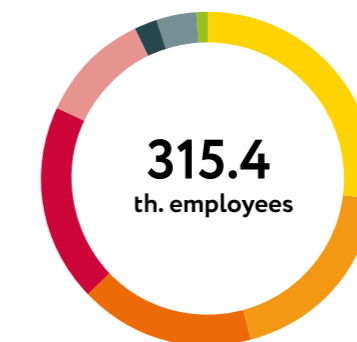
Personnel and Social Programme

Our core asset is highly qualified personnel motivated to work effectively and achieve the goals. In 2019, the average headcount of Rosneft Group Subsidiaries was 315.4 thousand employees, which is up 7.4 thousand compared to 2018 (308.0 thousand employees).

The increase was primarily due to a higher average headcount in Group Subsidiaries driven by business expansion and the acquisition or inclusion of new assets in the perimeter of the Company's business plan¹.

The average employee age remained mostly unchanged at 40.3 years vs 40.2 years as at the end of 2018. 40.8 thousand employees held managerial positions vs 38.1 thousand as at the end of 2018. Employees categorised as *managers* made up 12.2% of the headcount as at 31 December 2019 (vs 12.4% as at the end of 2018).

Average headcount in 2019 (as per the business plan)



Exploration and Production, including gas	27%
In-House Services (Oilfield Services)	19%
Oil Refining and Petrochemicals	17%
Commerce and Logistics	19%
Corporate Services	11%
Other	2%
Research	4%
Head Office (Rosneft)	1%

Average headcount as at 31 December 2019 (as per the business plan)



Exploration and Production, including gas	27%
In-House Services (Oilfield Services)	18%
Oil Refining and Petrochemicals	17%
Commerce and Logistics	19%
Corporate Services	11%
Other	2%
Research	5%
Head Office (Rosneft)	1%

Workforce Productivity and Organisational Effectiveness

Improvement of workforce productivity remains a key priority for the Company. As at the end of 2019, 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, including the CEO and senior management of the Group Subsidiaries within Rosneft's major businesses.

In 2019, 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. Also, we had the organisational structure of the Chief Engineer and Prospective Development units at our oil and gas producing assets aligned with the standard.

To capitalise on the automation of methodologically streamlined HR business processes, we continued

¹ NizhnevartovskNIPneft, Bashgiproneftekhim, Petersburg Fuel Company, PTK-Terminal, Trans-Time, Samaraneftegeofizika, Alaniyanefteprodukt (ca. 2 thousand employees).

to roll out uniform corporate HR, compensation and social development standards based on SAP and 1C. The latter was in use at 129 Group Subsidiaries as at 1 January 2020.

To take advantage of streamlined and automated HR business processes, we started to phase out the personnel accounting function from the Group Subsidiaries. The project piloted at

the Angarsk site proved to be efficient from the economic and organisational perspective, and will continue in 2020 and beyond.

Talent Pool Management

As part of the talent pool management plan for 2019, HR committees across business segments held meetings chaired by the Company's senior managers. Work is ongoing to strengthen the talent pool for target first- and second-level management positions in the Company's Head Office and first-level positions in the Group Subsidiaries.

To ensure HR security, 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 individual development planning, we evaluated successor candidates for the first- and second-level management positions using the assessment and development centre method. The evaluation covered 214 and 1,010 candidates, respectively.

Personnel Training and Development

The corporate training system covers all business areas and staff categories, and serves to provide information on the Government requirements, corporate policies, procedures and best Russian and international practices. Training also helps build the skills needed to perform effectively.

We engage experts from leading educational and consulting companies and universities, both Russian and international, to train our people in line with our business needs.

In 2019, we provided 635.9 thousand man-courses as part of the mandatory vocational and management training, overachieving the 2019 target by 33%.

On top of that, we significantly expanded the range of management courses to include

- MBA programmes for managers, talent pool and high-potential employees of the Head Office and Group Subsidiaries, with 75 employees enrolled in 2016–2019 completing their training and 98 employees enrolled in 2019–2021 embarking on three corporate programmes;

- a series of Director Club workshops attended by 34 top managers from the Head Office's structural units;
- The University of CEO and the School of Management attended by 190 CEOs of the Group Subsidiaries and their deputies;
- Leader of the Future (Strategic Level, Operational Level, Young Talents), a programme designed for 91 high-potential employees, including the winners and participants of the Leaders of Russia nationwide competition. The initiative runs as part of talent pool development under the Rosneft–2022 Strategy.

We provide the following professional education opportunities:

- training for young engineers from exploration and production facilities in the following jobs: drilling supervisor and engineer, oilfield chemist, offshore drilling supervisor, offshore drilling specialist, seismic surveyor, petrophysicist and project manager (198 people trained);
- training of shop managers from the exploration and production facilities under the professional retraining programme to improve performance and production methods (40 people trained);
- professional retraining in oil refining and petrochemicals for 23 managers and specialists in Refining, Commerce and Logistics;
- training of specialists involved in coaching line personnel at oil depots

and filling stations of R&D and manufacturing facilities (51 in-house coaches);

- in HSE: training in corporate approaches to carbon management for vice presidents and heads of departments; courses in leadership, internal incident investigation, risk assessment and management for heads of the Group Subsidiaries (1,474 people trained).

The reporting year saw us stage for the first time the following corporate events on request from relevant businesses:

- an RN-StroyForum for 232 heads of capital construction functions;
- a workshop for 119 internal audit heads;
- training of 88 employees of the combined Legal Support and Government Relations unit.

- We run a range of corporate training programmes in partnership with Lomonosov Moscow State University, Moscow State Institute of International Relations (MGIMO), Graduate School of Management of St Petersburg University, and Gubkin Russian State University of Oil and Gas. We also cooperate with some of foreign universities, including Polytechnic University of Turin (Italy), NOVA University Lisbon (Portugal), Qatar branch of HEC Paris (France, Qatar).

Over 18,000 Rosneft employees completed anti-corruption, anti-fraud and compliance training, both in classroom and online.



Development of In-House Training

We leverage our in-house training centres, coaches, experts and workplace mentors to provide 63% of training (395.8 thousand man-courses).

All in all, there are 63 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 2019, we set up corporate training centres in RN-Tuapse Refinery (Tuapse), RN-Uchet (Samara) and Rosneft-Termneft (Krasnodar).

Additionally, we are working to create the following facilities:

- an electrical engineering and testing site at the Samaraneftgaz training centre;
- a Bashneft corporate training centre at Bashneft-PROFI;
- a training centre at Zvezda Shipbuilding Complex.

We are also developing an internal training system to preserve and transfer knowledge within the Company.

In 2019, the Head Office's coaches conducted 688 training sessions (15,570 man-courses).

We launched a targeted training programme for in-house coaches made of 15 modules. In 2019, the programme covered 163 groups (2,126 man-courses).

On top of that, over 71 thousand man-courses were available in the distance learning format.

As a result of the corporate mentoring programme, we compiled an integral rating to assess the efficiency of relevant initiatives implemented by the Group Subsidiaries in 2019. The assessment covered 74 Group Subsidiaries in Exploration and Production, Oil Refining, Gas Processing and Petrochemicals, In-house Services, Corporate Services (research and design institutes), with winners named for each businesses.

We also staged the Best Mentor 2019 competition in the Group Subsidiaries (the first round) and across Exploration and Production, Oil Refining, Gas Processing and Petrochemicals, In-House Services and Corporate Services segments (the second round).

The first round welcomed 5,226 mentors of blue-collar employees and 649 mentors of young specialist from 74 Group Subsidiaries, with 53 and 47 mentors from the above groups as well as 40 HR managers in charge of mentoring making it to the second round.

The third company-wide round to be held in 2020 will see 33 competitors.

Worldskills movement

Rosneft has joined Worldskills, a global movement promoting vocational skills.

During the reporting year, we provided methodological support for the fourth Worldskills corporate championship held in September, at the Novokuibyshevsk Refinery (Laboratory Chemical Analysis and Occupational Safety categories).

The participants were 40 technicians and 44 experts in chemical analysis from 44 Group Subsidiaries, along with 11 specialists and 11 senior experts in occupational safety from 11 Group Subsidiaries.

Rosneft supported the training and participation of its team in the

6th WorldSkills Competition of High-Tech Cross-Industry Blue-Collar Professionals in Yekaterinburg.

The Rosneft team represented by 21 contestants and 17 experts from 16 Group Subsidiaries and the Head Office competed in eight categories and won prizes in six of them.



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 2019, Rosneft carried on with educational projects run jointly with international educational providers. We also helped our partner universities to arrange for Master's programmes for 86 professionals from other countries.

Our foreign partners, such as BP, ExxonMobil, Equinor, ONGC Videsh Ltd., Nayara Energy, China National Petroleum Corporation (CNPC) and Beijing Gas Group Company Limited, took part in the International Day held on 10 April 2019 as part of Rosneft's HR Conference in Moscow. The event saw the participants share their experience and discuss challenges in the field of personnel management.

Under the educational cooperation agreement between Rosneft and ONGC Videsh Ltd., employees of the Head

Office and Group Subsidiaries received training in India, which covered the following domains:

- Health, Safety and Environment (February–March 2019, Goa, 20 people);
- Offshore Production and Technology Management (November 2019, Mumbai, 21 people).

We also arranged for a number of training sessions in line with the educational and training cooperation agreement between Rosneft and CNPC and in accordance with the 2019 action plan / roadmap issued by the educational working group under the Joint Coordination Committee:

- on 21 October – 1 November 2019, 20 CNPC employees participated in an internship course to study practices in development and production management, integrated field management, and oil recovery enhancement technologies at Group Subsidiaries in Samara;
- on 2–6 December 2019, 20 Rosneft employees took internship in China to learn about ways to boost efficiency in energy management.

Under the agreement on the scientific and educational cooperation between Rosneft and the Qatar Foundation, 49 employees of the Company took training on the use, construction, completion, performance monitoring and productivity of horizontal wells in October 2019. The training was given by an expert from the Qatar National Research Fund (part of Qatar Foundation) at Gubkin Russian State University of Oil and Gas.

In 2019, Rosneft and BP took the following steps to strengthen their ties:

- signed an agreement on cooperation in the field of HR management and social responsibility;
- created a joint working group in this area;
- developed and approved a road map of initiatives for 2019-2020.

In December 2019, BP and Rosneft staged events to exchange experience in personnel assessment and HR e-workflow management.

Professional Standards

In 2019, the Company continued to implement professional standards.

In pursuance of the 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 fourth of almost 1,300

approved professional standards can be implemented in the Company, with 54 of them classified as mandatory qualification requirements (depending on the subsidiary's type of operations). The qualification standards apply to over 44 thousand employees, of whom over 95% 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 four industry standards and submitted them for approval by the Ministry of Labour and Social Protection. In 2019, 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 assessments help 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.

In 2019, 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 2019, the Company applied the model to evaluate 23.65 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 TIP participants include Gubkin Russian State University of Oil and Gas (oil refining and procurement projects) and Tomsk Polytechnic University (oil and gas production and offshore projects) along with 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 2019, Rosneft started implementing relevant projects across some functions (internal audit, HR management and social programmes) and in the Oil Refining, Gas Processing and Petrochemicals business.

In 2019, we assessed over 20.83 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.

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 youth training system targets three groups: attendees of Rosneft engineering classes (grade 10 and 11), students of industry-specific universities, and young Company specialists. In accordance with its Youth Policy, Rosneft consistently implements a school-to-workplace approach to training in all domains.

In 2019, the Policy focused on pre-university training (Rosneft classes) and work with young talents, in line with the Rosneft-2022 Strategy.

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 at the Company.

The project has a significant positive impact on the Company's reputation, promoting the image of Rosneft as a socially responsible partner of the national education system. Rosneft classes help digitalise education at partner schools, upgrade facilities and equipment, boost the efficiency of training and career guidance activities, and enhance qualifications required to teach the core subjects.

In 2019, 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 2,839 attendees.

We keep expanding the project geography and launching new classes each year. In 2019, Rosneft classes opened in Moscow and in Oktyabrsky (Republic of Bashkortostan). The Moscow class aims to supply talent for the projects related to the Arctic and offshore exploration and development, while the one in Oktyabrsky focuses on training personnel for producing facilities in Bashkortostan.



First and foremost, the 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 2018–2019, 939 student became winners and runners-up in a widerange of olympiads, with 480 winning the top awards and other prizes at various stages of the National Olympiad of Schoolchildren.

To reach out to more young talents in the country's regions, we continued to organise Rosneft classes in cooperation with the Sirius Educational Centre in Sochi. The programme runs under the cooperation agreement between Rosneft and the Talent and Success Educational Foundation. The selection stage and online competition brought together 604 school students, with 108 students of Rosneft classes from 35 Russian towns and settlements taking part in the face-to-face round at the Sirius Educational Centre. The programme aimed to provide career

guidance and training as part of projects run jointly by young scientists and engineers from Rosneft's corporate research and design institutes.

To improve the efficiency of pre-university education provided to students of Rosneft classes, we make consistent efforts to develop the qualifications of school principals and teachers of core subjects.

In 2019, the Company trained heads of partner secondary educational organisations on how to manage systemic changes in specialised schools, and developed roadmaps to introduce early career guidance. The workshop was attended by 54 school principals from 46 towns located in 22 Russian regions.

To integrate modern digital technology in the educational process, Rosneft and Lomonosov Moscow State University launched a project providing distance learning opportunities for teachers. The

project leveraged the digital education platform of the University Gymnasium to stage four online development courses for teachers of chemistry, mathematics, physics and the Russian language. All in all, the courses saw 96 participants from 42 schools located in 41 Russian towns (21 regions).

To provide better career guidance to Rosneft-class students, the HR Department's personnel development function updated and reissued the brochure titled "I want to work in the oil industry". The document lists the industry's most valued skills.

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 2019, 107 graduates started work at 32 Group Subsidiaries, with a total of 786 employed in 60 Group Subsidiaries.



Work with Young Talent

In 2019, a total of 4,001 young specialists worked in 105 Group Subsidiaries, with 1,360 of them 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 the reporting year, we took the following steps to develop the professional, corporate and managerial competencies of young specialists:

- organised 3,964 man-courses as part of professional and managerial skills development programmes;
- arranged for 2,607 young specialists to take part in regional and cluster R&D conferences. The Inter-Regional Research and Development Conference was attended by 359 young specialists, with 105 of them winning prizes. The conference also saw 102 projects recommended for implementation.

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 June to September 2019 and brought together 374 employees from 74 Group Subsidiaries. Based on the results, we selected 189 participants from 58 Group Subsidiaries who had demonstrated strong corporate and managerial skills, and recommended including them in the strategic pipeline of young talent. As game winners, these employees will receive further training under the Three Steps programme. In 2019, we trained 114 young specialists who had topped in the 2018 assessment games.

In December 2019, we held an annual conference for chairs of young professionals' councils to help boost the efficiency of their work. The event saw some 58 participants.



Cooperation with Universities

In 2019, Rosneft worked together with 61 universities from the majority of regions where it operates (including 57 Russian and four foreign institutions). 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 highlights in 2019:

- 24 university departments continued to operate and one new specialised department was established, with 74 employees of the Company involved in their activities in 2019;
- 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.);
- more financial support was provided to establish an interdisciplinary and convergent education research cluster under the Russian Academy of Education development programme for 2017–2020;
- Rosneft Days were held to provide carrier guidance to, and improve the Company's image among more than 20 thousand students;
- 7,088 students and 47 university academics completed internships at the Company's assets;
- In 2019, the Head Office arranged a long-term internship for 179 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.

learning equipment for teachers and schoolchildren;

- training for teachers;
- career-guidance and team-building events for schoolchildren.

In 2019, RUB 237.9 mln was given to partner schools.

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

Vocational and higher education institutions receive financial support for the following:

- improving and developing 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 Standalone Business Units, as well as promising educators.
- 792 corporate scholarships and 161 corporate grants were provided in 2019.

In 2019, Rosneft issued its first-ever grants for relevant exploratory research by academics at its partner universities.

The aid provided to vocational and higher education institutions for the said purposes totalled RUB 1,126.8 mln.

DOUBLE-DEGREE MASTER'S PROGRAMME IN OIL ENGINEERING

In 2019, Rosneft partnered with BP Russia, Kazan (Volga) Federal University and Imperial College London to create a double-degree Master's programme in Oil Engineering.

The course was targeting graduates of Russian universities and young talent with experience in the oil and gas industry seeking to acquire new knowledge and skills.

The Master's programme allows enrollees to gain advanced knowledge of oil production, development system streamlining, and well and oilfield management. The Company's relevant units contributed to it.

In October 2019, 10 students enrolled on this Master's programme, having passed a complex selection procedure that included testing and interviewing

to assess their professional competencies, and confirmed their English proficiency by submitting an international certificate.

This course was commissioned by eight Group Subsidiaries that will give the students work experience in summer 2020 and hire them upon completing the programme in 2021.



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 2019, the Company carried on with its traditional activities in this domain:
 - discussion and decision-making on the improvement of the Standard Collective Agreement of Rosneft Group Subsidiaries. In 2019, more than 30 amendments and additions were made to the Agreement

to enhance social security for employees;

- annual meetings between a wide range of Company managers, its HR and social service representatives, and leaders of trade union organisations affiliated with ITUO Rosneft. A meeting held in Moscow in November 2019 discussed pressing matters that worried people employed by Group Subsidiaries, including those related to key goals and projects along with issues of immediate concern, such as wage indexation and increases, incentive programmes, and workwear availability, as well as specific

questions of some trade union leaders requiring the Company's attention.

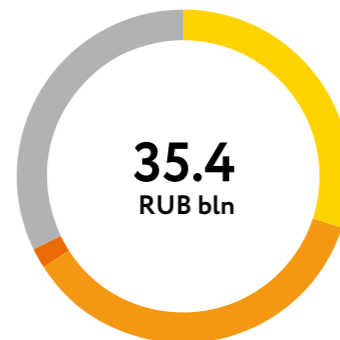
- Industrial social partnership – liaising with the Russian Association of Oil and Gas Employers. In 2019, 33 Rosneft Group Subsidiaries joined the Industry Agreement on the Companies of the Oil and Gas Industry and the Construction of the Oil and Gas Industry Facilities, effectively gaining certain advantages in implementing the Russian Labour Code. In the reporting year, the Company's active involvement resulted in a new industry agreement incorporating most of its suggestions.

Social Programmes

For many years, Rosneft has been one of the most socially responsible employers in Russia. In 2019, the Company continued to implement the Rosneft-2022 Strategy to ensure better motivation and social security for its employees and retirees.

In 2019, the Company allocated RUB 35.4 bln for creating optimal working conditions, promoting healthy lifestyles, and providing 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 2019,
RUB mln, %



Optimal workplace conditions and social infrastructure maintenance	30%
Healthcare, healthy lifestyle promotion, and other social contributions	36%
Housing	2%
Private pension schemes	32%

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 11.4 bln in 2019.

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) Evolution¹. In 2019, the programme funding amounted to RUB 8.4 bln. Based on the 2019 results, Rosneft approved dedicated spending, while Group Subsidiaries concluded

pension agreements with the fund which will remain effective until the end of 2024 and determine mid-term strategies under the programme.

Social Support for Veterans

The Company has been running a veteran support programme for over 15 years. As at the end of 2019, the number of people benefiting from monthly pension payments under the programme totalled 25.3 thousand. In 2019, NPF Evolution received RUB 461.6 mln in funding, which it used to raise pensions by more than 5 % as part of annual indexation adjustments.

Active Longevity Programme

- As part of the Rosneft-2022 Strategy, in 2019 we launched the Active Longevity Programme designed to improve the social security of

retirees. In 2019, the programme received RUB 2.5 bln in funding, making it possible to:

- apply one-time indexation to ca. 18 thousand pensions awarded in or before 2010, with the average pension amount increasing by 17.5 %;
- top up personal pension accounts of ca. 41 thousand retirees to ensure annual indexation of pensions financed through the investment income of NPF Evolution starting from 2020.

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.

Corporate Housing Programme

For over 14 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.

The living conditions of 1,112 families were improved through mortgages provided by Rosneft in 2019.

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 corporate housing programme, Rosneft also contributes to the implementation of the national Housing and Mortgage programmes.

1,112
families
of the Company's
employees improved
their living conditions

Working Conditions and Recreation

In the reporting year, Rosneft continued implementing an integrated programme to create favourable working conditions for its employees. The programme's key focus is the development and fit-up of 349 shift camps (including 119 shift and trailer camps, and 230 trailer camps for the drilling crews of RN-Bureniye),

which in 2019 accommodated close to 52 thousand employees of the Company and its contractors.

The maintenance costs for the social facilities at production sites totalled RUB 8.7 bln in 2019.

Capital investment in the construction, reconstruction, development and fit-up of shift camps, field support bases, sites and workshops amounted to RUB 8.1 bln in 2019.

Healthcare and Personal Insurance

The healthcare and personal insurance initiatives implemented by the Company help achieve several important goals such as maintaining long-term professional engagement, strengthening health and promoting a healthy lifestyle among employees.

The key initiatives include:

- provision of emergency and routine medical services for employees, including those stationed at remote and hard-to-access production facilities of the Company;
- introduction of a brand new programme for preventive medical examination of employees aimed at early detection of life-threatening conditions;

- voluntary health insurance for the Company's employees providing access to the necessary 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 disease prevention and mitigation programmes, promotion of a healthy lifestyle and arrangement of sports and health activities;
- reimbursement of membership fees at therapeutic and sports groups.

The Company has adopted uniform standards for on-site medical treatment and emergency aid, while also putting in place uniform guidelines for the evacuation of injured or sick employees from its remote production facilities by medical aircraft.

All of Rosneft's healthcare facilities are now provided with modern medical equipment, with a special emphasis laid on improving the skills of medical personnel and conducting large-scale medical drills to develop practical skills of tackling healthcare emergencies, including those involving the use of medical aircraft and telemedicine devices.

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 for the development of emergency medical care skills;
- establish a corporate telemedicine network that will bring together 90 healthcare facilities from remote production sites of 18 Group Subsidiaries and large regional consultation centres to improve the availability and quality of medical care in the hard-to-reach regions of the Company's operation;
- perform preventive medical examination of the Company's employees focusing on early detection of cardiovascular and oncological diseases (in 2019, 31 thousand employees of Rosneft underwent such examination).

Since 2017, the Company has been successfully implementing its corporate programme for the prevention of cardiovascular diseases aimed at boosting professional longevity and reducing the risks of lost-time injuries, permanent disability and early death. In 2019, more than 110 thousand

employees from 140 Group Subsidiaries participated in the programme.

The Company keeps running its Live Longer! programme, which promotes healthy living by offering medical screening to expose disease risk factors, supporting sports initiatives and helping the Company's employees develop healthy lifestyle habits.

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 2019, Rosneft offered resort treatment services to over 78 thousand employees, members of their families and retirees both in the Company's own health resorts and wellness centres and third party organisations.

The Company continued to implement a wellness and recreation programme for its employees in the Republic of Cuba. Over the past year, more than 2.5 thousand people underwent medical treatment in Cuba. Since the start of

cooperation in December 2013, more than 13 thousand employees and their family members have visited the resorts in Cuba.

In the reporting year, personal insurance programmes (voluntary health and accident insurance) covered more than 330 thousand employees of the Company.

Accessibility of medical assistance for employees at their place of residence or workplace, inclusion of high-tech multidisciplinary clinics into the insurance programmes, and high quality of medical care provided to employees remain the Company's key priorities in the realm of voluntary health insurance.

Group Subsidiaries continued to execute voluntary insurance agreements which cover employee accidents both during and outside working hours and provide an additional source of support for employees 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 2019

The Company consistently implements initiatives that contribute to sustainable social and economic development of the regions. In 2019, Rosneft continued to develop a systemic approach to resolving social issues and managing social investments, while contributing to social risk mitigation, ensuring successful long-term relations with our regions of operation and strengthening Rosneft's reputation as a socially responsible business. While implementing charity and support programmes in the regions of operation, the Company strictly observes the principle of non-involvement in corruption activities.

In accordance with Federal Law No. 135-FZ On Charitable Activity and Charitable Organisations dated 11 August 1995, which governs charity matters, the Company supports diverse projects addressing social issues in the regions of its operation.

At that, when determining recipients and social areas for charitable support, the Company aims at social and infrastructural projects that would have the largest social impact and immediately benefit the community (including the Company employees and their families).

In its charitable activities, the Company prioritises social investments in the regions as per cooperation agreements with regional authorities.

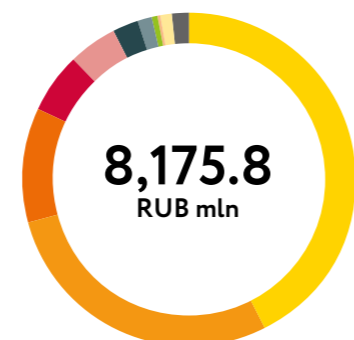
In 2019, the agreements on social and economic cooperation with the regional authorities allocated funds for the development of social services in the Republic of Bashkortostan, Republic of Sakha (Yakutia), Irkutsk, Kostroma, Orenburg, and Tyumen Regions, Khanty-Mansi Autonomous Area – Yugra, and Yamal-Nenets Autonomous Area.

Within the cooperation agreements involving the Company's financing, the infrastructure of municipal districts and settlements is improved, a comfortable urban environment created; municipal territories upgraded, engineering and transportation system equipment, power and heat supply facilities repaired or replaced, and measures taken to protect the community and territories from emergencies and to ensure fire safety.

A key area of Rosneft's charity is still the support of physical training and mass sports. Rosneft strives to provide all kinds of opportunities and allocates funds for local residents to engage in sports and physical training and promote a healthy lifestyle among them.

The Company traditionally contributes to the development and promotion of mass and children's sports, work of sports organisations, construction of sports and fitness facilities, as well as improvement of technical infrastructure and purchase of equipment for sports schools catering for children and young people, and educational institutions.

Allocation of Funds in 2019, %



Physical education and sports, including children's, promotion of healthy lifestyles	42,8%
Infrastructure development in regions, districts, and municipalities	28,3%
Education and science	11,0%
Healthcare	6,0%
Culture	4,8%
Support for veterans, the disabled, and people in need	2,4%
Charities, NGOs, humanitarian aid	1,4%
Revival of cultural heritage	0,1%
Support for indigenous peoples of the North	0,4%
Orphanages	0,4%
Kindergartens	1,0%
Other ¹	1,6%

¹ Other (including pensioners, low-income families, youth organisations, municipal events, social and agricultural institutions, environmental projects)



Yet another focus of Rosneft's charity is support of indigenous minorities of the North.

In 2019, as part of its charity activities, the Company sponsored the distinctive cultures and traditional industries, and supported improvement of the housing conditions of indigenous minorities in the regions of its operation.

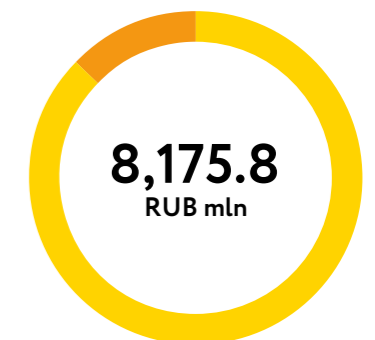
In the areas inhabited by those indigenous minorities, Rosneft supports the improvement of infrastructure, purchase of tools for traditional subsistence activities, purchase of fuel and lubricants, summer resort health treatment programmes, and finances of participation in exhibitions, trade fairs, contests and sporting events, as

well as other activities dedicated to the indigenous culture of the North.

Significant support is provided for indigenous children and young people to take part in various educational (including payment of student tuition fees) and health improvement programmes.

In line with its annual charity plans, in 2019 the Company also focused on development of culture, healthcare, education and science, support of pre-school and social institutions, public associations uniting disabled people, war and labour veterans (e.g. financial aid), as well as of celebratory events held on the occasion of the Victory in the Great Patriotic War..

Charity funding in 2018, RUB mln



Social financing under signed agreements	7,137.8
Individual charitable projects	1,038

Company Sponsorship Activities

Rosneft traditionally makes a significant contribution to the social and economic development of Russia through its sponsorship activities. As part of these activities, Rosneft is supporting large-scale projects aimed at reviving spiritual and national values, protecting the environment, developing of science, culture, industry, education, and sports.

Sponsorship projects of the Company and Group Subsidiaries confirm Rosneft's reputation as a socially responsible business.

In 2019, Rosneft financed seven Russian business forums and conferences held in Russia and abroad, including: the St Petersburg International Economic Forum and the Eastern Economic Forum attended by the President of the Russian Federation, the Russian Energy Week International Forum, the Arctic:

Territory of Dialogue International Arctic Forum, etc.

Reviving and building up the tradition of partnership between business and culture is an important element of the Company's operations. In 2019, with the support of Rosneft, the Pushkin State Museum of Fine Arts in Moscow arranged a unique exhibition of the British artist Thomas Gainsborough, while the State Hermitage Museum hosted the permanent historical display Ancient Colonisation of the

In 2019, Rosneft spent RUB 1,842 mln on sponsorship activities.



Northern Black Sea Region, as well as an exhibition of paintings by the Italian artist Piero della Francesca.

Rosneft continues its cooperation with the D. D. Shostakovich St Petersburg Academic Philharmonia. The Company also supported the BraVo International Music Award, the White Nights Festival and other cultural events. Rosneft acted as the general sponsor of the final episode of the legendary Umka animation film (New Year's edition).

Rosneft takes an active part in the development of international cultural ties. In 2019, as part of the Cross-Year of Russia and Japan, the Company sponsored the Russian Culture Festival. Rosneft supported performances of the St Petersburg Eifman Ballet, the Chamber Choir of the Moscow Conservatory, the Mariinsky Orchestra conducted by Valery Gergiev, as well as many other shows in cities across Japan.

With the support of Rosneft, the Eifman Ballet also performed Anna Karenina

in Doha at the premises of the Qatar Foundation for Education, Science and Community Development.

During the UK-Russia Year of Music, Rosneft and BP sponsored the first concert tour of the unique UK-Russian Britten-Shostakovich Festival Orchestra in Russian and British cities.

HSE is also among the Company's priorities. Rosneft makes a strong contribution to environmental safety and protection, with a special focus on protecting endangered species and studying marine mammals. In 2019, the Company continued its comprehensive programme to protect polar bears living in Russian zoos, which has been running since 2013.

With the support of Rosneft, the P. P. Shirshov Institute of Oceanology of the Russian Academy of Sciences studies the 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 2019, an aerial survey of the cetaceans was carried out. In addition, the Company supports a number of projects on studying the reindeer, sable, endangered geese, and Atlantic walrus.

The Company is a supporter of professional and amateur sports. It finances the CSKA Moscow Hockey Club and is a sponsor of the Arsenal Tula Football Club. Rosneft supports the domestic automakers and contributes to the development of motor sports in Russia, funding the LADA Sport ROSNEFT racing team. The Company is the general sponsor of the International SAMBO Federation.

To date, Rosneft provides sustenance for 36 polar bears in 16 zoos across the country



Energy Efficiency and Energy Saving

Fuel and Energy Consumption

Rosneft is a major fuel and energy consumer in the Russian Federation, accounting for 4.8% of the country's energy mix. In 2019, the Company's¹

fuel and energy consumption totalled 20 million tonnes of coal equivalent (mmtce)², or RUB 236,963 mln.

For energy consumption and costs by business segment in 2019, see the table below.

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	41,050,481 / 140,843	2,759 / 6,878	1,801 / 3,210	7,848 / 150,931	38.4
Oil refining	6,161,367 / 19,698	20,405 / 19,957	4,328 / 22,174	10,324 / 61,828	50.5
Petrochemicals and gas processing	2,569,257 / 6,608	7,483 / 6,180	427 / 1,122	2,004 / 13,910	9.8
Gas production and distribution	59,949 / 344	26 / 64	15 / 25	32 / 432	0.2
Marketing and distribution	376,687 / 1,941	89 / 96	5 / 34	65 / 2,071	0.3
Services	597,274 / 5,683	329 / 502	33 / 1,605	166 / 7,790	0.8
Total	50,815,016 / 175,117	31,090 / 33,677	6,609 / 28,170	20,438 / 236,963	100



Energy Saving Programme

In 2019, the Company embarked on its 2019–2023 Energy Saving Programme approved by the Board of Directors in March 2019. The Programme aims at 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 2019, see the table below.

To update the Programme, Rosneft developed a 2020–2024 Energy Saving Programme expected to deliver 2.6 mmtce, or RUB 38,753 mln in total energy savings over five years.

Segment	Savings in 2019			In ktce	Share, %
	electricity, th. kWh	heat, th. Gcal	Fuel, tce		
Oil and gas production	1,826,693	87	8,702	240	27.4
Oil refining	159,580	1,118	392,154	568	64.8
Petrochemicals and gas processing	36,281	325	15,246	65	7.4
Gas production and distribution	575	4	746	1	0.1
Marketing and distribution	12,092	0	278	2	0.2
Services	1,428	2	399	1	0.1
Total	2,036,650	1,536	417,526	877	100

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 2019:

- amended the list of Group Subsidiaries covered by the 2020–2024 Energy Efficiency Programme, adding the following assets: Kharampurneftegaz, Rospan International and RN-Arkhangelsknefteprodukt. Given asset combinations and divestments and with no new energy saving initiatives planned for 2020–2024, two assets were excluded from the Programme;
- updated the standard organisational structure of energy efficiency units in oil and gas production subsidiaries

to take into account the need for regular on-site audits in this area;

- arranged for corporate training in energy efficiency. In 2019, 352 employees took training in the dedicated corporate training centre, with another 61 educated by an external provider with an international track record in launching and developing energy management systems at production sites;
- drafted and put into effect the Regulations on Planning and Measuring the Actual Energy Saving Effect from Energy Saving Programmes at In-House Service and Marketing and Distribution Group Subsidiaries and Marine Terminals;

- performed an internal energy efficiency assessment at 19 oil and gas production and oil refining Group Subsidiaries, with individual roadmaps drafted to address the identified gaps in 2019–2021. Another assessment is scheduled for 2020;
- had Sorovskneft, Bashneft-Polyus, Ufaorgsintez, and integrated refinery in Ufa (Ufaneftekhim, Bashneft-Novoil, and Bashneft-UNPZ) certified for compliance with ISO 50001 (Energy Management Systems). All in all, 41 Group Subsidiaries accounting for over 95% of the Company's total energy consumption in 2019 hold ISO 50001 certificates.

¹ Information on the most energy-intensive assets operated directly by Rosneft, for 2019.

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.

Power Generation Development

The reporting year saw the following generating facilities built or commissioned to help meet the projected Group energy needs:

In-house power plants:

- an 18 MW gas turbine power plant commissioned at Kondaneft's Zapadno-Erginskoye field;
- main construction and installation operations completed and pre-commissioning started at:
 - a 105 MW gas turbine power plant at the Vostochno-Urengoy sky licence area of Rospan International;
 - a 50 MW gas turbine power plant at the Srednebotuobinskoye field of Taas-Yuryakh Neftegazodobycha;
 - a 153 MW gas turbine and thermal power plant at the Tuapse Refinery (Phase 2).

220 kV grid facilities:

- three 220 kV substations and a 220 kV power transmission line built and commissioned at RN-Uvatneftegaz;
 - a 320 km 220 kV overhead line;
 - a 220/110/10 kV 2×63 MVA Pikhtovaya substation;
 - a 220/110/10 kV 2×125 MVA Lyantinskaya substation;
 - a 220/110/35 kV 2×63 MVA Protozanovskaya substation.

The project helped eliminate the capacity shortage, reduce energy costs through no further use of diesel generators, improve the reliability of energy supply to the existing oil and gas production facilities of RN-Uvatneftegaz and Slavneft-Megionneftegaz, and ensure the required capacity margin to put on stream new oil and gas fields.

110 kV grid facilities:

- commissioned:
 - a 14 km 110 kV Protozanovskaya – Taltsiyskaya overhead line at RN-Uvatneftegaz;
 - a 60 km 110 kV Donetsko-Syrtovsckaya – Rybkinskaya overhead line at Orenburgneft.

In 2019, the Company commissioned 220 kV 502 MVA transformer capacities and a 394 km 220/110 kV overhead line, adding 18 MW of generating capacities.

Rosneft also completed the construction and started pre-commissioning of 10 kV main substations (distribution station No. 55 and central distribution station No. 2) with a design load of 22.6 MW to supply energy to Phase 2 and extended Phase 2 production facilities of the Zvezda Shipyard.

On top of that, the Company reconstructed a 0.8 km CHP – Okha heat main, a socially important facility for the Sakhalin Region.

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 2019, 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 908 remedial actions completed, with deadlines for another 916 not yet expired. This helped achieve a 5% year-on-year reduction of oil production shortages caused by power failures in 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.

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 (the Programme).

Aligned with strategic goals and objectives set forth in the Rosneft–2022 Strategy and the Company's Long-Term Development Programme,

the Programme aims to:

- facilitate the development of Rosneft as a high-tech oil and gas company;
- foster technological leadership in its core competencies, such as oil and gas production, oil refining and gas processing;
- 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 exploration and production and refining, commerce and logistics projects as part of localisation efforts.

To this end, Rosneft keeps investing in proprietary solutions and products with a view to sustaining its technological self-sufficiency.

Given a bigger share of horizontal wells and rising geological and engineering complexities, there is a growing need for advanced well logging techniques along with other prospecting, exploration and development technologies of critical importance. Rosneft focuses on developing domestic capabilities in advanced well logging. Currently, the Company partners with Rosatom to develop instruments for measuring mineral composition of formations and

logging while drilling horizontal wells. This will help provide for high-quality insights into complex reservoirs and ensure independence from expensive foreign services.

Also, Rosneft and Rostec developed a technology to produce synthetic proppants. The Company's R&D efforts were successful resulting in batches of these proppants for pilot testing at Rosneft's oil production sites. The parties are considering mass production of synthetic proppants at Rostec industrial sites.

Russian-made catalysts are key to sustaining the technological self-sufficiency of the Company's refining segment reducing its reliance on foreign technologies. In 2019, RN-Kat specialising in catalyst production and the Ufa Refinery conducted industrial tests on the first batch of hydrotreating catalysts suitable for Euro5 compliant diesel fuel. This is a unique hydrotreating agent capable of fully replacing its foreign peers for the Russian refining industry. The tests proved that Rosneft's proprietary catalyst was fit for the production of diesel fuel compliant with all the latest technical requirements.

In 2019, the Novokuibyshevsk Catalysers Plant launched Russia's first-ever advanced pilot testing facility for hydrotreating catalysts. The new facility will help test technologies to manufacture catalysts for oil refining and petrochemical processes with a view to ramping up large-scale production. Until now, Russia has been lacking such technological capabilities. The cutting-edge platform will fast-track the implementation and commercialisation of Rosneft's R&D initiatives focusing on catalysis and catalysts for the said processes.

The development of proprietary research-intensive specialist software is another strategic focus area for the Company. As of now, Rosneft's production assets operate five software suites which model field geology (RN-Geosim, RN-KIM), simulate hydraulic fracturing operations (RN-GRID), manage field development (RN-KIN) and model drilling operations of any complexity (RN-Sigma).

In 2019, RN-Geosim added software modules to build simple geological models while RN-KIM designed modules for hydrodynamic modelling at large fields.

Over the year, RN-Yuganskneftegaz leveraged RN-GRID models to perform another multi-stage hydraulic fracturing operation on a horizontal well in an ultralow-permeability reservoir at the Bazhenov suite. With 610 tonnes of proppant injected, the Company obtained oil flow of ca. 6.5 t per day per stage, which is unprecedented in the Russian oil and gas industry. By now, RN-GRID has designed more than 8 thousand full-scale hydraulic fracturing operations, with R&D efforts ongoing to develop new functionalities in line with the newest challenges.

RN-KIN software suite covers 100% of operational tasks related to field development. The Group Subsidiaries are now testing the industrial version of RN-Sigma suite (geomechanical modelling of borehole stability while drilling). This software enables the Company's engineers to capitalise on wider applications of geomechanical calculations for borehole stability and reduce risks while drilling directional and horizontal wells.

Fostering the Industrial Cluster

To ensure its technology self-sufficiency and implement localisation projects, Rosneft formed the Industrial Assets group (the Industrial Cluster) having technological and logistics capabilities to manufacture, maintain and repair equipment (including that designated to substitute imports) for the Company's needs in a timely manner.

In 2020–2025, the Industrial Cluster 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 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 shipbuilding complex.

In 2019, the first and the second phases of the shipyard construction saw a huge volume of works:

- 6.5 mcm dredged to deepen the waterways;
- over 700 th. cub m of soil dumped;
- over 36 th. cub m of concrete poured;
- over 16.5 th. sq m of construction sites developed;
- ca. 12 kt of steelworks assembled;
- 3.2 kt of sheet piles and 7 kt of piles installed.

In June 2019, the second Goliath giant crane with a lifting capacity of 1.2 kt was delivered and assembled at the dry dock, a unique hydraulic structure sized 485 x 114 x 14 m. The giant crane will help build the majority of existing and prospective vessel types with virtually unlimited tonnage and launching weight. With the construction works being ahead of schedule, the dry dock will

be commissioned in 2020, three years earlier than planned.

In 2019, Zvezda and Samsung Heavy Industries Co. Ltd. (Republic of Korea) established a joint venture to manage projects for the construction of shuttle tankers with a deadweight from 42 to 120 kt at Zvezda Shipbuilding Complex. The joint venture relies on the agreement on exchanging experience in the design and construction of shuttle tankers signed in 2018. Samsung Heavy Industries will hand over base and detailed design documentation to the Zvezda Shipyard, and give a helping hand in developing working design documentation for shuttle tankers together with Lazurit Central Design Bureau.

In 2019, Zvezda signed contracts for the construction of nine vessels, thus providing for large-capacity vessels to be made in the Primorye Territory.



Sapphire Applied Engineering and Training Centre

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 systems.

With the first construction phase completed, VRK Sapphire Plant was

approved for commissioning in 2019 and started manufacturing 7.5 MW steerable thrusters for the third and fourth reinforced ice-class support vessels which are being built for the Company at Zvezda Shipbuilding Complex.

Supplier and Contractor Relationships

Rosneft is one of the largest consumers of goods, works and services among Russian private and state-owned companies. The annual spend by the Company (Rosneft and Group Subsidiaries) on externally procured goods, works and services amounted to RUB 2.6 trln.

The Company has persistently high need for goods, works and services, which is a powerful growth driver for the Russian economy.

The Company's success is therefore largely underpinned by long-term relationships with suppliers and contractors. Long-term contracts provide an important foundation for building long-lasting relationships. In 2019, long-term contracts accounted for over 70% of the Company's production programme.

Placing long-term orders facilitates stable development of the oil and gas industry, the machine building industry, the maintenance services market, help create jobs in all industries and drive innovation.

The Company keeps implementing the category management in procurement, including by leveraging category/procurement strategy as its key enabler.

In 2019, Rosneft developed and adopted 18 category/procurement strategies as part of its continued efforts to increase the share of its needs covered by category/procurement strategies. The business plan for 2020 provides for 48% of its needs to be covered by existing strategies.

As part of its work to implement the category management in procurement and develop a framework for long-term qualification of reliable counterparties, the Company systematically reviewed all inventories, which helped identify

key expensive and critical inventories based on the materiality, importance for business and procurement frequency.

Rosneft applied common definitions and approaches to harmonise and organise qualifications and requirements, and introduce basic criteria for all inventories as well as specific criteria and individual requirements for certain product types as the case may be.

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 59.4%, including 49.3% handled by the Head Office and 10.1% sourced regionally.

When choosing suppliers and contractors, the Company adheres to the principles of openness, competitiveness, reasonableness, effectiveness, and non-discrimination. These principles are set forth in the applicable Russian laws (specifically Federal Law No. 223-FZ on Procurement

of Goods, Works and Services by Certain Types of Legal Entities dated 18 July 2011) and laid down in the Regulations on Procurement of Goods, Works and Services binding on both 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. The Company conducts virtually all competitive procurement procedures electronically.

Rosneft achieves maximum transparency by publishing its procurement plans, information on procurement procedures and their outcomes, as well as on contracts awarded and performed (information on over 99% of the Company's procurement procedures is made publicly available on the Internet).

To increase procurement transparency via TEK-Torg's electronic trading platform (Rosneft's section), in 2019 the Company and the Group Subsidiaries initiated more than 102 thousand procurement procedures with a total initial (maximum) value of RUB 2.1 trln and over 203 thousand suppliers registered (cumulatively since the platform's inception).

To enhance transparency and efficiency of minor procurement (worth below RUB 500 thousand), TEK-Torg's electronic trading platform launched Corporate Internet Shop. It 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 small and medium-sized enterprises (SMEs)). The Corporate Internet Shop has more than 14 thousand suppliers registered, including over 10 thousand SMEs. In 2019, the Company published more than 29 thousand procurement procedures with completed procurement worth over RUB 2 bln.

The Company is committed to promoting cooperation with SMEs. Rosneft consistently implements initiatives prescribed by the Russian Government to provide SMEs with a wider access to its procurement procedures. The Company met the target for the share of procurement from SMEs as stipulated by Resolution of the RF Government No. 1352 dated 11 December 2014. In 2019, 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 2019, amounted to RUB 16.3 bln, with

RUB 4.1 bln worth of contracts awarded as a result of direct procurement from SMEs.

It is worth noting that SMEs account for over 76% of potential suppliers accredited with Rosneft.

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 is setting up a Shared Service Centre with a view to centralising and pipelining routine procurement operations and category management functions. Starting from 2019, regional inventory management and quality control functions have been transferred to the Shared Service Centre in line with the approved approach.

The Company engaged both experienced experts and young specialists to form a talent pool for the Centre. The Company partnered with

the Samara State Technical University, Samara's flagship in higher education, to develop a training course in Procurement Chain Management for the Oil and Gas Industry seeking to attract and teach young professionals.

As part of the Rosneft–2022 Strategy, the Company is establishing a blockchain-based framework for engagement with its suppliers. During the first half of 2019, Rosneft developed and approved target business processes, a roadmap for the implementation of a supplier engagement framework, a project schedule and an IT prototype.

The Company successfully robotised its accounting and inventory management processes. 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. The Company seeks to further develop robotic technologies.



Research, Design and Innovations

Research and Innovations

Rosneft carries out its innovative activities in accordance with the 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 of 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.

Total R&D costs in 2019 amounted to
RUB 30 bln

Target Innovative Projects

In the reporting year, Rosneft continued with the implementation of R&D results and the protection of intellectual

property rights. The R&D efforts in 2019 resulted in 61 intellectual property applications submitted by the Company.

Key Achievements in 2019

Exploration and Production

- The Company successfully tested the technology for using horizontal production and injection wells with multi-stage hydraulic fracturing to develop low-permeability reservoirs at a pilot area of the Prirazlomnoye field. The use of horizontal wells as injection ones (for reservoir pressure maintenance) proved to be effective:
 - injectivity index of horizontal wells was, on average, three times higher than that of vertical wells;
 - the fluid flow rate in the horizontal wells (for reservoir pressure maintenance) in the pilot area decreased at a slower pace as compared with the standard development technology.

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. RN-Yuganskneftegaz continued to deploy this technology at the Priobskoye field, with over 80 wells drilled in total.

- RN-Yuganskneftegaz continued to deploy the newly developed multi-stage hydraulic fracturing technology at the Salymkoye field, having performed a nine-stage hydraulic fracturing operation on a horizontal well in an ultralow-permeability reservoir at the Bazhenov suite (Yu50 formation). With 610 tonnes of proppant injected, the oil flow was recorded at 6.5 t per day per stage, which is a significant result for the Bazhenov suite. In 2019, RN-Yuganskneftegaz also updated the map of development potential categories for the Bazhenov suite based on which it plans to drill over 30 horizontal wells with multi-stage hydraulic fracturing in 2020–2022.

- In 2019, we finalised our unique technology for gas production from the Berezovskaya suite. The distinctive feature of the technology is that it allows fissure logging while drilling. The logging results can be used to identify the optimal layout of hydraulic fracturing ports, contributing to more effective development of the Kharampurskoye field. A patent application has been filed.
- Rosneft partnered with the National Intellectual Development Foundation to test the integration technology for multi-scale studies of the Jurassic high-carbon formation which helped discover a new gas deposit at the Vostochno-Unlorsky licence area and estimate movable oil resources of the Severo-Demyanskaya area amounting to over 100 mmt.
- The Company developed technologies for core analysis on hard-to-recover reserves which help

determine relative permeabilities and displacement efficiencies in low-permeability reservoirs, relative permeabilities in poorly consolidated core samples, and residual oil saturation in gas zones (oil fringes). Once implemented, the economic effect is expected to exceed RUB 10 bln for gas and gas condensate deposits in the Yamalo-Nenets Autonomous Area and the Khanty-Mansi Autonomous Area – Yugra.

Research-intensive Technology Software

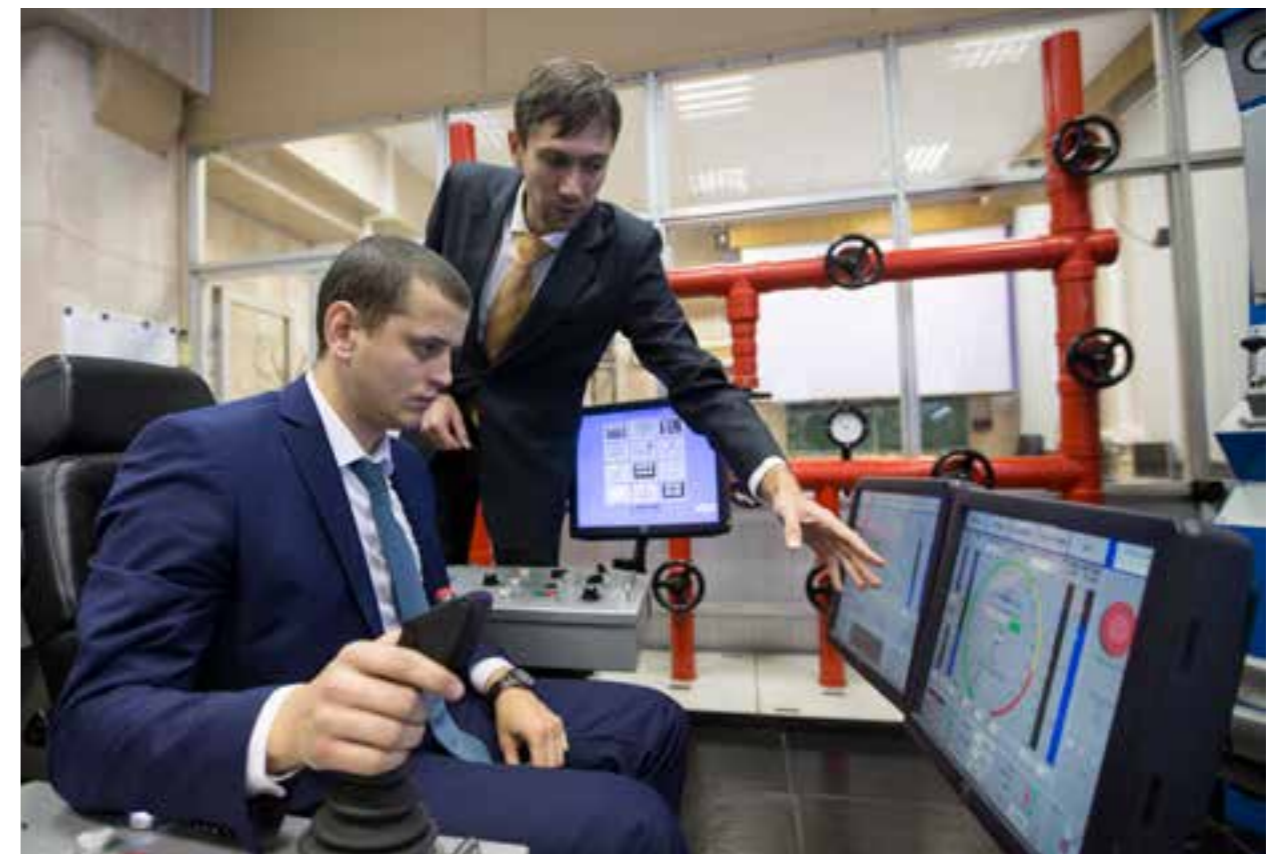
- New software modules were added to RN-SMT, an integrity monitoring system for oilfield pipelines. The system aims to fully digitalise all processes related to pipeline operations, reduce operating risks and inform management action. Going forward, RN-SMT will make into a single corporate software suite capable of fully supporting pipeline operations.
- 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 has been widely exploited by the Company for over five years and is adapted to the geological and operating conditions of the fields the Company is developing. In 2019, we released a new version that allows us to quickly (using graphics processing units or computer clusters) create models for oil and gas condensate fields that require computation-intensive analysis. As a result, about 80% of digital field modelling works were performed using RN-KIM. Going forward, the proprietary simulator will not only cover 90–95% of the Company's needs for hydrodynamic modelling, it will also provide for artificial intelligence applications in field development planning.

- RN-KIM hydrodynamic simulator added software modules for multicomponent filtration, optimisation algorithms for autoadaptive hydrodynamic modelling, and support for graphics

processing units (GPUs). In 2019, over 70% of hydrodynamic models in the Company were created with RN-KIM. Moreover, the system was provided to the relevant departments of the leading universities which offer training to Rosneft's employees. The proprietary simulator is expected not only to cover 90–95% of the Company's needs for hydrodynamic modelling, but also to provide for artificial intelligence applications in field development planning.

- RN-Geosim added software modules for building vertical and tilted faults for structural surfaces, visualising seismic cubes, multipoint statistics, basic reports on geological models, and parallel computations. RN-Geosim is anticipated to cover up to 80% of the Company's needs for geological modelling.
- RN-Simtep added software modules for modelling oil and gas production processes. 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.



- The Company developed a concept for RN-PetroLog, corporate software suite for interpretation of core samples and well log data, together with a RN-PetroLog prototype. The Company intends to drastically reduce its dependence on foreign vendors by developing proprietary petrophysical software and integrating it into its digital space.
- Another important highlight was Rosneft Seismic Challenge, an open championship in seismic data analysis based on machine learning. The event attracted about 500 teams from nine countries. The task was to offer an automatic method for correlating reflecting horizons throughout the seismic cube based on image segmentation. The solutions developed by the participants will help automate manual processes in seismic exploration. The best algorithms and concepts will be prepared for pilot testing as a seismic module of the corporate software.

Arctic Shelf

- The Kara Summer 2019 research expedition covered the Barents, Kara, Laptev and Chukchi seas providing for the maintenance of measuring infrastructure deployed by the Company in the Arctic, and

hydrometeorological observations. 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 Khatyr temporary field base (the Khatanga Bay, the Laptev Sea). The data collected in the course of meteorological and actinometric observations will be used to develop provisional operating conditions for the Khatanga licence area.
- The Company developed a concept for a dome-type special-purpose facility to contain and clean up emergency oil spills on the shelf, including in deep-sea areas and in the Arctic. It is intended to gather oil leaking from damaged equipment and to pump it to surface. It excels in containing subsea oil spills virtually everywhere, within a wide range of depths and ice conditions. The project won an award from the International Contest for R&D and Innovations for the Development of the Arctic and the Continental Shelf.
- The Company developed surface-active agents, unprecedented in Russia, which can be used to clean up emergency oil spills at sea due to their oil dispersing capacity. These consist of low-toxic components made in Russia.

Associated Petroleum Gas Monetisation

- Rosneft developed a laboratory-level GTL technology which allowed for mixing synthetic and mineral oil to produce commercial petroleum products compliant with the existing quality standards. The Company engaged international expertise to attest the GTL feasibility and produce recommendations for its pilot testing.
- Rosneft partnered with the National Intellectual Development Foundation to design, manufacture and deliver a pilot APG desulphurisation unit based on microporous membranes for the Garshinskaya preliminary water discharge facility at Orenburgneft, with pilot testing commenced and continuing into 2020.

Oil Refining and Petrochemicals

- Rosneft developed a laboratory-level technology to regenerate xyleneol and butylated fire-resistant oil wastes intended for high-powered turbines, including at nuclear power plants. Following regeneration, fire-resistant oil can be used to wash lubrication systems of both new and repaired turbines.
- The Company successfully tried the hydrogenation technology for converting acetone into isopropanol

at its pilot testing facility and ran endurance tests on a catalyst batch used in the process.

- Rosneft developed a laboratory-level suspension technology to produce EPDM rubbers, including the composition and specifications of a catalyst used in the process. Once implemented, the project will help optimise the existing EPDM production in terms of operating costs and product quality.
- The Company arranged for independent tests at its refineries with a view to streamlining dispersant and depressor additives for diesel fuels. It also developed the composition thereof and a process to produce the same.
- Rosneft developed a laboratory-level technology to produce isopropylbenzene using heterogeneous catalysts. It also developed the composition and a process to produce heterogeneous catalysts for benzene alkylation with propylene and transalkylation. The Company intends to revamp its existing isopropylbenzene facilities to reduce production costs and increase margins.

- Rosneft ran endurance tests on a pilot batch of hydrotreating catalysts for diesel mixtures which proved Ht-120RN catalyst's high capacity while converting diesel mixtures with a sulphur content of 1.45% into diesel fuel containing less than 10 ppm of residual sulphur.
- The Company developed and patented Russia's first-ever additive package for all-season hydraulic oils. The heavy-loaded pumping tests proved that Rosneft Hidrotec HVLP 46 hydraulic oil with this additive package was on par with foreign peers in terms of quality. Rosneft Hidrotec HVLP 46 with a domestic additive package became Russia's first hydraulic oil certified by a foreign equipment manufacturer, Bosch Rexroth. The additive package is set to substitute for imports currently used by the Company and give it a competitive edge as a producer of energy-efficient HVLP hydraulic oils for industrial and mobile machinery.

Polymeric Materials for Oil Production

- The Company continued to test its newly developed proppant made of polymeric materials, with four full-scale (equal in volumes to the use of conventional ceramic proppant at adjacent wells) hydraulic fracturing operations performed at the Samotlor field. These tests affirmed the high performance of ultra-lightweight polymeric proppant based on polydicyclopentadiene (PDCPD) without causing fractures to move upward (without breaking thin barriers between water-saturated formations and the target formation), also proving that the PDCPD-based proppant could be injected with low-viscosity fluids (linear gel, salting liquid) to the formations at the Samotlor field. The Company will rely on this proppant to effectively develop previously unprofitable and thus undeveloped hydrocarbon deposits.



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 2019. 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 exploration and production subsidiaries.

In 2019, 152 technologies were put on test by 22 Group Subsidiaries. A total of 511 tests were conducted as part of pilot projects, resulting in 299 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 implemented and rolled out 116 new technologies which proved their viability following prior tests. Rosneft spent RUB 3.2 bln to deploy and roll out 6.7 thousand solutions.

Pilot projects	Quantity	Total incremental oil production, kt	Total economic effect, RUB mln
Technology testing	297	130	463
Technology deployment	78	283	659

As part of its efforts to implement the Target Innovative Projects, the Company signed over 50 licence and sublicense agreements for the transfer of its software and solutions (RN-KIN, RN-GRID) and the manufacturing process

for produced water treatment units worth over RUB 90 mln, including to provide training to students at the industry-related departments of the leading Russian universities.

In 2019, the combined proven economic effect from the Target Innovative Projects implemented over the last three years exceeded RUB 36 bln.

Corporate Research and Design Complex

Rosneft includes 29 corporate research and design institutes with over 16 thousand highly qualified professionals, of which 5% hold Ph.D. and research degrees. The institutes opened 43 specialised establishments that act as centres of competence for specific and complex operations.

The amount of work performed by these institutes more than doubled, driven by the growing need of the Company's businesses for their services. The number of designs and estimates provided for the Company's capital construction projects increased significantly, the number

of innovation patents rose by 30% while the quality of services improved consistently (by 5% annually).

To ensure technological security, systematic import substitution and cost reduction, the corporate institutes develop a full range of proprietary research software solutions in geology and exploration (RN-KIM, RN-KIN, RN-GRID, RN-Sigma and more) that are now used both within and beyond the Company. The share of the Company's projects that rely on its proprietary software has doubled to 50% compared to 25% in 2016.

The development and roll-out of a standard design system

enabled the Company to provide standard design solutions to 83% of its facilities (35% in 2016). As a result, the Company expects to save over RUB 31 bln in capital expenditure in 2018-22.

Thanks to the in-house service that was built from scratch using the resources of the corporate institutes, Rosneft has become the largest Russian company providing geological support for drilling operations both by the number of wells supported annually and by the quality of geosteering service (including for multilateral complex wells). As a result, the Company moved away from using third-party services and saved more than RUB 1.2 bln.

Digital Transformation

Focus on Digital Transformation and Technology

Achievements in 2019

2019 saw a total of 24 concepts and 18 prototypes developed and 28 digital solutions tested by the Company's businesses and functions, specifically Exploration and Production, Oil Refining, Commerce and Logistics, Regional Sales, Gas Business, Petrochemicals, HR Management, and Capital Construction. Some of these solutions are now up and running.

Exploration and Production



- The Company launched the Digital Field project at Bashneft's Ilishevskoye field, the industry's first solution covering all core processes from oil production to logistics. The newest digital technologies will make a real difference at the Ilishevskoye field in terms of production and economic gains. The project will help increase the number of remotely controlled facilities by nearly 60% and energy efficiency by 5%, and reduce logistics costs by 5%.
- Varyeganneftegaz successfully deployed a computer vision technology based on artificial intelligence algorithms which automatically scans hazardous areas in real time to identify whether people are present there and whether they use personal protective equipment, and immediately notifies of emergencies, if any. Rosneft arranged for its live demonstration at the 5th Exploration and Production Technologies Conference.
- Rosneft created detailed 3D models for six production assets (RN-Uvatneftegaz, Slavneft-Krasnoyarskneftegaz, RN-Vankor, Kondaneft, Verkhnechonskneftegaz, and Vostsibneftegaz). The models will help create a common oilfield monitoring environment using advanced visualisation and digital 3D twins of physical assets. Its prototype was also presented at the 5th Exploration and Production Technologies Conference.
- The newly developed drone monitoring system successfully passed flight tests, including in adverse climatic conditions. It consists of a proprietary unmanned aerial vehicle which can be equipped with a video camera, IR imager or gas sensor, as well as a charging and heating station and flight management software. The system helps inspect infrastructure facilities and pipelines in a safer and easier way. It relies on a computer vision
- technology to automatically scan protected areas to identify whether people or machinery are present there, and notify of oil spills, if any.
- Samotlorneftegaz successfully deployed a machine learning technology to predict electrically-driven centrifugal pump failures so as to better manage supply chain and optimise inventory. The solution based on artificial intelligence and neural networks will contribute to much more accurate prediction of equipment failures so as to better plan procurements.
- New promising technologies were also identified and tested, including a prototype to manage repair teams which was titled the Digital Well Servicing and Workover Teams. The Company ran preliminary tests on a telemonitoring solution to detect gas leaks using cutting-edge laser gas sensors.

Gas Business



- The Gas Business Digital Transformation Programme includes 17 initiatives and consists of two parts: 12 gas-specific initiatives and five Exploration and Production initiatives to be adapted for its needs. Sibneftegaz and Rospan International were assigned to test new technologies. The Company's first digital gas field concept was developed and approved in 2019.
- Sibneftegaz successfully tried an integrated solution to optimise gas production at the Pyreynoye gas condensate deposit using machine learning techniques. It also developed a prototype of an integrated field model (Odin), getting ready for pilot testing.
- Sibneftegaz successfully tried an IT platform supporting a digital twin for the Pyreynoye field. It also developed a prototype allowing for 3D visualisation (Mitra), getting ready for pilot testing.
- Sibneftegaz approved the concepts and started testing initiatives focused on real-time control over wells and infrastructure facilities, with an IR imager installed at a gas well pad to detect gas leaks (Atlas), online control over well operations and real-time processing of gas well surveys using machine learning techniques (Boreas), maintenance based on predictive analytics for gas gathering and pre-transport treatment equipment (Thor), a smart analysis prototype for gas assets (Amun), which provide for the management's access to up-to-date production information and advanced and predictive analytics tools via mobile devices.
- Rospan International started testing unmanned aerial vehicles to monitor abandoned and suspended wells (Hermes).

Oil Refining



- Saratov Refinery implemented prototypes of a multi-faceted energy efficiency monitoring and control system and a solution computing energy mix for better energy consumption. To enhance health and safety, it also prototyped personnel monitoring technologies to detect and control personnel whereabouts within the refinery in real time.
- Bashneft-Ufaneftekhim created a prototype of a business process monitoring and analytics system to facilitate prompt and informed management decisions.
- Syzran Refinery successfully put into operation a system for optimised mixing of heavy petroleum products. It also prototyped technologies using computer vision and unmanned aerial vehicles to scan the refinery premises to detect leaks, unauthorised persons, fires, and emergencies.
- Ryazan Refinery tested explosion-proof mobile devices to control equipment health, detect failures and monitor inspection routes. It also prototyped 3D scanning technologies for maintenance and repair visualisation.
- As part of its pilot project to implement GE Smart Signal, Fleet Management and GE Meridium, Ryazan Refinery completed design and development, getting ready for pilot testing.
- Rosneft developed digital solution concepts for predictive monitoring and computation of corrosion rates, smart leak control, on-site wireless data transfer solution template, virtual boardrooms, centralised monitoring and optimisation of alarm systems, industrial 3D printing, video surveillance of facilities and pipelines using IR images to control operating environment and failures.

Petrochemicals



- Novokuybyshevsk Petrochemical Company tested a safety monitoring and employee control technology using a combination of computer vision, neural networks and conventional video analytics. It intends to develop this initiative in cooperation with HSE teams.
- Ufaorgsintez tested a hardware and software system to control personnel whereabouts, personal protective equipment, employee health and physical activity, and environmental conditions. It intends to develop this initiative in cooperation with HSE teams.
- Novokuybyshevsk Petrochemical Company developed a mathematical model of a gas fractionation unit to assess efficiency improvement initiatives, also contributing to better production planning.
- Novokuybyshevsk Petrochemical Company developed and tested software robots to manage inventories and procurement procedures, which proved to be a real time saver. In 2020, it plans to robotise other labour-intensive routines.

Regional Sales



- As part of its Retail Mobility: Development of New Payment Technologies project, Rosneft launched a service of fuel payments via a mobile app at more than 120 of its BP-branded oil depots. To enhance its retail services, the Company partnered with banks to introduce a mobile app allowing customers to pay for fuel without leaving their car.
- RN-Moscow launched a dedicated self-service terminal to improve customer experience, save their time while paying for fuel and increase the efficiency of its automatic filling stations, which was part of the project titled the Automatic Filling Station: Development of a Solution to Upgrade Low-Efficiency Filling Stations to be Transformed into Automatic Filling Stations.
- RN-Card introduced a virtual fuel card for all B2B customers to offload its offices and optimise its costs. This solution allowing customers to issue a virtual fuel card via their personal account was deployed by more than 40 marketing and distribution companies.
- Rosneft developed a prototype of a dedicated self-service terminal issuing fuel cards which performs customer identification and keeps track of issued fuel cards.
- The Company developed a prototype of an automated monitoring system keeping track of fuel suppliers' inventories on top-end digital platforms to ensure end-to-end supply chain control from oil depot to fuel nozzle, promote fail-safe controls over petroleum product losses and reduce fraud risks related to petroleum product management at filling stations and oil depots.
- Rosneft implemented a blockchain-based electronic workflow prototype to better manage relationships with B2B customers and suppliers. It relies on a trusted EDI environment. This solution provides for better management of complementary goods supplies to its oil depots/filling stations.

Commerce and Logistics



- As part of its efforts to digitalise its fleet, Rosneftflot successfully implemented a Digital Fleet prototype based on digital scenarios, specifically Failure Detection in Vessel Operations, Smart Monitoring of Cargo Operations, following which it decided to initiate the respective pilot project.
- The Company created the Digital Core for Commerce and Logistics and developed description of target business processes with a book of flowcharts, the list of milestones, matrix of business roles, register of process and policy changes, design concept, prototype documentation package, and the list of improvements required for the second phase of the Full-Scale Web Resource for Commerce and Logistics project.
- As part of the Implementation of a Digital CRM Solution for Trading digital scenario, the Company initiated the respective project, established financial and technical requirements, selected the target platform, and approved the Terms of Reference.

HR Management



- The Company is finalising tests on the Employee's Personal Account digital scenario based on a mobile app which is set to enhance and facilitate online interactions between employees and the HR function.
- The tests on the HR Bot digital scenario were completed. Rosneft's employees can now use their workstations and mobile corporate devices to engage in Q&A sessions on HR matters via a dedicated software application, thus providing for fast and efficient communication in a consistent manner.
- The Company continues to test a digital scenario of a modular and contextual self-education platform. Currently, the solution is available in the form of a mobile app for Android and iOS, as well as a web version. It provides employees with uniform content in the form of advisory videos.
- The Company started working on the Digital Tools for Headcount Control digital scenario to source analytics to better manage headcount across its business units. It aims to develop headcount limits using smart systems which process big data in real time.

Capital Construction



- In 2019, the Company developed the IT Strategy based on the Programme of IT Projects for Capital Construction Automation within the Remit of the Department of Methodology and Control in Capital Construction in 2019–2021. It sets out the digital transformation priorities to improve the accuracy of project planning and risk assessment. As part of the strategy, the major focus was on the two digital initiatives: (1) the End-to-End Project Planning Efficiency Monitoring and (2) the Construction Delay Risk Prediction. The initiatives will help the Company identify schedule risks in a timely manner and predict delays in construction and installation operations by contractors based on the contractor's history with the Company. Following the review, the Company decided to deploy the technology, with pilot testing to commence in 2020.



05

**Corporate
Governance**

Message from the Chairman of the Board of Directors

In 2019, the Company maintained its focus on shareholder return growth, paying out record-high dividends while also reducing leverage.

Amid volatility in international financial markets and elevated uncertainty in global affairs, the Board of Directors and the Company's management are committed to ensuring Rosneft's ongoing value appreciation in the long term and to helping the shareholders thrive and prosper.

On 19 December 2019, the Board of Directors approved Rosneft's financial and business targets for 2020–2021. The key objectives are to develop production and diversify markets while ensuring a balanced financial structure and an unwavering focus on social responsibility.

We have plans to launch major oil and gas exploration and production projects, upgrade oil refining capacities, and move forward with digitalisation and innovations. Operating efficiency improvements and expansion of our sales geography remain our priorities.

Responsibility is a pillar of sustainable development, so the Company takes active part in global discussions on reducing greenhouse emissions and liaises with government bodies and industry peers. In 2019, we developed corporate approaches to carbon management, making sure they were aligned with the UN Sustainable Development Goals. Rosneft also joined the Guiding Principles on Reducing Methane Emissions across the Natural Gas Value Chain – an initiative of international oil and gas majors. Social responsibility is an ongoing area of focus for the Board of Directors.

We aim to continue providing social guarantees for our personnel, improving



our health, safety and environment performance, and fostering relations with local communities across our geographies.

Last year, the Board of Directors engaged Ernst & Young as an independent advisor to look into the Company's management practices. The professionalism of Rosneft's Board of Directors won strong recognition from the external advisor, but our team still sees areas for improvement. In particular, we intend to hold more in-person meetings of the Board Committees and enhance our succession policy.

Doing well by our shareholders and growing the Company in a sustainable manner remain the long-term priorities for the Board of Directors and the management. To this end, we are targeting a rise in shareholder return vs 2019 as one of our goals in financial and business performance for 2020–2021.

I have every confidence that with diligent planning, ongoing review of internal efficiency, and a focus on business, counterparties, employees and partners, the Company is perfectly positioned to continue delivering on the Rosneft–2022 Strategy.

Key Corporate Governance Principles and Improvements in 2019

The Company's leading market position, both domestically and globally, and its commitment to long-term sustainable value creation make it of the utmost importance to build a corporate governance framework which will ensure efficient communication and cooperation between the Board members, top managers, employees, business partners, and local communities across the Company's footprint.

The Company's corporate governance aim is the long-term sustainable growth of its shareholder value.



Guiding Principles for the Company's Governing Bodies

COMMITMENT TO SHAREHOLDERS

The Company has implemented the best corporate governance practices and complies with the Bank of Russia's Corporate Governance Code, ensuring:

- equal and fair opportunities for its shareholders to exercise their legal rights;
- strategic management by an efficient and competent Board of Directors, accountable to shareholders, with a sufficient number of independent directors sitting on it;
- efficient risk management and oversight over material corporate actions, including those in controlled entities;
- full disclosure of the Company's activities most relevant to shareholders and investors.

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

RUB 283 bln

was paid to the shareholders in 2019

To support efficient communication with shareholders, the Company has launched Shareholder's Personal Account.

INNOVATION AND GLOBAL LEADERSHIP

As part of its continuous improvement framework, the Company increases its technological capabilities, invests in new technology, and strives to become a global leader.

In 2019, Rosneft demonstrated new developments in IT, refining, exploration, and production.

PARTNERSHIP WITH NON-GOVERNMENTAL ORGANISATIONS AND COOPERATION WITH STATE INSTITUTIONS

The Company is a party to the UN Global Compact.

In 2019, it joined the global initiative on methane emission reduction.

The Company is among Russia's largest taxpayers.

FAVOURABLE ENVIRONMENT FOR SUSTAINABLE GROWTH

The Company cares about its people – employees, their families, members of local communities across its footprint.

The Company takes care of the environment by introducing carbon management initiatives and implementing best waste management practices.

The Company supports scientific research, culture, and sports.

In its relationships with contractors and employees, the Company observes high ethical standards and respects human rights and freedoms, in accordance with generally accepted principles and international law.

PROTECTION OF SHAREHOLDERS AND KEY STAKEHOLDERS

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

Key Achievements in 2019

A third-party assessment of the Board of Directors' performance was conducted and its results were announced.

The Company fully executed the roadmap for incorporating key provisions of the Bank of Russia's Code in Rosneft's operations.

The Company's compliance with provisions of the Bank of Russia's Code improved since 2014 to reach

95.2% ↑ 10.1%

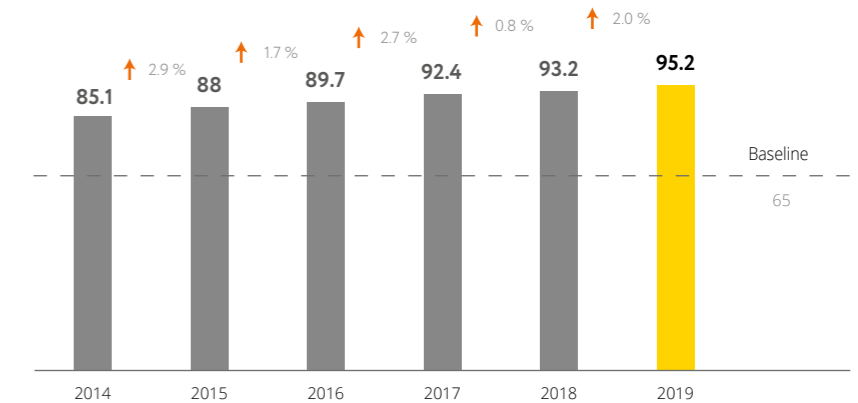
The minimum threshold as recommended by the Federal Agency for State Property Management (Rosimushchestvo) is

65%

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

The Company approved new Internal Control Rules for the Prevention, Detection and Suppression of Illegal Use of Insider Information in Rosneft and/or Market Manipulation and held training sessions for employees.

The Company also launched the Corporate Governance analytical information system, a cutting-edge Russian software that is already helping shareholders exercise their key rights.



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.

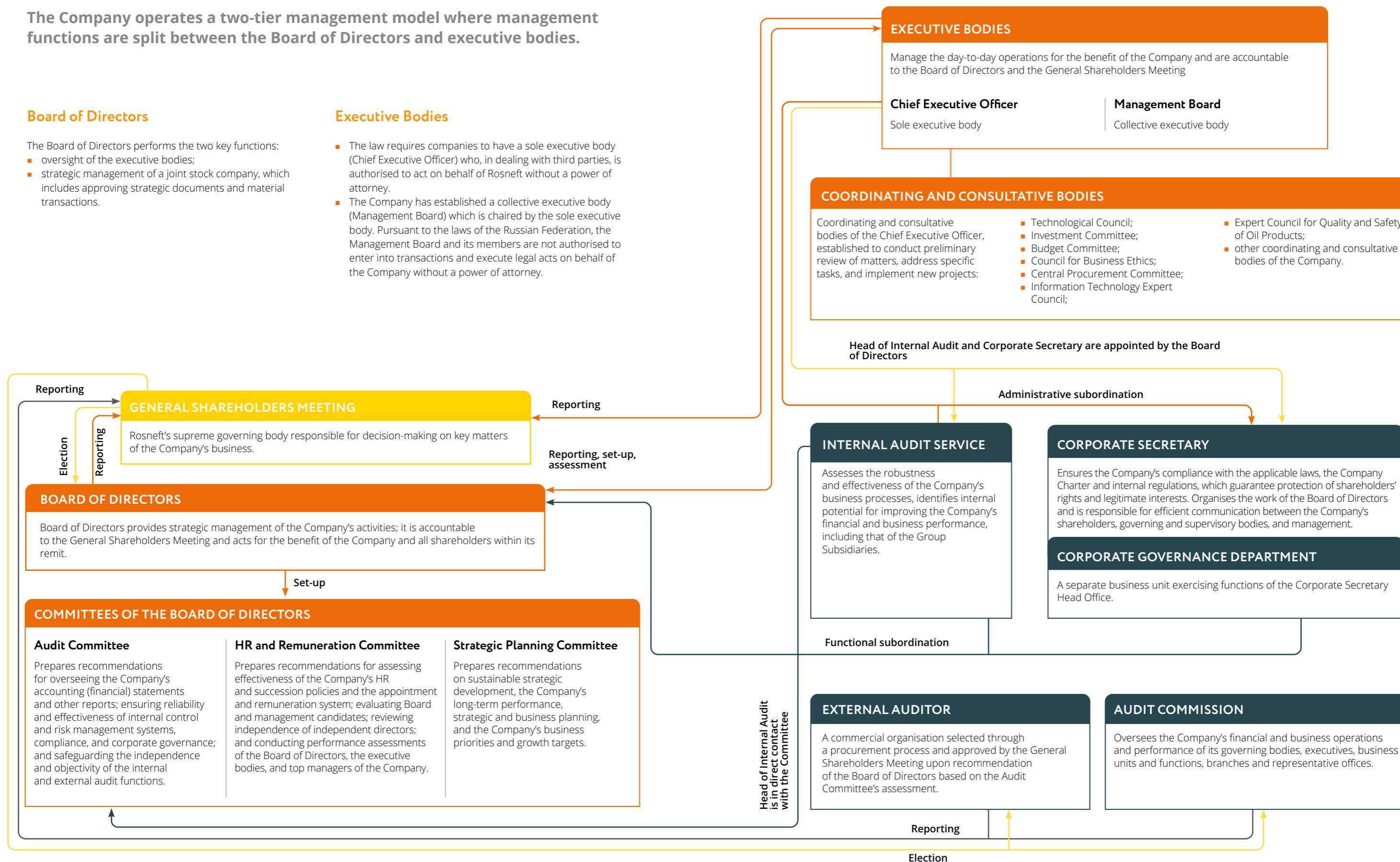
Board of Directors

The Board of Directors performs the two key functions:

- oversight of the executive bodies;
- strategic management of a joint stock company, which includes approving strategic documents and material transactions.

Executive Bodies

- The law requires companies to have a sole executive body (Chief Executive Officer) who, in dealing with third parties, is authorised to act on behalf of Rosneft without a power of attorney.
- The Company has established a collective executive body (Management Board) which is chaired by the sole executive body. Pursuant to the laws of the Russian Federation, the Management Board and its members are not authorised to enter into transactions and execute legal acts on behalf of the Company without a power of attorney.



General Shareholders Meeting

In 2019, the Company's supreme governing body met twice – for one Annual and one Extraordinary General Shareholders Meeting.

As at 31 December 2019, all resolutions of the 2019 shareholders meetings were implemented in full.

Annual General Shareholders Meeting

On 4 June 2019, Rosneft's Annual General Shareholders Meeting was held in St Petersburg and was attended by holders of 91.39% of the Company shares.

Speaking on the agenda items were the Chairman and members of the Board of Directors, Chief Executive Officer, senior management representatives, and external analysts.

The meeting reviewed the performance for the period, approved the Annual Report, annual accounting (financial) statements and net income distribution for 2018 (including for dividend payment), elected the Board of Directors and the Audit Commission, determined their remuneration for the period, and approved the Company's Auditor.

The Chairman of the Board of Directors and the Chief Executive Officer answered questions coming from the shareholders and commented on the Company's position on key business matters.



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.

For shareholders located in Rosneft's cities of operation and at the Company's production facilities, the meeting was broadcast live, enabling viewers to ask questions.

The broadcast was available in the cities and towns of Gubkinsky, Komsomolsk-on-Amur, Krasnodar, Krasnoyarsk, Moscow, Nakhodka, Neftekumsk, Nefteyugansk, Novy Urengoy, Samara, Tyumen, Tuapse, Usinsk, Ufa, Khabarovsk, Yuzhno-Sakhalinsk, and the Vankor field.

Extraordinary General Shareholders Meeting

As part of implementing its dividend policy, on 30 September 2019 the Company held an Extraordinary General Shareholders Meeting by absentee

voting, which resolved to pay dividends for the first six months of 2019. The holders of 91.89% of the Company shares took part in the voting.

Rosneft's Board of Directors

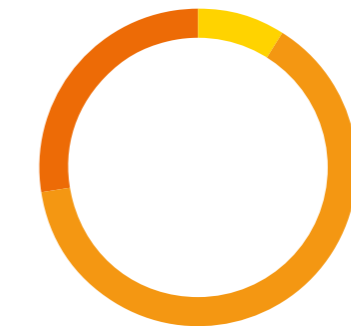
The Board of Directors is responsible for strategic management of the Company's operations for the benefit of all shareholders, and can exercise significant authority in the key areas of the Company's business in line with best practices.

The Board is made up of eleven directors from different countries. Foreign directors representing the Board perfectly fit the Company's international profile and bring a global perspective and broader set of skills and competences. The Board of Directors is diverse in terms of professional experience and qualifications and includes directors with background in public service as well as oil and gas, financial and other sectors.

Four out of eleven directors are independent, as recommended by the Corporate Governance Code of the Bank of Russia. The impartiality and balance of the Board are also ensured by directors nominated by significant minority shareholders – BP and Qatar Investment Authority.

Composition and structure of the Board of Directors

Age



46-55 years	1
56-65 years	7
66 or over	3

Board of Directors



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
Andrey Belousov	x	x	x	x	x	x	x		
Oleg Viyugin	x		x		x		x		x
Robert Dudley	x	x	x		x	x		x	x
Guillermo Quintero	x	x			x	x	x	x	x
Alexander Novak	x	x	x		x		x		
Hans-Joerg Rudloff	x		x		x	x			
Ivan Glasenberg ¹	x		x		x				

¹ Resigned from the Board of Directors on 4 June 2019.

Members of Rosneft's Board of Directors

as at 31 December 2019



**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), and Deputy Chairman of the Supervisory Board at Herrenknecht AG (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 Head Office.

2004–2008: Deputy Head of the Russian Presidential Head Office, Aide to the President.

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

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

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 Boards of Directors of ROSNEFTEGAZ, National Oil Consortium, and Inter RAO, Chairman of the Supervisory Board of CSKA Professional Hockey Club¹.

Involvement in non-profit organisations

Active in the areas of social, scientific, sport and education development; serves as Chairman of the Board of Trustees of SPbAU RAS, Deputy Chairman of the Supervisory Board of the Russian Volleyball Federation, member of the Board of Trustees of Lomonosov Moscow State University, Chairman of the Boards of Trustees of the Russian Research Centre for Radiology and Surgical Technologies, National Intellectual Development Foundation, St Petersburg State University, Graduate School of Management of St Petersburg State University, St Petersburg Mining University, Church Construction Support Fund in Moscow, Russian Federal Public Academy of Education, Moscow State Institute of International Relations, Russian Geographical Society, Lomonosov Moscow State University High School, and Primakov Gymnasium, 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 charter capital).

¹ For more information about 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 of the Board of Directors, Chairman of the HR and Remuneration Committee, member of the Audit Committee, independent director

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).

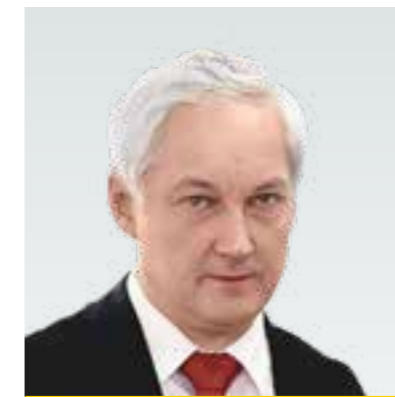
2008–present: Director of Interatis AG (Switzerland).

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 Board of VTB Bank, member of the Administrative Council of GAZPROM Schweiz AG (Switzerland), member of the Board of Directors of Transneft, Chairman of the Administrative Council of Gas Project Development Central Asia AG (Switzerland) and Interatis Consulting AG (Switzerland).

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



Andrey BELOUSOV

Member of the Strategic Planning Committee

Born in 1959.

Graduated from Lomonosov Moscow State University in 1981, Doctor of Economics.

2006–present: Chief Researcher (part-time) at the Institute of Economic Forecasting of the Russian Academy of Sciences.

2008–2013: 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 of the Russian Federation.

Elected to the Board in June 2015.

Chairman of the Board of Directors from June 2015 to September 2017.

Involvement in other companies

Member of the Board of Directors of ROSNEFTEGAZ.

Involvement in non-profit organisations

Active in the areas of social and business development, clergy and culture; serves as a member of the Supervisory Board of Roscosmos, member of the Supervisory Board of VEB.RF, Chairman of the Supervisory Board of Digital Economy, member of the Supervisory Board of Agency for Strategic Initiatives to Promote New Projects, Deputy Chairman of the Board of Trustees of the So-edinenie Support Fund for the deaf-blind, State Tretyakov Gallery and Holy Trinity Seraphim-Diveyevo Convent Eparchy of Nizhny Novgorod of the Russian Orthodox Church (Moscow Patriarchate) of The Holy Trinity-St. Sergius Lavra, and member of the Board of Trustees for the revival of the Sarov Hermitage and the Diveevo cloister of Holy Assumption Monastery of the Sarov Hermitage in Sarov, Nizhny Novgorod diocese of the Russian Orthodox Church (Moscow Patriarchate).

Holds no shares of Rosneft.



Faisal ALSUWAIDI

Member of the Strategic Planning Committee

Born in 1954.

Graduated from Merton Technical College (UK) in 1978.

Between 1997 and 2010, he held the following positions: Chief Managing Director and Deputy Chairman of the Board of Directors at Qatargas; Managing Director at Qatar Fertilizer Company (QAFCO); Administrative Director at Qatar Petroleum.

2012–2018: President of Research and Development at Qatar Foundation.

2018–present: member of the Qatar University Board of Trustees.

2018–present: Representative of Qatar Investments Authority. Elected to the Board in June 2017.

Holds no shares of Rosneft.



Oleg VIYUGIN

Member of the Strategic Planning Committee, Member of the 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 the Federal Service for Financial Markets.

2007–present: Professor at the School of Finance, Department of Economic Sciences, National Research University Higher School of Economics (starting 2019 – on a part-time basis).

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, Chairman of the Board of Directors and 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 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 Board 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.

¹ For more information about the positions held in the governing bodies of other organisations, see the Company's official website.



Robert DUDLEY

Chairman of the Strategic Planning Committee

Born **in 1955**.
Graduated from the University of Illinois (USA) **in 1977**.
Holds 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 Management 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.

Elected to the Board **in June 2013**.

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 Strategic Planning 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–present: Minister of Energy of the Russian Federation.
First elected to the Board of Directors **in June 2015** and served as a director **until June 2017**. Re-elected to the Board in September 2017.

Involvement in other companies

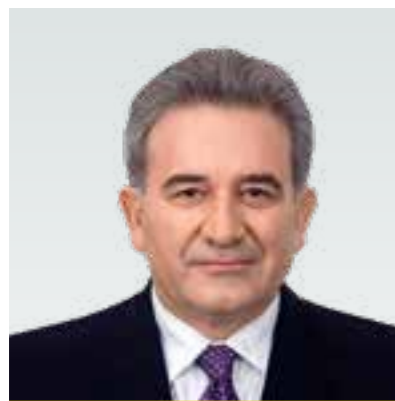
Chairman of Boards of Directors of Rosseti and Transneft, member of the Board of Directors of Gazprom.

Involvement in non-profit organisations

Active in the areas of education and sports development, and energy sector; member of the Supervisory Board

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 Board of Trustees of Siberian Federal University, Gubkin Russian State University of Oil and Gas and Motorcycle Federation of Russia, Chairman of WEC RNC, Russian Basketball Federation and Solovki Archipelago Preservation and Development Foundation, Chairman of the International Sustainable Energy Development Centre under UNESCO auspices and the Chairman of the Board of Trustees of the All-Russian Athletics Federation.

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 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 at GQO Consultants LTD.
Elected to the Board **in June 2015**.

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 the Management Board at Marcuard Holding.
2003–present: Executive Director at ABD Capital S. A.
2015–present: President of ABD Capital Eastern Europe S. A.
Member of the Board of Directors **from June 2006 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 TBG Holdings NV (Thyssen-Bornemisza Group) and director at Decolef and Guardian Capital.

Holds no shares of Rosneft.



Hamad Rashid AL-MOHANNADI

Member of the Strategic Planning 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 Board 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-present: Chairman of the Board of Trustees at The Community College of Qatar. Representative of Qatar Investments Authority. Elected to Rosneft's Board of Directors in June 2019. Holds no shares of Rosneft.

Changes to the composition of the Board of Directors in 2019.

In 2019, Ivan Glasenberg, CEO of Glencore International AG and Glencore plc, retired from the Board of Directors.



Ivan GLASENBERG

Statement of Ivan Glasenberg, CEO of Glencore International AG and Glencore plc:

It was a great pleasure to work with an esteemed and highly competent team of Rosneft's directors. I wish all the best to the Company, the Board, and the employees.

Born in 1957. Graduated from Wits University (South Africa) in 1981 and University of Southern California (USA) in 1983. 2002-present: CEO of Glencore International AG. 2011-present: CEO of Glencore plc. 2017-2019: Member of the Board of Directors of Rosneft.

Holds no shares of Rosneft.

Directors' Attendance at Board and Committee Meetings in 2019

Director	Board of Directors			Audit Committee	HR and Remuneration Committee	Strategic Planning Committee
	Status (executive/non-executive/independent)	Attendance				
Gerhard Schroeder	Independent	24/24				
Igor Sechin	Executive	24/24				
Matthias Warnig	Independent	24/24	18/18	12/13		
Faisal Alsuwaidi	Non-executive	24/24				10/10
Andrey Belousov	Non-executive	24/24				10/10
Oleg Viyugin	Independent	24/24	18/18			10/10
Hamad Rashid Al-Mohannadi	Non-executive	12/12				6/6
Robert Dudley	Non-executive	24/24				10/10
Guillermo Quintero	Non-executive	24/24		13/13		
Alexander Novak	Non-executive	23/24				10/10
Hans-Joerg Rudloff	Independent	24/24	18/18	13/13		
Ivan Glasenberg ¹	Non-executive	12/12				4/4

Note: the first number stands for the number of meetings attended by the director, the second number 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, 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

To achieve effective use of the skills and expertise of newly elected directors, the Company ensures their prompt onboarding in line with the established induction procedure.

In 2019, Hamad Rashid Al-Mohannadi, a representative of Qatar Investment Authority, joined the Board of Directors for the first time. The Company's management explained the

confidentiality and insider information requirements, and the procedure for Mr Al-Mohannadi's participation in the meetings of the Board of Directors and its committees. It also promptly introduced the newly elected director to the Company's day-to-day operations, its strategy, corporate and organisational structure, and corporate governance practices.

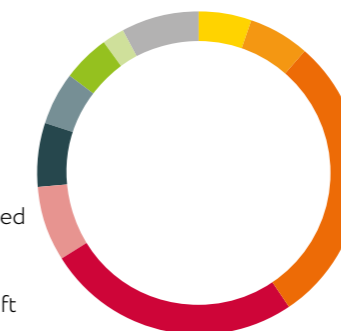
The induction procedure for Board members is described in Rosneft Regulations on the Induction of Rosneft Board Members.



Activities of the Board of Directors

In 2019, the Board of Directors held 24 meetings (4 in person and 20 in the form of absentee voting) and considered 130 items (23 at in-person meeting and 107 at meetings held in the form of absentee voting).

Matter considered



HR and Remuneration	7
Directives of the Russian Government	8
Transactions	38
Corporate governance	33
Report reviews	10
Finance, business projects	8
Audit, risks	7
Approving/amending internal regulations	6
Strategy items	3
Other	10



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

¹ Resigned from the Board of Directors on 4 June 2019.

Board Resolutions in Key Focus Areas

Review of the Rosneft-2022 Strategy performance. The Board of Directors noted achievement of the Strategy's goals for 2019.

Approval of Accounting Function Development Strategy to 2024. It sets out new priorities in improving the efficiency of the Company's accounting function, including higher quality of services and customer focus of shared services centre while keeping the cost of services below or at the market level.

Review of the audit results for Rosneft's Long-Term Development Programme performance in 2018.

The Long-Term Development Programme was updated to reflect new strategic targets and its performance in 2018.

Approval of the Company's business plan for 2020-2021. Its goal is to meet the key objectives of the Rosneft-2022 Strategy, deliver on hydrocarbon production targets while maintaining opex and capex efficiency leadership, strong HSE performance, and a balanced financial position. The Board of Directors took notice of the preliminary results of the business plan performance and normalisation in 2019.

External assessment of the performance of the Board of Directors and its committees with Ernst & Young as an independent consultant.

To ensure compliance with the orders of the Russian President and the Russian Government, the following items were considered:

- informing relevant federal executive bodies about the value of procurement contracts signed with defence companies for civilian products for the fuel and energy sector not included in the state defence order;
- updating the long-term development programme;
- import substitution of radiation, chemical and biological protection equipment;
- introduction of professional standards in the Company's activities;
- developing (updating) internal documents regulating the KPIs and remuneration of the Company's top management;
- improving procurement management.

Approval of business projects to develop Yurubcheno-Tokhomskiye and Tagulskoye fields, Erginsky licence area, the Russkoye and North Komsomolskoye fields (PK1 formation).

Approval of the Succession Plan for Directors and the Members of the Management Board to ensure succession in the Company's management bodies, preservation of the best practices and consistency with the Company's development strategy.

Evaluation of the independent directors against independence criteria (Gerhard Schroeder, Matthias Warnig, Oleg Viyugin and Hans-Joerg Rudloff).

In 2019, the Board of Directors conducted the first independent assessment of its performance.

It was based on questionnaires and individual interviews with the Board members and Corporate Secretary, as well as on the analysis of publicly available and internal documents, meeting minutes and materials of the Board of Directors and its committees.

The consultant praised the Board's practices and presented a report where it identified potential areas for improvement.

In the report, the consultant noted:

- high qualifications of the Board members;
- effective balance of power between independent directors and directors who represent major shareholders;
- strong organisation of the Board and committee meetings.

The procedure for assessing the performance of the Board of Directors is described in Rosneft Oil Company's Regulation on Evaluation of Rosneft Board of Directors Performance.



Review of the progress of the Action Plan to Improve the Performance of Rosneft's Board of Directors.

Review of the roadmap status for incorporating the key provisions of the Bank of Russia's Code in the Company's operations.

The roadmap for incorporating the key provisions of the Bank of Russia's Code in the Company's operations was completed.

The following internal documents were approved/amended:

- Rosneft's Corporate Governance Code;
- Policy on Offshore Hydrocarbon Exploration and Production;
- Rosneft's Procedure for Classifying Group Subsidiaries as key Subsidiaries;
- Procedure for Appointment and Activities of Rosneft Board of Directors Committees;
- Rosneft's Regulations on the Induction of Rosneft Board Members;
- 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;
- Rosneft's Regulations on Annual Bonus to Top Managers and Heads of Standalone Business Units;
- Rosneft's Regulations on Annual Bonus to Middle Managers, Specialists and Employees of the Company's Head Office;
- Rosneft's Regulations on Annual Bonus to the CEO and Top Managers of Rosneft Group Subsidiaries.

The following programmes and reports were reviewed/approved:

- reports on the Board's committees activities in 2018-2019;
- report on the progress of Energy Saving Programme 2018-2022 in 2018;
- progress report on the Non-Core Assets Disposal Programme in the fourth quarter of 2018 and the first three quarters of 2019;
- reports on related party transactions entered into by Rosneft in 2018;
- reports on the Company's HSE activities;
- report on the internal audit performance in 2018 and first six months of 2019;
- report on the Company's compliance with legislative requirements for countering the abuse of insider information and market manipulation for the second half of 2018 and the first six months of 2019;
- report on the Innovative Development Programme progress in 2018;
- report on the status of the Comprehensive Plan for the Enhancement of the Risk Management and Internal Control System in 2018;
- report on Introducing Professional Standards in the Company's Operations as of 1 November 2019;
- reporting on the identification of company-wide financial and operational risks for 2020.

The following documents and criteria related to remuneration were approved:

- performance indicators of Rosneft's top managers for 2019;
- normalised KPIs of top managers for the 2018 annual bonus calculation, and their performance and bonus amount for 2018.

Approval of amendments to the terms of the mandate agreement for maintaining the register of Rosneft securities holders.

The Board of Directors approved and reviewed around 100 related party transactions.

Plans for 2020

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;

- results/updates of the Long-Term Development Programme;
- approval of management's collective and individual KPIs;
- assessment of the Board performance;
- preparations for the General Shareholders Meetings, etc.

The Board of Directors considers strategic matters determined by the Charter at in-person 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;
- Strategic Planning Committee.

The Board of Directors sets up the committees and elects committee chairs at the first in-person meeting.



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

COMMITTEES OF THE BOARD OF DIRECTORS		
<p>Members of the Audit Committee</p> <p>Hans-Joerg Rudloff – Chairman, independent director</p> <p>Matthias Warnig – independent director</p> <p>Oleg Viyugin – independent director</p>	<p>Members of the HR and Remuneration Committee</p> <p>Matthias Warnig – Chairman, independent director</p> <p>Hans-Joerg Rudloff – independent director</p> <p>Guillermo Quintero</p>	<p>Members of the Strategic Planning Committee</p> <p>Robert Dudley – Chairman</p> <p>Alexander Novak – Deputy Chairman</p> <p>Faisal Alsuwaidi</p> <p>Andrey Belousov</p> <p>Oleg Viyugin – independent director</p> <p>Hamad Rashid Al-Mohannadi¹.</p>

¹ Hamad Rashid Al-Mohannadi was elected to the Strategic Planning Committee on 4 June 2019.

Activities of the Board Committees

Audit Committee



Statement of Hans-Joerg Rudloff, Chairman of the Audit Committee:

In 2019, the Company's management improved control procedures, risk management system, internal control and audit. The quality of materials provided to the Board also gets better all the time.

In 2019, the Audit Committee held 18 meetings (3 in person and 15 in the form of absentee voting) and considered 40 items (8 at in-person meeting and 32 at meetings held in the form of absentee voting).

The auditor's fees for 2019 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 83,151,780, 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.



The activities of the Audit Committee are governed by Rosneft Regulation on the Rosneft Board of Directors Audit Committee.

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 2018, the amount of dividends for 2018 and the first six months of 2019, and the payout procedure.

To ensure proper preparation of accounting (financial) statement and impartiality and independence of the external audit, the Committee:

- reviews 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 Risk Management and Internal Control System in 2018 and on approval of the Plan for 2019–2021;
- reporting on the company-wide financial and operational risks materialised in 2018;
- report on internal investigations conducted by Rosneft in 2018;
- results of the survey on strategic risks in 2019.

To ensure the impartiality and independence of the internal audit, the Committee reviewed:

- reports on the internal audit performance in 2018 and first six months of 2019;
- information on assessment and monitoring of potential conflicts of interest in case of the Head of Internal Audit serving on the Management Board (on a quarterly basis).

In the area of corporate governance, the Committee:

- reviewed and recommended for approval amendments to Rosneft's Corporate Governance Code;
- reviewed 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 and recommended it for approval by the Board of Directors;
- analysed Rosneft's Dividend Policy against the global economic trends.

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 the HR and Remuneration Committee

The HR and Remuneration Committee and Corporate Secretary have had the performance of the Board of Directors assessed for the first time. The Company's independent consultant, Ernst & Young, praised strong organisation and high qualifications of the Board members, as well as efficient administrative and information support provided to it. The Committee's agenda for 2019 also included changes to the Management Board's composition as part of the scheduled rotation. After performing an analysis of the necessary professional skills, the Committee submitted recommendations to the Board of Directors on new Management Board membership.

Key resolutions

In 2019, the HR and Remuneration Committee held 13 meetings (1 in person and 12 in the form of absentee voting) and considered 28 items (1 at an in-person meeting and 27 at meetings held in the form of absentee voting).



The activities of the HR and Remuneration Committee are governed by Rosneft Regulations on Human Resources and Remuneration Committee of Rosneft Board of Directors.

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 2018–2019, 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.

To assess the performance of the Company's management and governing bodies, the Committee reviewed:

- top management's collective and individual KPIs for 2019, their normalised KPI performance criteria for 2018, and the results considered in the 2018 annual bonus calculation;
- Rosneft's Regulations on Annual Bonus to Top Managers and Heads of Standalone Business Units, Regulations on Annual Bonus to Middle Managers, Specialists and Employees of the Company's Head Office, and Regulations on Annual Bonus to the CEO and Top Managers of Rosneft Group Subsidiaries;

- results of external assessment of the Board and its committees' performance;
- report on introducing professional standards in the Company's operations;
- action plan for introducing professional standards in the operations of Rosneft and Group Subsidiaries.

To ensure sustainable development, the Committee approved Rosneft's Sustainability Report for 2018¹.

Key matters related to the Committee activities were discussed in person and during conference calls attended by the Committee members and the Company's management.

Strategic Planning Committee



Statement of Robert Dudley, Chairman of the Strategic Planning Committee

In 2019, the Strategic Planning Committee reviewed key matters related to strategy performance, the Company's long-term efficiency, as well as strategic and business planning. We continued to focus on HSE matters in line with the ESG approach, which we regard as our priority.

Key resolutions

In 2019, the Strategic Planning Committee held 10 meetings (3 in person and 7 in the form of absentee voting) and considered 21 items (8 at in-person meetings and 13 at meetings held in the form of absentee voting).



The activities of the Strategic Planning Committee are governed by Rosneft Regulation on the Rosneft Board of Directors Strategic Planning Committee.

To determine the Company's priorities, the Committee reviewed:

- status of the Rosneft–2022 Strategy;
- updated Long-Term Development Programme;
- business plan for 2020–2021, as well as the results of implementation and normalisation of the business plan for 2019.

To promote HSE initiatives, the Committee approved:

- reports on the Company's HSE activities;
- Policy on Offshore Hydrocarbon Exploration and Production.

To run the Company's business projects, the Committee recommended that the Board of Directors approves key metrics and budgets for a number of business projects.

To promote innovation, the Committee:

- approved the Report on Innovative Development Programme performance in 2018.

When reviewing the key matters, the Chairman and Committee members consulted the Company's management, requested additional information and received written and oral clarifications.

¹ The Report is available on the Company's official website.

Executive Bodies

ROSNEFT'S EXECUTIVE BODIES ARE:

Chief Executive Officer

Management Board

As per the 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 Management Board comprises the heads of key business lines, operation service and support function segments of the Company. The size of the Board totals 11 members. 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 the 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 Management Board composition in 2019

Zeljko Runje, Management Board member and First Vice President for Oil, Gas, and Offshore Business Development, was appointed Deputy Chairman of the Management Board.

The two newly appointed members of the Management Board are Ural Latypov, Vice President – Head of Security Service, and Andrey Polyakov, Vice President – Chief Geologist.

Board composition

as at 31 December 2019

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.

From 2012: Chief Executive Officer, Chairman of the Management Board, member of the Board of Directors of Rosneft.

From 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 in 1979.
Holder of government awards.

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.

2012–2019: Vice President of Rosneft for Offshore Projects.

From December 2019: First Vice President for Oil, Gas, and Offshore Business Development of Rosneft.

Member of Rosneft's Management Board since 2012.

Chairman of the Supervisory Board at PJSC Rosneft-Sakhalin, Chairman of the board of directors at LLC RN-Foreign Projects and JSC RN-Shelf-Far East, member of the Board of Directors at PJSOC Bashneft, CJSC Rosshelf, JSC FESRC, LLC RN-GAZ, and LLC RN-Commerce.

Holds 377,318 shares of Rosneft (0.0036% of the Company's charter capital).

Eric Maurice LIRON

Vice President
for In-House Services
of Rosneft

Born in 1954.

Graduated from the School of Radio Engineering, Electronics and Computer Science (Paris, France) in 1980.

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.

2013–2019: First Vice President of Rosneft overseeing the production business.

From December 2019: Vice President for In-House Services at Rosneft.

Member of Rosneft's Management Board since 2013.

Chairman of the Boards of Directors at JSC Verkhnechonskneftegaz, LLC RN-Upstream, OJSC NGK Slavneft, LLC RN-GAZ, LLC RN-Resource, and LLC RN-Foreign Projects.

Holds 543,804 shares of Rosneft (0.0051% of the Company's charter capital).

Gennady BUKAEV

Vice President, Head
of Internal Audit

Born in 1947.

Graduated from Ufa State Oil Technical University in 1971. 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: 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.

From June 2016: Vice President – Head of Internal Audit at Rosneft.

Member of Rosneft's Management Board since 2016.

General Director, member of the Board of Directors at JSC ROSNEFTEGAZ, member of the Board of Directors at PJSOC Bashneft, Chairman of the Supervisory Board of Gubkin National University of Oil and Gas, Chairman of the Audit Commission of PJSC Inter RAO and Internet Initiatives Development Fund, member of the Audit Commission of Agency for Strategic Initiatives to Promote New Projects, member of the Club Council at Autonomous Non-Profit Organisation Hockey Club Salavat Yulaev.

Holds no shares of Rosneft.

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

Didier CASIMIRO

Vice President
for Refining,
Petrochemical,
Commerce
and Logistics

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.

Member of Rosneft's Management Board since 2012.

Chairman of the Board of Directors at PJSC Saratov Refinery, Rosneft – MP Nefteprodukt, CJSC Rosneft-Armenia, LLC RN-Yerevan, LLC RN-Commerce, LLC RN-Refining, Chairman of the Supervisory Board at PRJSC LINIK, member of the Board of Directors at OJSC NGK Slavneft, PJSC Slavneft-YANOS, Rosneft Global Trade S.A., JSC SPIMEX, PJSOC Bashneft, LLC RN-Foreign Projects.

Holds 457,598 shares of Rosneft (0.0043% of the Company's charter capital).



**Yuri
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 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.

March 2017–present: Vice President, Chief of Staff of Rosneft.

Member of Rosneft's Management Board since 2017.

Member of the Supervisory Board at RRDB Bank (JSC), member of the Boards of Directors at LLC RN-GAZ, LLC RN-Upstream.

Holds no shares of Rosneft.



**Elena
ZAVALEEVA**

State Secretary, Vice
President

Born in 1981.

Graduated from the Moscow State Social University of the Ministry of Labour and Social Development in 2003, majoring in Legal.

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, Director of the Government and Management Relations Department.

From September 2017: State Secretary, Vice President of Rosneft.

Member of Rosneft's Management Board since 2018.

Chairwoman of the Board of Directors at LLC Reestr-RN, member of the Boards of Directors at PJSOC Bashneft, LLC RN-Refining, LLC RN-Upstream.

Holds 6,250 shares of Rosneft (0.00006% of the Company's charter capital).



**Peter
LAZAREV**

Financial Director

Born in 1967.

Graduated from the 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.

February 2013 – present: Financial Director of Rosneft.

Member of Rosneft's Management Board since 2011.

Chairman of the Board of Directors at LLC RN-Resource, Deputy Chairman of the Board of Directors at JSC DSRC, member of the Boards of Directors at PJSC NC Rosneft – MP Nefteproduct, JSC FESRC, JSC TEK-Torg, LLC RN-Upstream, LLC RN-Commerce, LLC RN-Assets, LLC RN-Foreign Projects, General Director at LLC RN-Foreign Projects, JSC RN Holding, Executive Financial Director at JSC RN Management.

Holds 448,066 shares of Rosneft (0.0042% of the Company's charter capital).



**Andrey
SHISHKIN**

Vice President
for Informatisation,
Innovation
and Localisation

Born in 1959.

Graduated from the 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.

From November 2019: Vice President of Rosneft for Informatisation, Innovation and Localisation.

Member of Rosneft's Management Board since 2015.

Chairman of the Board of Directors at JSC FESRC, JSC 82 SRF, LLC Zvezda-Hyundai, JSC Lazurit CDB, PJSC Ufaorgsintez, LLC Zvezda-SHI, Deputy Chairman of the Board of Directors at PJSOC Bashneft, member of the Boards of Directors at RIG Research Pte. Ltd., PJSC RusHydro, JSC USC, LLC SNGT, LLC Zvezda Marine Technology, Antares Singapore Pte. Ltd., LLC RN-Assets, LLC RN-Upstream, LLC RN-Commerce, LLC RN-Refining, OJSC SPA Burovaya Technika, General Director at LLC RN-Assets, member of the Supervisory Board at NATT, member of the Board of Trustees at Gubkin National University of Oil and Gas. Holds 377,114 shares of Rosneft (0.0036% of the Company's charter capital).



**Ural
LATYPOV**

Vice President, Head
of Security Service
of Rosneft

Born in 1972.
Graduated from the Bashkir State University in 1997.
1996–2016: employee of law enforcement agencies.
2016–2019: Deputy Head of Security Service of Rosneft, Acting Vice President – Head of Security Service of Rosneft.
From June 2019: Vice President – Head of Security Service of Rosneft.
Member of Rosneft's Management Board since 2019.
Member of the Board of Directors of PJSOC Bashneft, SLAVNEFT.
Holds no shares of Rosneft.



**Andrey
POLYAKOV**

Vice President – Chief
Geologist of Rosneft

Born in 1976.
Graduated from Lomonosov Moscow State University in 2002.
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 of Rosneft.
Member of Rosneft's Management Board since 2019.
Does not hold positions in governance and control bodies of other organisations.
Holds 147 shares of Rosneft (0.000001% of the Company's charter capital).

Chairman of the Management Board Yuri Kalinin and Board member Vlada Rusakova have retired and left office.

Yuri KALININ

Born in 1946.
Graduated from the Saratov Institute of Law in 1979.
Holder of government and ministerial awards.
1998–2004: Deputy Minister of Justice of the Russian Federation.
2004–2009: Director of the Federal Penitentiary Service (FPS) of Russia.
2009–2010: Deputy Minister of Justice of the Russian Federation.
2010–2012: representative of the Penza Region Legislative Assembly in the Federation Council of the Federal Assembly of the Russian Federation.
2012–2019: Vice President for HR and Social Policy of Rosneft.
2013–2019: member of the Management Board of Rosneft, Deputy Chairman of the Management Board of Rosneft.
January 2020–present: Assistant to the Chief Executive Officer of Rosneft.
Holds 203,916 shares of Rosneft (0.0019% of the Company's charter capital).

Vlada RUSAKOVA

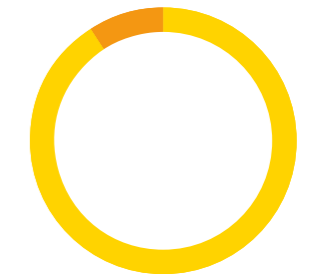
Born in 1953.
Graduated from and completed a post-graduate programme at the Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1977 and 1984 respectively.
Holder of government and ministerial awards.
1998–2003: Head of the Prospective Development Forecasts Directorate at the Prospective Development, Science and Ecology Department of PJSC Gazprom.
2003–2012: Head of the Prospective Development, Science and Ecology Department, Head of the Strategic Development Department, Head of the Prospective Development Department of PJSC Gazprom.
2013–2019: Vice President of Rosneft in charge of the gas business.
2017–2019: member of Rosneft's Management Board.
Holds 4,071 shares of Rosneft (0.00004% of the Company's charter capital).

Age Diversity on the Management Board



Under 45 years	2
46–55 years	4
56–65 years	4
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, Portugal, Dutch and Croatian.

Management Board Tenure

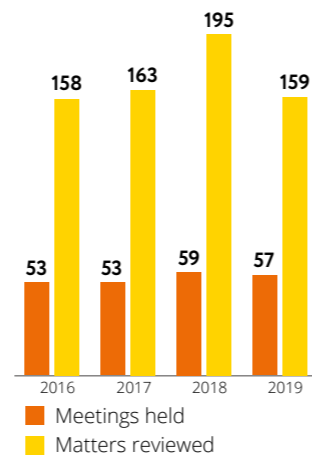
Management Board member	Membership start date	Period
Igor Sechin	2012	7 years
Zeljko Runje	2012	7 years
Eric Maurice Liron	2013	6 years
Gennady Bukaev	2016	3 years
Didier Casimiro	2012	7 years
Yuri Kurilin	2017	2 years
Petr Lazarev	2011	8 years
Elena Zavaleeva	2018	1 year
Andrey Shishkin	2015	4 years
Ural Latypov	2019	Less than a year
Andrey Polyakov	2019	Less than a year

Management Board's Activities in 2019

In 2019, the Management Board held 57 meetings, reviewed 159 matters and adopted a number of decisions, including the following:

- approved establishing a corporate entity for Vostok Oil project;
- approved works to develop a retail distribution network of compressed natural gas to be used as motor fuel, which Rosneft views as one of its key priorities;
- approved the **acquisition of a 100% stake in Petersburg Fuel Company**;
- approved three field development and construction business projects;
- approved internal regulations on the procedures of the Company's collective/consultative bodies: Business Continuity Commission, Commission on Energy Efficiency, Metrology Board, Command Staff of Civil Defense, Evacuation Commission, Residential Mortgage Commission, Commission for Critical Information Infrastructure Categorisation, etc.;
- approved Rosneft's organisational structure (as amended);
- approved entering into:
 - two transactions for increasing business projects' profitability;
 - 73 transactions for oil and oil products deliveries to foreign and domestic markets, supply of gas, proppant, refining of oil, petroleum and other hydrocarbon feedstock, sale of hydrocarbons, oil sale consignment services, gas sale agent services, etc.;
 - seven charity transactions;
- approved amendments to 22 transactions for oil and petroleum products deliveries, well drilling, construction and installation operations, etc.;
- liquidated / reorganised four Group Subsidiaries as part of the Company's corporate structure optimisation;
- approved Rosneft's participation / termination of participation (direct and indirect) in 22 profit and two non-profit organisations;
- approved the Company's internal regulations, including new versions of internal regulations on:
 - information technologies;
 - insurance of corporate risks;
 - staff skill assessment and development;
 - planning of the best distribution of hydrocarbons, oil and gas and petrochemical products, preparing their production plans;
 - offshore asset and project management;

Number of matters considered and meetings held in 2016–2018



- Company's coordinating and consultative bodies activities;
- managing the internal audit function, etc.;
- reviewed results of the Company management activities for 2018 and approved KPIs for heads of Rosneft business units and heads of key Group Subsidiaries for 2019;
- approved nominees to the boards of directors and executive bodies of key Group Subsidiaries.

Management Board Work Planning

The Management Board prepares its work plans quarterly taking into account the Board of Directors' resolutions and 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;
- overseeing the priority areas of the Company's business;
- Rosneft's participation / termination of participation in profit and non-profit organisations;
- winding up and reorganisation of the Group Subsidiaries;
- appointment and termination of the sole executive body and members of the collective executive bodies of the Group Subsidiaries.

In 2020, the Management Board will continue implementing the Company's Development Strategy in accordance with the Board of Directors' resolutions.

Corporate Secretary

Since 2014, the Corporate Secretary has been Corporate Governance Director Svetlana Gritskevich¹.

The Corporate Secretary's function is supported by the Company's separate business unit – Corporate Governance Department.

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 activities are governed by the Regulation On the Corporate Secretary.

Key functions:

- 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;
- 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 Governance analytical information system was put into operation in 2019.

The Company automated the control rules for prevention, detection and suppression of illegal use of Rosneft's insider information.

Shareholders gained access to personal accounts – a handy tool to obtain relevant personal accounts data and to exercise rights under Rosneft securities online.

The use of advanced information technology in automating the corporate governance processes allows enhancing the Corporate Secretary's work efficiency for protection and exercise of shareholders' rights.



**Svetlana
GRITSKEVICH**

Born in **1974**.

Graduated from the Institute of Modern Knowledge, Belarus State University (Minsk, Belarus) in **1996** and the Russian Presidential Academy of Public Head Office in **2011**.

Has an MBA degree (Moscow International Business School, **2011**), extensive corporate governance experience (since **1998**) and expertise in fuel and energy companies' business (since **1996**), as well as managerial experience (since **2003**) and experience of working as a Board member in a number of joint stock companies.

Rosneft's Corporate Governance Department Director since **2013**.

Member of the Moscow Exchange Share Issuers Committee.

Holds 393 shares of Rosneft (0.000004% of the Company's charter capital).

Winner of the *Corporate Governance Director / Corporate Secretary 2019* category of the *Director of the Year* national award held by the Independent Directors Association and the Russian Union of Industrialists and Entrepreneurs jointly with PwC.

¹ Resolution of Rosneft's Board of Directors dated 28 April 2014 (Minutes No. 34 of 5 May 2014).

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.

The remuneration is payable to directors pro rata to the time served and performance of additional duties.



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.

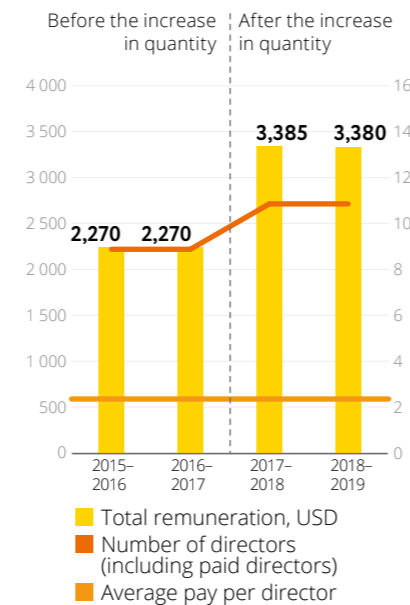
On 4 June 2019, the Annual General Shareholders Meeting acting on the recommendation of the Board of Directors, pre-approved by the HR and Remuneration Committee, resolved to pay the following amounts to members of its Board of Directors pro rata to the time served:

- Gerhard Schroeder – USD 600,000 (including compensation for chairing the Board of Directors);
- Faisal Alsuwaidi – USD 530,000 (including compensation for membership in the Strategic Planning Committee);
- Matthias Warnig – USD 580,000 (including compensation for chairing the HR and Remuneration Committee and membership in the Audit Committee);
- Oleg Viyugin – USD 560,000 (including compensation for membership in the Strategic Planning Committee and the Audit Committee);
- Ivan Glashenberg – USD 530,000 (including compensation for membership in the Strategic Planning Committee);
- Hans-Joerg Rudloff – USD 580,000 (including compensation for chairing the Audit Committee and membership in the HR and Remuneration Committee).

No remuneration for 2018–2019 corporate year was paid to Andrey Belousov, Robert Dudley, Guillermo Quintero, Alexander Novak, Igor Sechin.

The total remuneration paid to members of the Board of Directors for 2018–2019 corporate year amounted to USD 3,380,000.

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



The total remuneration paid to members of the Board of Directors for 2017–2018 corporate year rose after the membership of the Board of Directors increased from nine to eleven directors. Though, the average pay per director remained flat at USD 565,000.

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 (KPIs) 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.

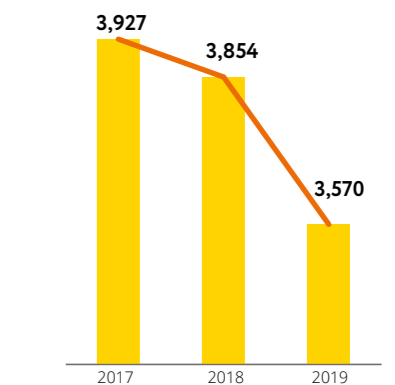
The KPI framework and its integration with the Company's Strategy are detailed in Section Company KPIs of this Report.

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 2019 amounted to RUB 3.57 bln¹, down by 7.4% year-on-year.

Since 2017, the total remuneration payable to members of the Management Board went down by 9%, or RUB 357 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 2018 was published on 5 February 2019 in accordance with the Russian regulatory requirements for information disclosure by issuers of issue-grade securities as part of Rosneft's Quarterly Report for Q4 2018.

Civil Liability for the Members of the Board of Directors and the Management

The liability of members of the Board of Directors, executive bodies, employees of the Company and all the Group Subsidiaries is insured by the contract signed with SOGAZ in 2017 and approved by the Annual General Shareholders Meeting.

This third-party liability insurance policy covers all possible risks during the reporting year with a total liability limit of USD 150 mln.

Additional liability limits apply to:

- all independent directors capped at USD 6 mln and each independent director capped at USD 1 mln;
- protection against environmental pollution capped at USD 2.5 mln and environmental management capped at USD 5 mln.

Managing Possible Conflicts of Interest

Possible conflicts of interest are addressed at all corporate governance levels.

Shareholders

For the avoidance of any potential conflicts among its shareholders, the Company provides equal opportunities for exercising shareholder rights established by the applicable laws.

The Corporate Secretary is responsible for shareholder relations of the Company and also contributes to preventing corporate conflicts. The Corporate Secretary has to promptly notify the Board of Directors of any threatened violation of the applicable laws or shareholder rights and any possible conflicts of interest. The Company manages shareholder relations, including shareholders' requests for explanation.

Board of Directors

The Board of Directors is responsible for managing any conflicts of interest in the Company. The Charter sets out the procedure for considering interested-party transactions by the Board of

Directors. The Regulations on the Board of Directors determine the duties of Board members related to prevention and management of any conflicts of interest.

When considering agenda items, members of the Board of Directors assess potential conflict between their interests and those of the Company. With respect to any issue that may, in the opinion of a Board member, result in such a conflict of interest, the director shall not participate in voting and, where necessary, in the discussion of such issue. Board members must report any actual/potential conflicts of interest to the Chairman of the Board of Directors or the Corporate Secretary.

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 rules for disclosing insider information, and monitors compliance on a regular basis.



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, Svetlana Gritskevich, is in charge of compliance with regulatory and internal requirements for countering the illegal use of insider information.

Executive Bodies

In accordance with the internal regulations, members of the Management Board and the Chief Executive Officer:

- 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, may not hold and/or control 20 or more percent of voting shares (interests or stakes) in any entity competing with the Company or having any business interest in maintaining relations with the Company;
- may not accept any gifts from persons interested in resolutions passed as part of their duties or otherwise benefit from such persons.

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

Top Managers and Employees

The rules for the avoidance and prevention of conflicts of interest are governed by the Code of Business and Corporate Ethics which defines the terms "conflict of interest" and "corruption" and sets out the procedure for preventing corporate fraud. The Company's Council for Business Ethics also contributes to managing conflicts of interest.

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, and the Regulations on Managing Conflicts of Interest in Rosneft and Group Subsidiaries.

Special rules for the prevention of corporate fraud are laid down in the Company's Policy on Combating Corporate Fraud and Involvement in Corruption Activities. This Policy establishes the key principles and the organisational structure for combating corporate fraud, monitoring procedures, and anti-corruption training for the employees, including response protocols in case of threatened violation of anti-corruption rules.

Special rules aiming to prevent the securities market manipulation and the illegal use of insider information are laid down in Rosneft's Regulations on Internal Control Rules for the Prevention, Detection and Suppression of Illegal Use of Insider Information in Rosneft, which determine the rules for disclosing insider information and the rules for conducting transactions in financial instruments by persons included in the insider list.

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



¹ In accordance with the Guidelines on Prosecution of Officers for the Failure to Prevent and/or Manage a Conflict of Interest developed by the Russian Ministry of Labour in pursuance of Clause 10 of the National Anti-Corruption Plan.

Anti-corruption Efforts

In 2019, Rosneft continued to focus on countering corruption and corporate fraud and ensuring compliance by the Company's employees with international and Russian anti-corruption laws, and its internal regulations.

Rosneft was consistently improving its framework for building anti-corruption elements of the corporate culture and organisational structure, as well as rules and procedures intended to prevent corporate fraud and corruption and mitigate reputational risks and risks of sanctions for bribery that might be imposed on the Company.

To this end, Rosneft's Council for Business Ethics put together and introduced the Comprehensive Anti-Fraud and Anti-Corruption Programme for 2019–2020¹. In 2019, programme activities included:

- adopting Rosneft's Guidelines on Prosecution of the Company's Officers/Employees for the Failure to Prevent and/or Manage a Conflict of Interest²;
- drafting and communicating to all employees the Concise Guide to Compliance, including anti-fraud and anti-corruption provisions governing *inter alia*, exchange of business gifts and hospitality;
- arranging for and collecting ethical declarations, analysing them and doing selective fact-checking. Rosneft's Council for Business Ethics approved³ the outputs;
- quarterly updating the Company's employees on typical violations of anti-fraud and anti-corruption rules (including management of conflicts of interest);
- drafting recommendations on anti-fraud and anti-corruption measures

and communicating the same to the Group Subsidiaries and joint ventures;

- conducting 405 anti-corruption audits of draft internal regulations and implementation documents;
- publishing the All about Compliance information bulletin (quarterly) and an article devoted to the International Anti-Corruption Day;
- arranging for and conducting an employee survey on combating corporate fraud and involvement in corruption activities;
- developing and launching the new distance learning course – Business Ethics Compliance: Corporate Gifts and Hospitality;
- developing and implementing the Company's Regulations on Coordinating Anti-Fraud and Anti-Corruption Processes, including the following procedures:
 - assessment of corporate fraud and corruption risks;
 - protection of whistleblowers;
 - reporting of suspected corporate frauds or corruption and investigations;
 - training and communications in combating corporate fraud and corruption;
 - monitoring and control of anti-fraud and anti-corruption processes.

In pursuance of Clause 22 and Subclause b of Clause 28 of the National Anti-Corruption Plan, the Company continued to provide anti-corruption training to its employees, including newly hired staff.

The Company's in-house coaches held in-person trainings in Managing Conflicts of Interest for heads of business units,

including members of the Board of Directors / supervisory boards of the Group Subsidiaries. The Company held in-person trainings for representatives of overseas Group Subsidiaries in Anti-Corruption Compliance: Managing Conflicts of Interest in the context of local anti-corruption laws.

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 approved by Presidential Executive Order No. 378 dated 29 June 2018 (5 July 2019, 18 July 2019, 22 November 2019, 25 November 2019, 2 December 2019).

The Company attended the Participation of Organisations in Combating Corruption conference held by the Prosecutor General's Office and the Ministry of Labour and Social Protection of the Russian Federation which focused on anti-corruption law enforcement practices by organisations tasked with supporting federal executive authorities.

The Company has in place the Code of Business and Corporate Ethics (the Code) and the Policy on Combating Corporate Fraud and Involvement in Corruption Activities (the Policy), both approved by Rosneft's Board of Directors, which outline Company-wide principles and approaches aiming to ensure compliance with anti-corruption requirements.

The Code reflects the Company's culture, while underlining its commitment to the highest standards of business ethics

and imposing the responsibility for compliance with ethical standards on all employees regardless of their status and position. The Code explains the key terms on how to manage conflicts of interest and exchange corporate gifts.

The Policy imposes the responsibility on all employees and members of the Company's governing bodies, regardless of their position, for compliance with anti-corruption principles and requirements as well as for actions (omissions) of their subordinates. The Policy also requires employees to report any inducement to corruption offences to the authorised officers and functions.

The Company also has in place the Regulations on Managing Conflicts of Interest in Rosneft and Group Subsidiaries which 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 Company has set up conflict of interest commissions.

The Company makes organisational arrangements to meet the requirements for hiring former government officials,

collect and verify information on income, property, and property-related obligations for certain categories of employees; enhance the commitment of the Company's management to preventing corruption, including conflicts of interest, by adding relevant provisions into employment contracts, and amending employee job descriptions with provisions on liability for failure to comply with anti-fraud and anti-corruption requirements of the Company's internal regulations.

The Company operates a 24/7 Security Hotline to report on cases of corporate fraud and corruption

which gathers and analyses incoming information on corporate frauds, corruption and conflicts of interest.

In 2019, the Security Hotline received 35,106 calls amounting to RUB 40.46 mln of damage identified/prevented. The Company terminated 34 employment contracts and took disciplinary actions against 92 employees. In 19 cases, the investigation findings were submitted to law-enforcement authorities.

Members of the Company's Board of Directors are updated on the Security Hotline operation on a quarterly basis.

The analysis of the Security Hotline operation proved its high efficiency in preventing and deterring employees from offending against the Company's internal regulations or engaging in other abusive practices.

THE CORRUPTION CONTROL SECTION ON THE OFFICIAL CORPORATE WEBSITE HAS:

- the Company's statement on its zero tolerance for corruption;
- key provisions of international and Russian 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 Approved by the Council for Business Ethics on 10 December 2018 (Minutes No. 7).

² In accordance with the Guidelines on Prosecution of Officers for the Failure to Prevent and/or Manage a Conflict of Interest developed by the Russian Ministry of Labour in pursuance of Clause 10 of the National Anti-Corruption Plan.

³ Minutes No. 10 dated 16 August 2019.

Audit Commission

The Audit Commission comprises five members elected annually 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 2019, the Audit Commission held two meetings that, among other things, adopted its action plan, approved an audit programme and reviewed audit results.

The findings of the Audit Commission were communicated 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 2019, and in the report on interested-party transactions entered into in the reporting period.



The Audit Commission is governed by the Regulations on Rosneft's Audit Commission.

The annual compensation awarded by the Annual General Shareholders Meeting to the members of the Audit Commission amounted to RUB 440,000 in 2019.

No compensation was paid to public officers serving on the 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 4 JUNE 2019, THE ANNUAL GENERAL SHAREHOLDERS MEETING RESOLVED TO ELECT THE AUDIT COMMISSION AS FOLLOWS:

Chairman

Zakhar Sabantsev

Born in 1974.
Graduated from the Moscow State University of Economics, Statistics, and Informatics.
Section Head, Bank Sector Monitoring, Consolidated and Analytical Work Section, Financial Policy Department, Ministry of Finance of the Russian Federation.

Members of the Audit Commission

Olga Andrianova

Born in 1958.
Graduated from the All-Russian State Distance-Learning Institute of Finance and Economics (ARDLIFE).
Holder of a ministerial award – Certificate of Merit of the Russian Ministry of Energy.
Chief Accountant – Head of Finance and Economics at JSC ROSNEFTEGAZ.

Alexander Bogashov

Born in 1989.
Graduated from the State University of Management.
Minister of Properties of the Chelyabinsk Region.

Sergey Poma

Born in 1959.
Graduated from Nakhimov Black Sea Higher Naval School and Saint 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.
Acting Deputy Department Director, Ministry of Economic Development of the Russian Federation.

Risk Management and Internal Control System

The objectives of the Risk Management and Internal Control System (RM&ICS) are set out in the Company's Policy on the Risk Management and Internal Control System¹ drawing on recommendations of international firms engaged in risk management, internal control and audit services. These are intended to provide reasonable assurance that the Company will achieve its goals in four focus areas:

- 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



¹ Rosneft's Policy on the Risk Management and Internal Control System No. P4-01 P-01 approved by the Company's Board of Directors, Minutes No. 8 dated 16 November 2015.

Key Risk Management and Internal Control System (RM&ICS) Stakeholders

I. GOAL-SETTING AND CONTROL

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
- Monitor the RM&ICS reliability and performance
- Approve risk appetite

II. RISK MANAGEMENT AND DECISION-MAKING

CHIEF EXECUTIVE OFFICER

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

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
- Risk management
- Develops and implements control procedures
- Conducts self-assessment of internal controls

III. RISK MANAGEMENT AND IMPLEMENTATION OF DECISIONS

JVS 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

RISK AND INTERNAL CONTROL EXPERTS

- Steer risk management and internal control processes in business units
- Identify, assess, and develop risk management initiatives
- Develop, implement, and update business process controls
- Develop, implement and monitor initiatives to bridge gaps in business process controls

IV. RM&ICS INDEPENDENT MONITORING AND PERFORMANCE ASSESSMENT

INTERNAL AUDIT FUNCTION

- 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

V. STEERING AND GUIDELINES

RISK AND INTERNAL CONTROL 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
- Develops, implements and supports insurance programmes
- Reinsures the Company's risks in Russian and international insurance markets
- Settles insurance claims on risks materialised

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

Enhancement of the Risk Management and Internal Control System

Owing to ongoing improvements in its RM&ICS, the Company can promptly and adequately respond to changes in the external and internal environment, achieve better performance, and maintain and increase its shareholder value.

The Comprehensive RM&ICS Enhancement Plan covers the short and medium terms. The Plan sets key targets and objectives and outlines critical steps towards the achievement of the Company's goals for the RM&ICS.

The Comprehensive RM&ICS Enhancement Plan for 2019-2021 was endorsed by the Company's Risk Management Committee and Chief Executive Officer and approved by Rosneft's Board of Directors.

RM&ICS Enhancement Initiatives in 2019

RM&ICS focus areas	Key results
Improving RM&ICS guidelines. Employee trainings	The Company's internal regulations governing the RM&ICS were updated, including: <ul style="list-style-type: none"> the Company's Standard on Insurance of Corporate Risks; the Company's Regulations on Development, Implementation and Maintenance of the Internal Control System. 245 employees of Rosneft and Group Subsidiaries were trained in the RM&ICS.
Developing the Company's risk management and internal control infrastructure and procedures	The Company's quantitative risk assessment models were verified (back-tested). The Company-wide Register of Risks and Control Procedures is maintained and updated. A model (algorithm) was developed to evaluate risks of adverse judgements in litigations against the Company.
Implementing and maintaining the Internal Control System	The Company keeps on developing, implementing and streamlining its business process controls. Internal controls were self-assessed in the Retail Sales of Petroleum Products and Complementary Goods and Small-scale Wholesale of Petroleum Products business process and the Accounting Management and Financial Reporting business process.
Improving the RM&ICS processes across Group Subsidiaries	The corporate-wide risk management system was implemented by 15 Group Subsidiaries.
Developing information resources to support and maintain the RM&ICS	Risk and internal control experts from the Company and Group Subsidiaries were given access to the Risk Management and Internal Control information resources. Risk and internal control experts were trained in using the Risk Management and Internal Control information resources.

Internal Control System

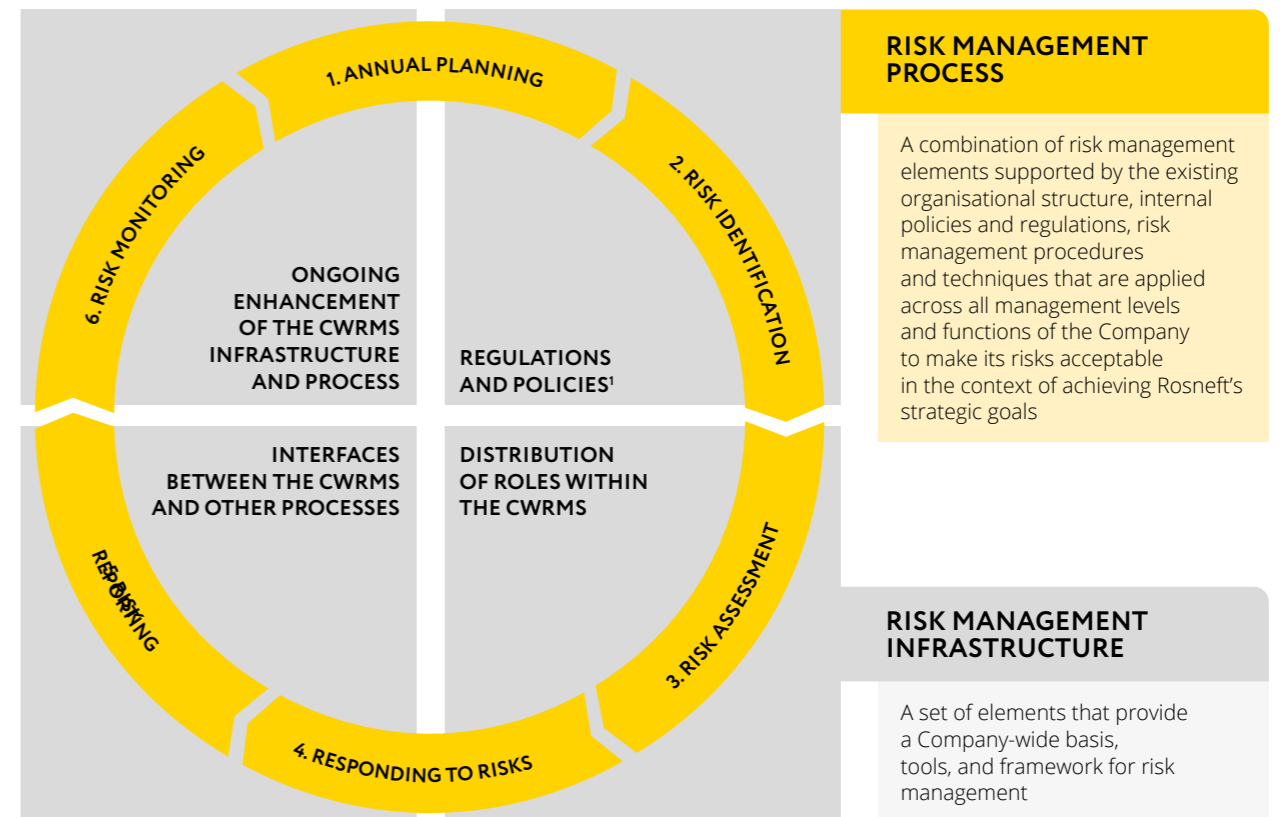
THE INTERNAL CONTROL SYSTEM (ICS) IS AN INTEGRAL PART OF THE RM&ICS		
<ul style="list-style-type: none"> The both systems have aligned goals. The ICS is governed by the Company's Policy on the Risk Management and Internal Control System, Standard on the Internal Control System, and Regulations on Design, Implementation 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 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

Corporate-Wide Risk Management System (CWRMS)

Key CWRMS components



¹ Key CWRMS regulations and policies are:

- the Company's Policy on the Risk Management and Internal Control System
- the Company's Standard on the Corporate-Wide Risk Management System (CWRMS)
- the Company's Standard on Insurance of Corporate Risks
- the Company's Regulations on the Risk Management Committee
- the Company's Regulations on Market Risk Management

Risk management at Rosneft is governed by the Company's Policy on the Risk Management and Internal Control System and Standard on the Corporate-Wide Risk Management System (CWRMS).

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 key risks of the Company are reported within the CWRMS, including the risks affecting the implementation of its Long-Term Development Programme and the risks related to day-to-day financial and business operations. 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 Risks¹

INDUSTRY-WIDE RISKS		FINANCIAL RISKS	
 Risk of occupational injuries	 Risk of lower quality of refinery feedstock	 Market risks	
 Risk of failure to achieve natural gas and gas condensate production targets	 Risk of failure to achieve natural gas sales targets	 Credit risk related to crude oil, petroleum products, natural gas, petrochemicals and gas processing products supply contracts	
 Risk related to rising purchase prices for electric power	 Risk of counterparties using unconventional pricing terms	 Counterparty risk related to long-term advance payment crude oil and petroleum products supply contracts	
 Risk of failure to comply with the repair plan in Oil Refining	 Risk of lower EBITDA from harbour services	 Risk of tax claims and risk of losing tax benefits	
 Risk of price restrictions resulting in a lower gross margin from petroleum product sales through Rosneft's own filling stations and oil depots in Russia	 Risk of accidents	 Risk of default/cross-default	
 Risk of failure to achieve oil and gas condensate production targets	 Risk of failure to achieve natural gas price targets		
		LEGAL RISKS	
		 Risk of adverse judgements in legal proceedings to which the Company is a party	 Risk of breach of competition laws
		COUNTRY AND REGIONAL RISKS	
		 Risk related to international projects	

-  Corporate functions
-  Refining, petrochemicals, commerce and logistics
-  Exploration and production
-  Occupational health and safety
-  Gas business

¹ For Rosneft's key risks see Appendix 2 to this Annual Report.

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.

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.

Risk Appetite of the Company

IN 2018, ROSNEFT'S BOARD OF DIRECTORS APPROVED THE COMPANY'S RISK APPETITE FOR 2019:

FINANCIAL AND ECONOMIC PERFORMANCE	HEALTH, SAFETY AND ENVIRONMENT	CORPORATE GOVERNANCE
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.	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.	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.

Internal Audit

The Company's internal audit is governed by the following internal regulations:

- the Company's Policy on Internal Audit (No. P4-01 P-02);
- the Company's Standard on the Organisation of Internal Audit (No. P4-01 S-0021);
- the Company's Regulations on the Internal Audit Quality Assurance and Improvement Programme (No. P4-01 R-0038);
- the Company's Regulations on the Procedure for Cooperation between the Internal Audit Service and Business Units of Rosneft and Group Subsidiaries When Performing Internal Audit (No. P4-01 R-0041);
- Rosneft's Instruction on the Annual Planning of Internal Audits (No. P4-01 I-01016 YuL-001);
- Rosneft's Instruction on the Procedure for Internal Audits (No. P4-01 I-01013 YuL-001);
- Rosneft's Instruction on the Procedure for In-house Self-assessment of Internal Audit Quality (No. P4-01 I-01014 YuL-001);
- other internal regulations governing the Company's internal audit operations.

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 risk management and internal control system (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 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.

ROSNEFT'S INTERNAL AUDIT SERVICE IS MAINLY RESPONSIBLE FOR:

- developing an internal audit plan prioritising internal audit activities 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 (e.g. approving internal regulations on internal audit and amendments thereto, approving organisational documents of Rosneft's Internal Audit, validating business trips, and endorsing the engagement of external experts to work on internal audits).

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.

The Head of Internal Audit was appointed by Rosneft's Board of Directors to its Management Board in

July 2016 and was also appointed by Bashneft's Annual General Shareholders Meeting to Bashneft's Board of Directors in June 2019. The Head of Internal Audit is not entitled to vote on matters requiring management decisions on audited entities.

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 2019

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, as-is assessment, 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 2019 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 2019.

In the reporting period, internal audits covered most of the Company's corporate risks as well as financial and operational risks, and 56% of Group Subsidiaries' asset value.

In 2019, the Internal Audit Service ran 11 projects and initiatives seeking to improve the control environment and enhance the efficiency of both the Company and its internal audit. Since 2019, the Internal Audit Service has been implementing preventive independent inspections with a view to making the Company's procurement processes more efficient. In the reporting period, it focused on monitoring crude oil and petroleum products inventory management, well cost accounting, disposal of overseas assets, as well as on fostering process management and corporate culture.

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 internal control operations, providing reasonable assurance that the Company would achieve its goals.

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

In 2019, Rosneft fully automated its internal audit function across all focus areas ranging from annual planning to monitoring the Company's progress in addressing breaches and shortcomings identified during audits.

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

Key Focus Areas in 2019

Core processes (64% of audits)



Exploration and production of oil and gas	36 %
Commerce and logistics	24 %
Capital construction and investments	23 %
Oil and gas refining and petrochemicals	18 %

In September 2019, the Financial Management Department at Gubkin Russian State University of Oil and Gas launched master's curriculum in Internal Audit and Control, both intra- and extramural, aiming to train internal audit specialists for the oil and gas industry. The

Supporting processes (36% of audits)



Procurement	21 %
Energy, localisation, and innovations	19 %
HSE	15 %
Corporate services	40 %
Industrial automation and IT	5 %

graduates who successfully passed the corporate selection procedures became interns at Rosneft's Internal Audit Service.

All the employees of Rosneft's Internal Audit Service undergo training in their core business areas.

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 (including face-to-face meetings with its Chairman without attendance by the Company's management), Rosneft's Chief Executive Officer (including through personal reports on material audit results), and the management of Rosneft and Group Subsidiaries.

The Head of Internal Audit cooperates with Rosneft's Audit Commission, external auditor, and audit commissions of Group Subsidiaries.



06

**Information
for Shareholders
and Investors**

Share Capital

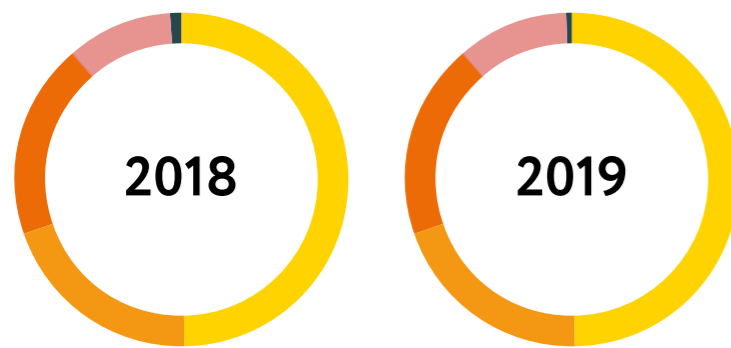
The Company's share capital is divided into 10,598,177,817 ordinary shares with a par value of RUB 0.01 each.

Rosneft shares are traded on the Moscow Exchange. Outside Russia, Company shares are listed on the London Stock Exchange as Global Depositary Receipts (GDRs). As at

31 December 2019, J.P. Morgan, acting as depositary bank, issued GDRs for 5.6% of ordinary shares in the Company¹.

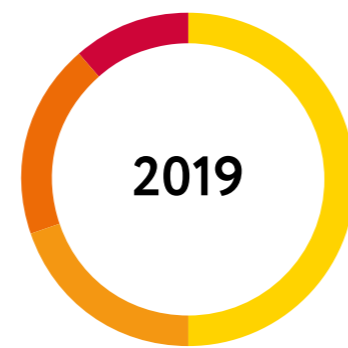
The Company has over 120 thousand individual and corporate shareholders and more than 500 GDR holders.

Key Shareholders of the Company²



	31.12.2018	31.12.2019
JSC ROSNEFTEGAZ (shareholder)	50,000,000,001 %	50,000,000,001 %
BP Russian Investments Limited (shareholder)	19,75 %	19,75 %
QH Oil Investments LLC (shareholder)	18,93 %	18,93 %
The Russian Federation represented by the Federal Agency for State Property Management (shareholder)	< 0,01 %	< 0,01 %
National Settlement Depository (Nominee Central Depository)	10,40 %	10,98 %
Other individuals and legal entities	0,92 %	0,34 %
Total	100 %	100 %

Share Capital Structure as at 31 December 2019, %



JSC ROSNEFTEGAZ and the Russian Federation	50,000,000,001 %
BP Russian Investments Limited	19,75 %
QH Oil Investments LLC	18,93 %
Free float	11,32 %
Total	100 %

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

² Based on data from Rosneft's Shareholder Register. Monthly updates on shareholders owning over 5% of Rosneft's charter capital are posted on the Company's official website.

The 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 payouts 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 of the Company upon recommendation of the Board of Directors.

In 2019, 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 during which shareholders may claim dividends declared but not paid due to missing address or banking details, which is longer than required by the applicable laws.

On 21 April 2020, Rosneft's Board of Directors recommended that the General Shareholders Meeting approve RUB 18.07 per share as dividend for FY2019. The total amount of dividends for FY2019, including dividends for the first six months of 2019, is RUB 354.1 bln or RUB 33.41 per share³. The dividend payout ratio (dividends / non-consolidated net profit under RAS) for 2019 is 89.3%, while the dividend payout ratio (dividends / consolidated net profit under IFRS) is 50%.

In 2019, the Company made no changes to its Dividend Policy.

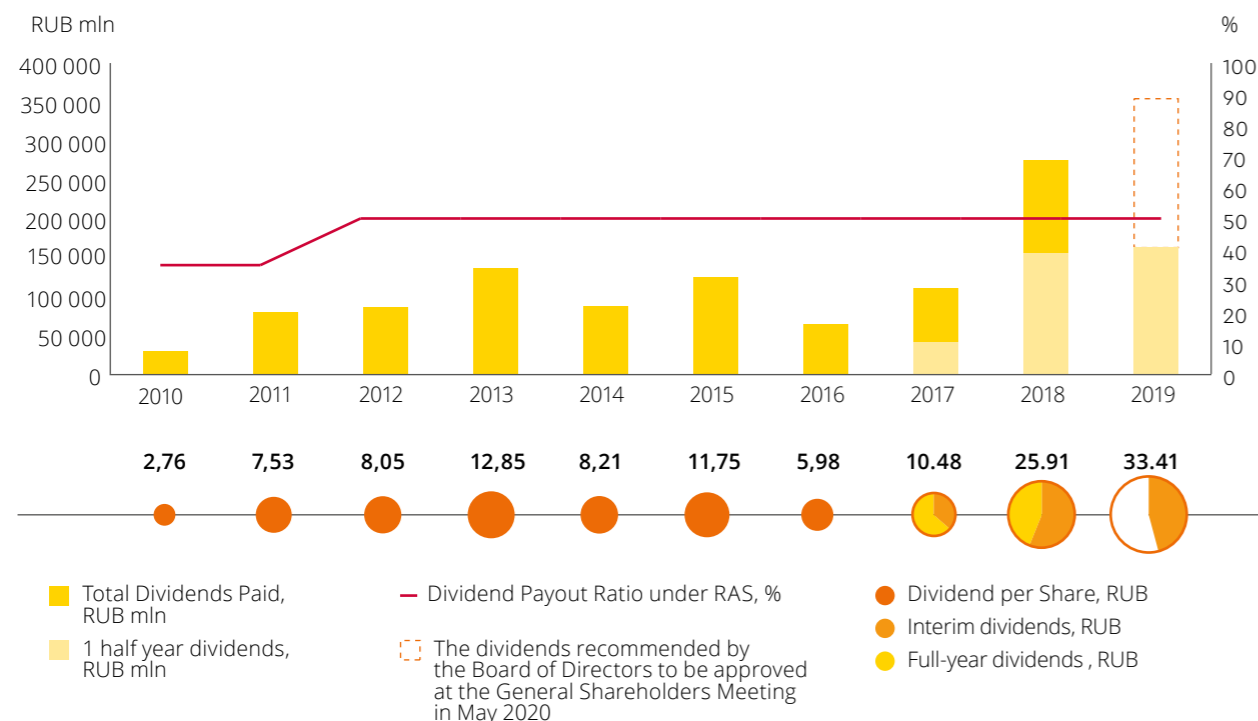
In 2019, the Company continued to increase the amount of annual dividend payout and paid RUB 120,1 bln as final dividend for FY2018 and RUB 162.6 bln as dividend for the first six months of 2019. The total amount of dividends declared was RUB 283 bln.



Rosneft Dividend Policy

³ Including the dividend for the first six months of 2019 and the dividend recommended by the Board of Directors to be approved at the Annual General Shareholders Meeting in 2020.

Rosneft's Dividend History



Shareholder Relations, Key Events in 2019

The Company has established a multi-level system to protect the rights of its shareholders.

Shareholder Rights Guaranteed by Law and the Listing Rules

Pursuant to the laws of the Russian Federation, the Company's shareholders have the right to:

- vote at the General Shareholders Meeting on 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 right to buy shares in any future issue and issue-grade securities convertible into shares;
- 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 Russian law;
- freely dispose of Rosneft's shares;
- exercise other rights granted under 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, including 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 affairs.

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 communication with its shareholders.

The Company has several communication channels in place to facilitate the exercise of corporate rights and promote efficient shareholder relations, including:

- 24 hour hotline for Rosneft shareholders (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, Russian Federation
- E-mail for requests: shareholders@rosneft.ru;
- fax: +7 499 517 8653;
- shareholder account on the Company's website.

SHAREHOLDER'S PERSONAL ACCOUNT

In 2019, the Company launched Shareholder's Personal Account – a convenient and safe online information service for shareholders, which provides real-time access to information and facilitates the exercise of rights granted by securities. The new service can be used to:

- participate in the General Shareholders Meeting via online registration, vote on items on the agenda, read materials

for the Meeting and submit questions to speakers;

- gain access to one's personal account in the register of Rosneft shareholders¹ to obtain information on the number of shares held, personal data, and bank details for the payment of dividends;
- monitor dividend payouts¹ and promptly claim any unpaid dividends;
- submit questions and obtain advice.

To gain access to their personal accounts, shareholders shall 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 shareholder accounts is granted by the registrar upon the disclosure of information thereon by relevant nominee shareholders.

The rules governing the procedure of registering a personal account can be found on the website of LLC Reestr-RN or on the Company's website.

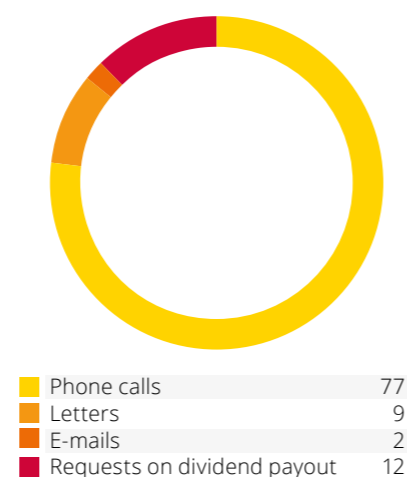
Any questions concerning access to personal accounts shall be addressed to:

- LLC Reestr-RN call centre at: phone: +7 495 411 7911 (email: support@reestrrn.ru);
- hotline for Rosneft shareholders at: 8 800 500 1100 (toll-free within Russian) and +7 495 987 3060 (email: shareholders@rosneft.ru).

In 2019, the Corporate Governance Department acting as the Corporate Secretary Office handled 5,257 applications, including:

- 4,065 phone calls;
- 480 letters;
- 87 e-mails;
- 625 requests claiming unpaid dividends for prior periods.

Shareholder requests in 2019, %



Shareholders can log into their personal accounts at: <https://lka.rosneft.ru/auth?authLg=en>



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

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 18 years and ranks among the top ten Russian registrars. The company keeps registers for more than 2 thousand issuers, with an inventory of 545 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

¹ For shareholders of record.

Institutional Investor Relations

Rosneft shares are among the most attractive investment instruments in the Russian stock market. The Company has a free float of 11.32%, including 5.6% in the form of Global Depositary Receipts (GDR) 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 and 31 December 2019, Rosneft share price on the Moscow Exchange more than 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 2019, the Company completed an extensive IR Programme, including a number of strategic speeches by the Chairman of the Management Board at major international investment forums, and approximately 180 one-on-one and group meetings between Company executives and top investment funds.

Feedback from investors is reported to Rosneft's management on a regular basis.

Currently, 21 investment banks provide analytical coverage of the Company. The Chairman of the Management Board of Rosneft and heads of relevant core functions maintain regular communications with the investor community. At such meetings, 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 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.

As at February 2020, 19 major investment banks recommended to buy or hold Rosneft shares/GDRs.

In 2019, the Company continued building up resources and interacting with its investors on the environmental, social and governance (ESG) investing matters. In April 2019, Rosneft released an updated public statement on its contribution towards achieving the 17 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 Climate Action 100+ initiative. The Company held nearly 50 investor calls on ESG matters. In June 2019, Rosneft became the first Russian company to take part in a ESG workshop that was held in Copenhagen and attended by representatives of 31 investment funds and Sustainalytics and ISS-Ethix ESG rating agencies. Rosneft maintains an ongoing dialogue with 16 international ESG analytical and rating agencies.

Transparency and openness of the Company's ESG disclosure have gained international recognition. In 2019, Rosneft was included in the FTSE4Good Index of companies demonstrating strong ESG practices. Rosneft was named the best Russian oil and gas

In 2019, the Company's market capitalisation increased by

17%

(The London Stock Exchange)

company and became one of the leading oil and gas companies globally, with the B and B- CDP ratings assigned in Climate and Water. It is also among the oil and gas giants with high ESG ratings from Bloomberg and Refinitiv. In 2019, Rosneft was one of the leaders in terms of improving the Corporate Human Rights Benchmark (CHRB) rating.

2020 PRIORITIES

- Improve disclosure standards
- Enhanced interaction with shareholders and investors
- Promote fast, high-quality, and skilful financial communications

2019 IR Highlights

JANUARY

J.P.Morgan

J. P. Morgan – CEEMEA Opportunities Conference (London)

FEBRUARY

CREDIT SUISSE

Credit Suisse – 24th Annual Energy Summit, Vail

J.P.Morgan

J. P. Morgan – GEM Corporate Conference, Miami

HSBC

HSBC – Non-Deal Roadshow, Miami

Disclosure of the Company's performance for 2018

Investor conference call involving heads of finance, economics, and operations

MARCH

HSBC

HSBC – Rosneft Saudi Arabia and UAE Non-Deal Roadshow, Dubai, Abu Dhabi (UAE), Riyadh (Saudi Arabia)

APRIL

Raiffeisen Bank International

Raiffeisen Bank – Institutional Investor Conference, Zürs (Austria)

Bank of America Merrill Lynch

Bank of America Merrill Lynch – Energy & Utilities Conference, London

MOSCOW EXCHANGE

Moscow Exchange, BCS – Moscow Exchange Forum 2019, Moscow

MAY

Morgan Stanley

Morgan Stanley – EEMEA Conference 2019, London

Disclosure of the Company's performance for Q1 2019

Investor conference call involving heads of finance, economics, and operations

JUNE

SBERBANK CIB

Sberbank CIB – Russia: The Inside track, One-on-One Conference, Moscow

Renaissance Capital

Renaissance Capital – Annual Russia Investor Conference, Moscow

AUGUST

UBS

UBS – Russia Investors Day, Stockholm, Frankfurt

Disclosure of the Company's performance for Q2 2019

Investor conference call involving heads of finance, economics, and operations

SEPTEMBER

HSBC

HSBC – GEMS Investor Forum 2019, London

OCTOBER

Goldman Sachs

Goldman Sachs – Investor Meetings, Hong Kong, Zurich, Milan

Goldman Sachs – CEEMEA Corporate Day, Singapore

HSBC

HSBC – Rosneft UAE Non-Deal Roadshow, Dubai, Abu Dhabi (UAE)

NOVEMBER

Goldman Sachs

Goldman Sachs – Global Natural Resources Conference, London

Goldman Sachs – 11th Annual CEEMEA One-on-One Conference, London

MOSCOW EXCHANGE

Moscow Exchange, Shanghai Session – Russian Capital Market Forum, Shanghai

Disclosure of the Company's performance for Q3 2019

Investor conference call involving heads of finance, economics, and operations

DECEMBER

WOOD COMPANY

WOOD & Company, EME Conference in Prague 2019, Prague

Renaissance Capital

Renaissance Capital, Rosneft Non-Deal Roadshow, New York, Boston

Index	Rosneft Share and Depository Receipt Index Weight as at the end of 2019, %
MSCI Russia	3.57*
FTSE Russia IOB	4.24
IMOEX	4.45

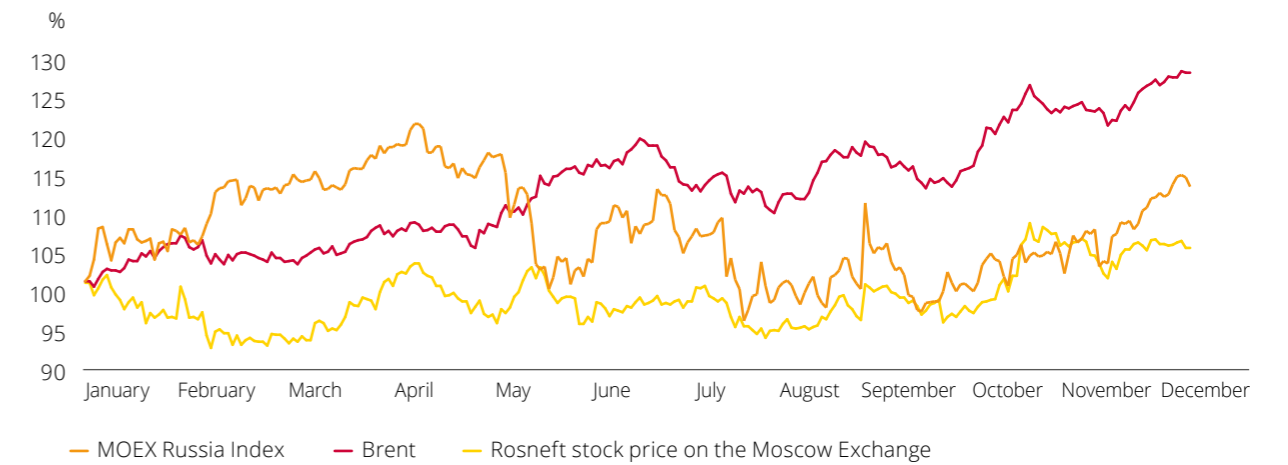
* As at February 2020

List of the Largest Institutional Equity and GDR Investors as at January 2020	Free float, ¹ %
Capital funds	6.33
The Vanguard Group, Inc.	3.91
BlackRock Fund Advisors	3.60
SAFE Investment Co. Ltd.	2.36
SSgA Funds Management, Inc.	2.00
GIC Pte Ltd. (Investment Management)	1.84
Macquarie Investment Management Business Trust	1.74
Pzena Investment Management LLC	1.48
JPMorgan Asset Management (UK) Ltd.	1.3
Amundi Asset Management SA (Investment Management)	1.27

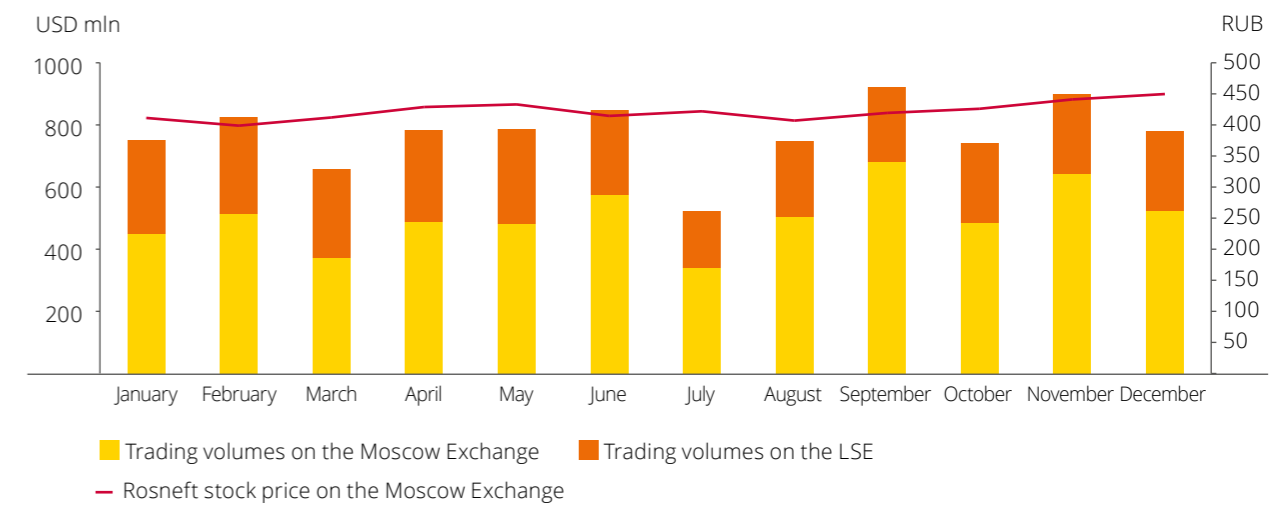
No	Bank	Recommendation, early 2019	Recommendation, late 2019
1	Citi	Buy	Buy
2	BCS	Buy	Buy
3	Renaissance Capital	Buy	Buy
4	ATON	Buy	Buy
5	Veles Capital	Buy	Buy
6	SOVA Capital	Hold	Buy
7	HSBC	Buy	Buy
8	Raiffeisen Bank	Buy	Buy
9	Credit Suisse	Buy	Buy
10	UBS	Buy	Buy
11	Gazprombank	Put on review	Buy
12	Deutsche Bank	Buy	Buy
13	Merrill Lynch	Hold	Hold
14	J. P. Morgan	Hold	Hold
15	Morgan Stanley	Hold	Hold
16	Wood & Company	Hold	Hold
17	Goldman Sachs	Buy	Hold
18	Sberbank	Hold	Hold
19	URALSIB	Put on review	Hold
20	Alfa Bank	Put on review	Put on review
21	VTB Capital	Put on review	Put on review

¹ Except for strategic investors.

Comparative Performance of Rosneft Stocks, the MICEX Index and Brent Quotes (Base Value – 100)



Rosneft Stock Price and Trading Volumes at LSE and MOEX²



² Stock price is quoted as of the end of month.

Bonds and Credit Ratings of the Company

BBB-
credit rating by S&P Global

Baa3
credit rating by Moody's

In February 2019, following the Company's deleveraging, S&P Global upgraded its credit rating.

As at the end of 2019, Rosneft's credit ratings by S&P Global and Moody's international rating agencies were at an investment grade and on par with the sovereign rating of the Russian Federation: **BBB-**, stable outlook, and **Baa3**, stable outlook. On top of that, the Company had the highest creditworthiness rating (ruAAA) with a stable outlook from Expert RA rating agency.

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. 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. Two Eurobond series for a total of USD 2.5 bln, issued by Rosneft and its Subsidiaries that had previously

been part of TNK-BP Group, remained outstanding as at 31 December 2019.

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.

In November 2017, the Company registered its fifth multi-currency

Exchange-Traded Bond Programme with a total par value of RUB 1.3 trln. As part of the Programme, Rosneft completed three ruble bond issues for a total of RUB 630 bln in December 2017, two ruble bond issues for a total of RUB 70 bln in the first quarter of 2018, and four ruble bond issues for a total of RUB 80 bln in 2019.

Par Value, mln	Currency	Coupon	Series / Issue Number	Issue Date	Maturity Date	Issuer
Eurobonds						
500	USD	7.25%	Series 8	February 2010	February 2020	Rosneft Finance S. A.
2,000	USD	4.199%	Series 2	December 2012	March 2022	Rosneft International Finance DAC
Ruble bonds						
20,000	RUB	7.90%	Series 04, 05	October 2012	October 2022	Rosneft
30,000	RUB	7.30%	Series 07, 08	March 2013	March 2023	Rosneft
40,000	RUB	7.00%	Series 06, 09, 10	June 2013	May 2023	Rosneft
40,000	RUB	6,65% ¹	Series BO-05, BO-06	December 2013	December 2023	Rosneft
35,000	RUB	8,90% ¹	Series BO-01, BO-07	February 2014	February 2024	Rosneft
225,000	RUB	9.40%	Series BO-02, BO-03, BO-04, BO-08, BO-09, BO-10, BO-11, BO-12, BO-13, BO-14	December 2014	November 2024	Rosneft
400,000	RUB	7.85%	Series BO-15, BO-16, BO-17, BO-24	December 2014	December 2020	Rosneft
400,000	RUB	8,50% ¹	Series BO-18, BO-19, BO-20, BO-21, BO-22, BO-23, BO-25, BO-26	January 2015	January 2021	Rosneft
600,000	RUB	6,60% ¹	001P-01	December 2016	November 2026	Rosneft
30,000	RUB	9.39%	001P-02	December 2016	December 2026	Rosneft
20,000	RUB	9.50%	001P-03	December 2016	December 2026	Rosneft
40,000	RUB	8.65%	001P-04	May 2017	April 2027	Rosneft
15,000	RUB	8.60%	001P-05	May 2017	May 2025	Rosneft
266,000	RUB	8.50%	001P-06, 001P-07	July 2017	July 2027	Rosneft
100,000	RUB	7,10% ¹	001P-08	October 2017	September 2027	Rosneft
600,000	RUB	6,60% ¹	002P-01, 002P-02	December 2017	November 2027	Rosneft
30,000	RUB	7.75%	002P-03	December 2017	December 2027	Rosneft
50,000	RUB	7.50%	002P-04	February 2018	February 2028	Rosneft
20,000	RUB	7.30%	002P-05	March 2018	February 2028	Rosneft
10,000	RUB	8.70%	002P-06	April 2019	March 2029	Rosneft
20,000	RUB	8.70%	002P-07	April 2019	March 2029	Rosneft
25,000	RUB	7.95%	002P-08	July 2019	July 2029	Rosneft
25,000	RUB	7.10%	002P-09	October 2019	October 2029	Rosneft

¹ Coupon rate as at 31 December 2019.

The Information Disclosure, Policy and Transparency

Rosneft is committed to prompt and reliable disclosure of information. The Board of Directors has approved the Company's Information Policy and monitors compliance therewith to assist its shareholders, investors, and stakeholders with making informed investment and management decisions.

The Company relies on various disclosure channels and methods to ensure free and easy access to information disclosed in accordance with the applicable laws, rules of the Moscow Exchange and the 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 Centre¹ to publish the Company's Charter and other internal regulations, annual and quarterly reports, sustainability reports, annual and quarterly RAS financial statements, IFRS consolidated financial statements and relevant Management Discussion and Analysis (MD&A), the analyst handbook, 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 and curbing the misuse of insider information and regularly monitors persons with access thereto.

The Company is committed to promoting information disclosure by its controlled entities through continuous methodological support and regular training sessions.

The Company also discloses additional information that is not required by law or stock exchange rules:

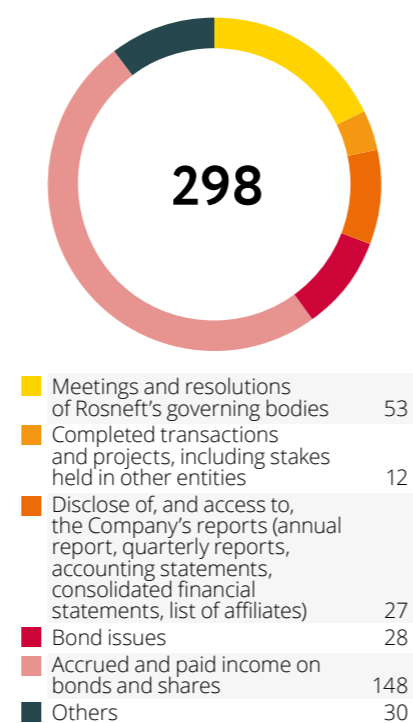
- data on operating and financial performance with notes of the Company's top management to annual reports and interim financial statements;
- the Company's policy on sustainable development, health and safety;
- the Company's operational structure.

The Company holds conference calls and meetings with institutional investors. Rosneft sends its representatives to investment conferences and roadshows in major international financial hubs and arranges visits to its production sites for members of the investment community.

THE COMPANY PUBLISHED AND HELD:

- 358 press releases and news on its official website;
- 8 media interviews of its top managers and Board members;
- 9 press conferences, media scrums and briefings of the Company's management and representatives of its major shareholders;
- 4 regular financial performance presentations.

2019 Disclosure Items (298 disclosures)



Key principles of the Information Policy are prompt disclosure, accessibility, reliability, and relevance of information.



Rosneft's Information Policy

Appendix 1 (Consolidated financial statements of Rosneft Oil Company for the year ended December 31, 2019)

¹ For details see the website at: <http://www.e-disclosure.ru/portal/company.aspx?id=6505>.

Rosneft Oil Company Consolidated balance sheet (in billions of Russian rubles)

		As of December 31,	
	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	18	228	832
Restricted cash	18	10	12
Other short-term financial assets	19	501	633
Accounts receivable	20	750	642
Inventories	21	438	393
Prepayments and other current assets	22	469	510
Total current assets		2,396	3,022
Non-current assets			
Property, plant and equipment	23	8,713	8,445
Right-of-use assets	24	160	-
Intangible assets	25	69	75
Other long-term financial assets	26	229	239
Investments in associates and joint ventures	27	803	735
Bank loans granted		291	239
Deferred tax assets	15	33	28
Goodwill	25	85	85
Other non-current non-financial assets	28	171	295
Total non-current assets		10,554	10,141
Total assets		12,950	13,163
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	29	1,162	1,130
Loans and borrowings and other financial liabilities	30	795	978
Income tax liabilities		23	23
Other tax liabilities	31	379	327
Provisions	32	55	43
Prepayment on long-term oil and petroleum products supply agreements	33	332	354
Other current liabilities		9	19
Total current liabilities		2,755	2,874
Non-current liabilities			
Loans and borrowings and other financial liabilities	30	3,033	3,413
Deferred tax liabilities	15	844	837
Provisions	32	343	244
Prepayment on long-term oil and petroleum products supply agreements	33	750	1,072
Other non-current liabilities	34	73	46
Total non-current liabilities		5,043	5,612

		As of December 31,	
	Notes	2019	2018
Equity			
Share capital	36	1	1
Additional paid-in capital		635	633
Other funds and reserves		(154)	(191)
Retained earnings		4,035	3,610
Rosneft shareholders' equity		4,517	4,053
Non-controlling interests	16	635	624
Total equity		5,152	4,677
Total liabilities and equity		12,950	13,163

Chief Executive Officer _____ I.I. Sechin February____, 2020

Rosneft Oil Company Consolidated statement of profit or loss (in billions of Russian rubles, except earnings per share data, and share amounts)

	For the years ended December 31,		
	Notes	2019	2018*
Revenues and equity share in profits of associates and joint ventures			
Oil, gas, petroleum products and petrochemicals sales	8	8,490	8,076
Support services and other revenues		86	80
Equity share in profits of associates and joint ventures	27	100	82
Total revenues and equity share in profits of associates and joint ventures		8,676	8,238
Costs and expenses			
Production and operating expenses		715	626
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs		1,566	1,115
General and administrative expenses		200	167
Transportation costs and other commercial expenses		733	638
Exploration expenses		11	11
Depreciation, depletion and amortization	23–25	687	635
Taxes other than income tax	9	2,666	2,701
Export customs duty	10	793	1,061
Total costs and expenses		7,371	6,954
Operating income		1,305	1,284
Finance income	11	143	122
Finance expenses	12	(227)	(290)
Other income	13	11	49
Other expenses	13	(153)	(294)
Foreign exchange differences		64	107
Realized foreign exchange differences on hedge instruments	6	(146)	(146)
Income before income tax		997	832
Income tax expense	15	(192)	(183)
Net income		805	649

	For the years ended December 31,		
	Notes	2019	2018*
Net income attributable to:			
Rosneft shareholders		708	549
non-controlling interests	16	97	100
Net income attributable to Rosneft per common share (in RUB) – basic and diluted	17	66.81	51.80
Weighted average number of shares outstanding (millions)		10,598	10,598

Rosneft Oil Company Consolidated statement of other comprehensive income (in billions of Russian rubles)

	For the years ended December 31,		
	Notes	2019	2018
Net income		805	649
Other comprehensive income – to be reclassified to profit or loss in subsequent periods			
Foreign exchange differences on translation of foreign operations		(88)	4
Foreign exchange cash flow hedges	6	146	146
Income/(loss) from changes in fair value of debt financial assets at fair value through other comprehensive income		5	(2)
Increase in allowance for expected credit losses on debt financial assets at fair value through other comprehensive income		1	7
Equity share in other comprehensive (loss)/income of associates		(4)	1
Income tax related to other comprehensive income – to be reclassified to profit or loss in subsequent periods	6	(29)	(30)
Total other comprehensive income – to be reclassified to profit or loss in subsequent periods, net of tax		31	126
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		7	6
Income tax related to other comprehensive income – not to be reclassified to profit or loss in subsequent periods		(1)	(1)
Total comprehensive income – not to be reclassified to profit or loss in subsequent periods, net of tax		6	5
Total comprehensive income, net of tax		842	780
Total comprehensive income, net of tax, attributable to:			
Rosneft shareholders		745	680
non-controlling interests		97	100

¹ Some amounts for the twelve months ended December 31, 2018 have been reclassified for compliance with the current period presentation.

Rosneft Oil Company Consolidated statement of changes in shareholders' equity (in billions of Russian rubles, except share amounts)

	Number of shares (millions)	Share capital	Additional paid-in capital	Other funds and reserves ¹	Retained earnings	Rosneft shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2018	10,598	1	627	(322)	3,286	3,592	563	4,155
Net income	-	-	-	-	549	549	100	649
Other comprehensive income	-	-	-	131	-	131	-	131
Total comprehensive income	-	-	-	131	549	680	100	780
Dividends declared (Note 36)	-	-	-	-	(225)	(225)	(61)	(286)
Change of interest in subsidiaries	-	-	5	-	-	5	21	26
Other movements (Note 16)	-	-	1	-	-	1	1	2
Balance at December 31, 2018	10,598	1	633	(191)	3,610	4,053	624	4,677
Net income	-	-	-	-	708	708	97	805
Other comprehensive income	-	-	-	37	-	37	-	37
Total comprehensive income	-	-	-	37	708	745	97	842
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	10,598	1	635	(154)	4,035	4,517	635	5,152

Rosneft Oil Company Consolidated statement of cash flows (in billions of Russian rubles)

		For the years ended December 31,	
	Notes	2019	2018
Operating activities			
Net income		805	649
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	23-25	687	635
Loss on disposal of non-current assets	13	16	14
Dry hole costs		3	3
Offset of prepayments received on oil and petroleum products long term supply agreements	33	(344)	(283)
Offset of prepayments made on oil and petroleum products long term supply agreements		138	205

¹ Other funds and reserves include a reserve for foreign exchange differences on translation of foreign operations, 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.

	Notes	For the years ended December 31,	
		2019	2018
Foreign exchange gain on non-operating activities		(91)	(77)
Realized foreign exchange differences on hedge instruments	6	146	146
Offset of other financial liabilities		(172)	(164)
Equity share in profits of associates and joint ventures	27	(100)	(82)
Non-cash income from acquisitions, net	13	-	(26)
Loss from disposal of non-production assets	13	-	1
Changes in provisions for financial assets		41	6
Loss from changes in reserves and impairment of assets		105	238
Finance expenses	12	227	290
Finance income	11	(143)	(122)
Income tax expense	15	192	183
Changes in operating assets and liabilities			
(Increase)/decrease in accounts receivable, gross		(139)	215
Increase in inventories		(43)	(68)
Decrease in restricted cash		2	5
Increase in prepayments and other current assets		(58)	(74)
Increase in long-term prepayments made on oil and petroleum products supply agreements		(67)	(72)
Increase/(decrease) in accounts payable and accrued liabilities		14	(29)
Increase in other tax liabilities		49	48
Decrease in other current liabilities		(9)	(8)
Increase in other non-current liabilities		3	8
Increase in current reserves		2	-
Interest paid on long-term prepayment received on oil and petroleum products supply agreements		(8)	(6)
Net increase in operating assets of subsidiary banks		(61)	(139)
Net increase in operating liabilities of subsidiary banks		4	144
Net cash provided by operating activities before income tax and interest		1,199	1,640
Income tax payments		(216)	(221)
Interest received		77	67
Dividends received		50	16
Net cash provided by operating activities		1,110	1,502
Investing activities			
Capital expenditures		(854)	(936)
Acquisition of licenses and auction fee payments		(11)	(3)

	For the years ended December 31,		
	Notes	2019	2018
Acquisition of short-term financial assets		(93)	(419)
Proceeds from sale of short-term financial assets		240	189
Proceeds from sale of long-term financial assets		12	466
Acquisition of long-term financial assets		(18)	(73)
Acquisition of interest and additional capital contribution to the associates and joint ventures		(4)	(2)
Acquisition of interest in subsidiaries, net of cash acquired, and joint arrangements	7	(12)	(35)
Proceeds from sale of investments in joint ventures		-	7
Proceeds from sale of interest in subsidiaries, net of cash acquired		5	-
Proceeds from sale of property, plant and equipment		6	7
Net cash used in investing activities		(729)	(799)
Financing activities			
Proceeds from short-term loans and borrowings		401	429
Repayment of short-term loans and borrowings		(689)	(1,366)
Proceeds from long-term loans and borrowings		393	1,311
Repayment of long-term loans and borrowings		(540)	(289)
Proceeds from other financial liabilities		185	338
Repayment of other financial liabilities		(57)	(64)
Interest paid		(280)	(284)
Repurchase of bonds		-	(40)
Proceeds from sale of non-controlling share in subsidiary		-	23
Other financing received		12	4
Dividends paid to Rosneft shareholders	36	(283)	(225)
Dividends paid to non-controlling shareholders		(99)	(65)
Net cash (used in) / provided by financing activities		(957)	(228)
Net (decrease)/increase in cash and cash equivalents		(576)	475
Cash and cash equivalents at the beginning of the year	18	832	322
Effect of foreign exchange on cash and cash equivalents		(28)	35
Cash and cash equivalents at the end of the year	18	228	832

For the full version of consolidated financial statements of Rosneft as at 31 December 2019 and the independent auditor's opinion, see the Company's website at:



https://www.rosneft.com/upload/site2/document_cons_report/Rosneft_FS_12m2019_ENG.pdf

Appendix 2

(Key Risk Factors)

No.	Business area	Risk	Risk description	Rosneft's risk management practice
Industry-wide risks				
1	Occupational health and safety	Risk of occupational injuries	The risk is related to lost-time injuries of the Company's employees or contractors	Rosneft has a dedicated HSE management system, which brings together resources and procedures essential to both prevent, and respond to, hazardous occurrences. The risk management measures include: holding occupational safety trainings; exercising control over the safety of fire, gas hazardous and excavation works when approving the work permits; assessing the related risks; exercising control over equipping vehicles of the Group Subsidiaries and contractors with in-vehicle monitoring systems and two-way dashboard cameras; providing support to the key development funds and projects
2	Gas business	Risk of failure to achieve natural gas and gas condensate production targets	The risk is related to the failure to achieve natural gas and gas condensate production targets specified in the Company's business plan;	Key measures to manage the risk of failure to achieve gas and gas condensate production targets include: carrying out regular well logging; planning and executing well interventions; monitoring the financials of Gas Business' contractors for signs of bankruptcy; ensuring timely updates of the routine preventive overhaul plans and budgets and exercising control over preventive repairs
3	Gas business Exploration and production Refining, petrochemicals, commerce and logistics	Risk related to rising purchase prices for electric power	The risk is related to the volatility of the purchase prices for electric power in the wholesale market price zones, indexation of electricity transmission tariffs, and new surcharges to the capacity price	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
4	Refining, petrochemicals, commerce and logistics	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	The risk management measures include: monitoring the contractual delivery times; considering the purchases of available alternatives; ensuring the minimum emergency stock; organising inspections at the manufacturer's site during the production of equipment; preparing the procurement and maintenance requests, including the selection criteria (equipment, the availability of qualified personnel, the availability of own repair facilities, etc.)
5	Refining, petrochemicals, commerce and logistics	Risk of price restrictions resulting in a lower gross margin from petroleum product sales through Rosneft's own filling stations and oil depots in Russia	Risk of price restrictions resulting in a lower gross margin from small wholesale and retail sales of petroleum products	The risk is taken into account due to the limited impact on the decision-making regarding fixing (freezing) retail prices for oil products

No.	Business area	Risk	Risk description	Rosneft's risk management practice
6	Exploration and production	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 specified in the Company's business plan	Rosneft is a global leader in terms of oil reserves and has significant potential to increase its resource base. For many years, our replacement ratio for proven SEC hydrocarbon reserves has remained over 100%. Rosneft is committed to maintaining the ratio at 100% and above by growing its proven SEC reserves. The risk management measures include: ensuring continuous monitoring and timely adjustment of the production drilling Programme; monitoring well interventions, including timely proposal of candidates; the availability of resources (approved funding, the availability of workers); the use of technologies, etc.; monitoring the preparation of engineering design documentation; ensuring continuous monitoring and timely adjustment of the oil delivery schedule; continuous monitoring of oil availability in the tank fleets of the Group's producing Subsidiaries; exercising control over the changes in design solutions during the construction, analysis of the impact the changes in the approved design and estimate documentation would have on the completion date and cost of the construction, and accounting for these changes
7	Refining, petrochemicals, commerce and logistics	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	The Company has limited influence on the quality of feedstock supplied to refineries through the Transneft's trunk pipelines. The Company's response includes the following risk management measures: stopping the receipt of a given batch of oil and/or its redirection to storage facilities; filing complaints; making adjustments to the processing unit's operation mode; adjusting the production Programme
8	Refining, petrochemicals, commerce and logistics	Risk of failure to achieve natural gas sales targets	The risk is related to the decline in gas and gas condensate sales below the levels projected in the approved business plan;	The risk is taken into account due to the limited impact on potential new restrictions on the supply of natural gas to the pipeline network
9	Refining, petrochemicals, commerce and logistics	Risk of counterparties using unconventional pricing terms	The risk stems from the probability that the pricing terms chosen by certain counterparties for the concluded contracts will differ from the Company's approved business plan	The risk is taken into account due to the limited impact on the counterparties' pricing choice under the concluded crude oil and petroleum products supply contracts
10	Refining, petrochemicals, commerce and logistics	Risk of lower EBITDA from harbour services	The risk is related to potential restrictions of the towboats' operations in Primorsk and Novorossiysk ports in 2020	To compensate for lost profit caused by restrictions of the towboats' operations in Primorsk and Novorossiysk ports, the following actions will be taken: using towboats on alternative routes to service vessels carrying non-liquid cargo
11	Occupational health and safety	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	Rosneft has a dedicated HSE management system, which brings together resources and procedures essential to both prevent, and respond to, hazardous occurrences. The management measures for accident risks include: providing support to the key development funds and projects implementing the insurance Programme for the main production assets (reparation of damages)
12	Refining, petrochemicals, commerce and logistics Gas business	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 2020	Supporting the indexation of regulated gas prices when discussing pricing matters with government bodies and the expert community

№ п/п	Направление деятельности	Наименование риска	Описание риска	Практика управления риском в Компании
Financial risks				
13	Corporate functions Exploration and production Gas business Refining, petrochemicals, commerce and logistics	Market risks	Market risks include price, currency and interest rate risks	Rosneft has sufficient capability to redistribute its commodity flows in case of a significant price difference between the domestic and international markets and can promptly cut its capex and opex to meet its commitments and obligations if prices for oil, gas, and petroleum products should plummet. Given the FX component of its revenue and liabilities, the Company is also exposed to currency risk. We manage this risk by using an integrated approach enabling the use of natural (economic) hedging. For short-term management of its currency risk, the Company selects a currency for free cash balances from among the Russian ruble, the U.S. dollar and other foreign currencies. The Company analyses exposure to interest rate changes, including the development of various scenarios to assess the influence of interest rate changes on financial indicators
14	Refining, petrochemicals, commerce and logistics	Credit risk related to crude oil, petroleum products, natural gas, petrochemicals and gas processing products supply contracts	Risk of losses due to a counterparty's default on, or failure to timely or completely fulfil its obligations owed to the Company under any revenue or expenditure contract entered into by Rosneft or any of the Group Subsidiaries	The Company manages its credit risk by implementing the following risk management measures: using security interests to cover its credit risks (via bank guarantees, letters of credit, etc.); performing more frequent checks to assess the financial position of counterparties to major transactions posing credit risk under unsecured contracts; implementing controls to authorise shipments and shipping orders and ensure that all sales contracts are backed properly by financial instruments
15	Refining, petrochemicals, commerce and logistics	Counterparty risk related to long-term advance payment crude oil and petroleum products supply contracts	Risk of losses due to a counterparty's default on, or failure to timely or completely fulfil its obligations owed to the Company under any advance payment expenditure contract	The risk management measures include: monitoring the coverage of outstanding amounts against the planned supplies; discussing and monitoring shipment schedules
16	Corporate functions	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	Rosneft continuously monitors amendments to tax laws, evaluates and forecasts the degree of their potential impact on its operations, follows the latest legal precedents and adapts to changes in the legislation. The Company's experts are regularly involved in various working groups responsible for drafting tax legislation
17	Corporate functions Exploration and production Gas business Refining, petrochemicals, commerce and logistics	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	The risk management measures include: considering alternative (unconventional) financing opportunities in accordance with the extended set of instruments specified in the Company's Standard on Managing Idle Cash and Short-Term Financing at Rosneft and the Group Subsidiaries; keeping track of payment schedules within the debt and financial derivatives portfolios; monitoring the level of debt covenants specified in the outstanding loan agreements

№ п/п	Направление деятельности	Наименование риска	Описание риска	Практика управления риском в Компании
Legal risks				
18	Corporate functions	Risk of adverse judgments 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	Rosneft continuously monitors laws, judicial practice and legal precedents, drawing on them heavily to resolve legal issues arising in the course of its business, including protecting its rights and legal interests in court. Rosneft is involved in a number of legal proceedings that arise in the course of its business. If new legal precedents are set for, and any adverse judgements are made in proceedings to which the Company is a party, the outcomes of these litigations will likely have a minor impact on the Company's financial and business performance
19	Refining, petrochemicals, commerce and logistics	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	The risk management measures include: updating internal regulations on pricing and selling petroleum products based on anti-trust laws and regulations and amendments thereto (if necessary); 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, including advance payments for the former), selling required volumes of petroleum products on the exchange, addressing customer requests/complaints; fulfilling necessary requirements to mitigate the risk of being accused of setting non-competitive bulk wholesale prices (selling on the exchange not less than required by a joint order of the Federal Antimonopoly Service and the Russian Ministry of Energy, meeting the criteria for regular and evenly distributed on-exchange sales); if being accused, working out a rationale for the Federal Antimonopoly Service; if the rationale is rejected, considering court action; defending the Company's position with government bodies
Country and regional risks				
20	Exploration and production Refining, petrochemicals, commerce and logistics	Risk related to international projects	Rosneft is involved in different projects all around the world, and in some regions, there are material risks related to the political, social and economic uncertainty. Should these risks materialise, they might adversely impact such projects' implementation.	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.

Appendix 3

(Report on Compliance With the Principles and Recommendations of the Corporate Governance Code the Bank of Russia)

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 21 April 2020 (Minutes No.22 dated 22 April 2020) as part of the 2019 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 2019¹.

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 2019 Annual 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
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.	<ol style="list-style-type: none"> The Company's internal regulation on conducting General Shareholders Meetings approved by the General Shareholders Meeting is publicly available. 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. 	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	<p>To maintain effective relations with shareholders, Rosneft provides the following communication channels: a shareholder hotline, mail and email, fax.</p> <p>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.</p> <p>The Corporate Governance analytical information system was put into operation. It enables shareholders to vote online and interact with the Company and the registrar via shareholder's personal account.</p>
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.	<ol style="list-style-type: none"> 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. The notice specifies the venue of the Meeting and documents required for admission to the venue. Shareholders are informed of who proposed agenda items and nominated candidates to the Company's Board of Directors and Audit Commission. 	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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.

² 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.

³ 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 ¹ of compliance with a corporate governance principle	Explanations ² on the failure to meet criteria for compliance with a corporate governance principle
1.1.3	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.	<p>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.</p> <p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>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).</p> <p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
1.2. 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.	<p>1. The Company's Dividend Policy has been developed, approved by the Board of Directors and disclosed.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
1.4. 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.				
1.4.1	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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
2.1. The Board of Directors is responsible for the strategic management of the Company, formulating key principles of and approaches to risk management and internal controls 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.	<p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
2.1.3	The Board of Directors formulates the principles of and approaches to risk management and internal controls in the Company.	<p>The Board of Directors has formulated the principles of and approaches to risk management and internal controls in the Company.</p> <p>In the reporting period, the Board of Directors assessed the Company's risk management and internal control system.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>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.</p> <p>2. In the reporting period, the Board of Directors addressed matters related to the above policy (policies).</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
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.	<p>1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts.</p> <p>2. The Company has developed a framework for identifying transactions involving a conflict of interest and a set of measures for resolving such conflicts.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>1. The Board of Directors has approved a regulation on Information Policy.</p> <p>2. The Company has determined persons responsible for the implementation of the Information Policy.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>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.</p> <p>2. The Annual Report includes information on key results of the Board of Directors' performance assessment carried out in the reporting period.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
2.2.2	The Chairman of the Board of Directors is available for contact with the Company's shareholders.	1. The Company has a transparent procedure enabling shareholders to submit their questions and opinions thereon to the Chairman of the Board of Directors.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>1. The Company's procedure for assessing the Board of Directors' performance includes, among other things, the assessment of directors' professional expertise.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
2.3.3	The composition of the Board of Directors is balanced, including in terms of directors' expertise, experience, knowledge and business skills, and worth 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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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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
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.	<p>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.</p> <p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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.	<p>1. The Chairman of the Board of Directors is an Independent Director, or a Senior Independent Director has been appointed from among Independent Directors.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
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.	<p>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.</p> <p>2. The Company's internal regulations specify that a director shall abstain from voting on any item where they have a conflict of interest.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
2.6.3	Directors have sufficient time to perform their duties.	<p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>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.</p> <p>2. The Company has a formalised induction programme for newly elected directors.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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² 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 ¹ of compliance with a corporate governance principle	Explanations ² on the failure to meet criteria for compliance with a corporate governance principle
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>Complied with</p> <p>✓ Complied with in part</p> <p>Not complied with</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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 thereat and disclose information thereon 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.</p>

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
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.	<ol style="list-style-type: none"> The board of directors has a standing audit committee comprised entirely of independent directors. The Company's internal regulations specify the Audit Committee's objectives, including those set out in Recommendation 172 of the Code. 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. The audit committee held at least one meeting per quarter during the reporting period. 	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<ol style="list-style-type: none"> The board of directors has a standing remuneration committee comprised entirely of independent directors. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors. The Company's internal regulations specify the Remuneration Committee's objectives, including, among others, those set out in Recommendation 180 of the Code. 	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	<p>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.</p> <p>The HR and Remuneration Committee of the Board of Directors is mostly made up of Independent Directors. The elected Chairman of the Board of Directors is an Independent Director.</p> <p>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.</p> <p>Taking into account the three Committees established by the Company (the Audit Committee, the HR and Remuneration Committee, the Strategic Planning Committee) and the recommendations and restrictions set out in the Corporate Governance 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 a Committee (two), and on the composition of Committees based on directors' relevant expertise), compliance with the principle of the Corporate Governance Code requiring independence of all members of the HR and Remuneration Committee is impracticable.</p> <p>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 HR and Remuneration Committee of the Board of Directors being affected by the controlling shareholder or executive bodies.</p> <p>The Company has no intention to change its approach in the medium term.</p>

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
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.	<ol style="list-style-type: none"> 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) with the majority of its members being independent directors. 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. 	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.).	<ol style="list-style-type: none"> 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. 	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
2.8.5	The composition of Committees enables comprehensive discussion of matters subject to preliminary consideration with due regard to varying opinions.	<p>1. Committees of the board of directors are chaired by independent directors.</p> <p>2. The company's by-laws (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.</p>	<p>Complied with</p> <p>✓ Complied with in part</p> <p>Not complied with</p>	<p>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 (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.</p> <p>The Company has no intention to change its approach in the medium term.</p>
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	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.	<p>1. The Company has adopted and disclosed an internal regulation on Corporate Secretary.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
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.	<p>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.</p> <p>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.</p> <p>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.</p>	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
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).	<p>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).</p> <p>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.</p>	<p>Complied with</p> <p>Complied with in part</p> <p>✓ Not complied with</p>	As recommended by the HR and Remuneration Committee, the Company is piloting a long-term incentive plan in the controlled entities. Implementation of such plan in the Company will be considered after the results of the pilot are 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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	

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
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 risk management and internal controls in the Company.	1. Risk management and internal control functions of the Company's governing bodies and units 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 controls 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	

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
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	
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	

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
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	
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	

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
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	
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	

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
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.	<p>✓ Complied with</p> <p>Complied with in part</p> <p>Not complied with</p>	
7.2.2	Rules and procedures for taking material corporate actions are set forth in the Company's internal regulations.	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Complied with</p> <p>✓ Complied with in part</p> <p>Not complied with</p>	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	Rosneft is continuously optimising the portfolio of assets owned by the Company and its subsidiaries.
Subparagraph b, paragraph 1 of Instruction of the President of the Russian Federation No. Pr-1092 dated 27 April 2012	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.
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	The programme outlines key principles of non-core and non-performing asset management, relevant procedures, stages and deadlines for implementation.
Instruction of the First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISh-P13-6768 dated 13 November 2012	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.
Directives of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016	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.
Resolution of the Government of the Russian Federation No. 894-r dated 10 May 2017	In 2019, Rosneft's Board of Directors approved the updated registers of the non-core and non-performing assets scheduled to be divested in 2019-2022 (Minutes No. 6 dated 1 October 2019).
Directives of the Government of the Russian Federation No. 6604p-P13 dated 18 September 2017	Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

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	On 30 November 2018, Rosneft's Board of Directors resolved to approve a revised version of the Company's Regulations on Procurement of Goods, Works and Services (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) that: <ul style="list-style-type: none"> 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.
Instruction of the Government of the Russian Federation No. ISh-P13-8685 dated 17 December 2012	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.com). The Company also monitors the compliance with applicable standards and annually reviews procurement results for their compliance with the standards.
Paragraph 2 of List of Instructions of the Government of the Russian Federation No. DM-P9-8413 dated 12 December 2015	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).
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)	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.
Directives of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016	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.
Directives of the Government of the Russian Federation No. 7704p-P13 dated 11 October 2016	Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.
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	

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

Resolution of the Government of the Russian Federation No. 867-r dated 29/05/2013	The Company implemented a set of measures to improve procurement efficiency. These measures include: <ul style="list-style-type: none"> 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: <ol style="list-style-type: none"> Regulations on Procurement of Goods, Works and Services, Regulations on Activity of Advisory Board Carrying Out Public Audit of Efficiency of Purchases From Small and Medium-Sized Business Entities, Regulations on the Procedure and Rules of the One-Stop-Shop System for the Introduction of Innovative Products, 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, 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 for 2018-2022 (the Plan is posted in the Integrated Information System at http://zakupki.gov.ru); approval and introduction of KPIs (including the Share of Procurements from SMEs KPI) for the procurement service managers; 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.
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	Following 2019: <ul style="list-style-type: none"> 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 2019, amounted to RUB 16.3 bln, or 60.9%, (attributable to the 18% target) and RUB 4.1 bln, or 15.2% (attributable to the 15% target). the total value of contracts for the procurement of innovative products amounted to RUB 2.47 bln (up 10.9% y-o-y), including RUB 0.67 bln (up 12.5% y-o-y) in procurements from SMEs.
Directives of the Government of the Russian Federation No. 4252p-P13 dated 16 June 2016	Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.
Directives of the Government of the Russian Federation No. 4111p-P13 dated 8 May 2019	

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. 7923p-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

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 Board of Directors (Minutes No. 11 dated 23 December 2019).

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. 7923p-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 15 May 2019.

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. Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

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 income 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 27/12/2014

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 2019 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. 5024p-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 2019 (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 2019 is posted on Rosneft's official website (the full version is available 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 2019.

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 and Directives of the Government of the Russian Federation, the Board of Directors approved Rosneft's Innovation Development Programme for 2016-2020 with an outlook for 2030 (Minutes No. 13 dated 3 November 2016).

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 Government Commission for Advanced Technology and Innovation.

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. 11 dated 23 December 2019).

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:

- benchmarking results for Rosneft's technology level;
- proposals for adjustments to Rosneft's Innovation Development Programme to be later incorporated into Rosneft's Long-Term Development Programme;
- proposals for the structure and values of the integrated KPI of innovation efficiency for 2019.

In 2019, the Board of Directors considered a report on the progress of Rosneft's Innovation Development Programme in 2019 (Minutes No. 23 dated 29 April 2019). The Company met its action plan and targets for innovation efficiency KPIs as set out in Rosneft's Innovation Development Programme for 2018.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

5.2. Intellectual property rights management

<p>Instruction of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017</p> <p>Directives of the Government of the Russian Federation No. 9177p-P13 dated 12 December 2017</p> <p>Instruction of the Government of the Russian Federation No. ISh-P13-1925 dated 5 April 2018</p> <p>Directives of the Government of the Russian Federation No. 7050p-P13 dated 30 August 2018</p>	<p>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 2016-2020 (approved by the Company's Board of Directors).</p> <p>These Regulations establish a general procedure and requirements for the following processes:</p> <ul style="list-style-type: none"> • 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). <p>As part of the Innovation Development Programme, Rosneft adopted an intellectual property rights management programme.</p> <p>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.</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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5.3. Development and approval of the Company's strategy and Long-Term Development Programme

<p>Recommendations for Innovation Development Programmes approved by resolution of the Government Commission for Advanced Technology and Innovation (Minutes No. 4 dated 3 August 2010)</p> <p>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</p> <p>Subparagraphs 32 and 34, paragraph 1 of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013</p> <p>Instruction of the Government of the Russian Federation No. DM-P13-9589 dated 30 December 2013</p> <p>Directives of the Government of the Russian Federation No. 4955p-P13 dated 17 July 2014</p> <p>Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015</p> <p>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</p> <p>Directives of the Government of the Russian Federation No. 7389p-P13 dated 31 October 2014</p> <p>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</p> <p>Directives of the Government of the Russian Federation No. 3666p-P13 dated 11 June 2015</p> <p>Subparagraph b, paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-1627 dated 1 July 2014</p> <p>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</p> <p>Directives of the Government of the Russian Federation No. 7439p-P13 dated 5 November 2014</p> <p>Directives of the Government of the Russian Federation No. 4531p-P13 dated 28 June 2016</p> <p>Directives of the Government of the Russian Federation No. 276p-P13 dated 17 January 2019</p>	<p>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.</p> <p>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.</p> <p>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 fundamental messages of the Rosneft-2022 Strategy were announced by Rosneft's Chief Executive Officer Igor Sechin at the Annual General Shareholders Meeting on 22 June 2017 and posted on Rosneft's official website. For key information and provisions of the Rosneft-2022 Strategy, see section __ of the Annual Report.</p> <p>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). In December 2018, the Board of Directors reviewed Rosneft's strategic performance and concluded that the goals of the Rosneft-2022 Strategy for 2018 were achieved.</p> <p>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. 4955p-P13 dated 17 July 2014. On 9 December 2014 (Minutes No. 12), the Board of Directors approved the Long-Term Development Programme, Rosneft's Standard on the Long-Term Development Programme Implementation Audit and the Regulations on the Company's KPI System.</p> <p>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.</p> <p>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.</p> <p>The Long-Term Development Programme is updated annually.</p> <p>In 2019, the Long-Term Development Programme was updated to account for:</p> <ul style="list-style-type: none"> • the Company's performance in 2018 and an independent auditor's recommendations following a limited audit on the implementation of the Long-Term Development Programme in 2018; • 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. <p>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 and 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) 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.</p> <p>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.</p> <p>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).</p> <p>For information on the Long-Term Development Programme and audited results of its implementation in 2019, see section __ of the Annual Report.</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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5.4. Reduction of operating expenses

<p>Subparagraph 5, paragraph 1 of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014</p> <p>Directives of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015</p> <p>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</p> <p>Instruction of the Government of the Russian Federation No. ISh-P13-2047 dated 11 April 2016</p> <p>Directives of the Government of the Russian Federation No. 4750p-P13 dated 4 July 2016</p>	<p>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.</p> <p>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.</p> <p>The relevant indicator is integrated in the KPI system for Rosneft's top managers.</p> <p>The progress of operating expense reduction initiatives was audited as part of the audit of the Long-Term Development Programme (independent auditor's opinion by LLC Ernst and Young dated 16 April 2019) and reviewed at the meeting of the Company's Board of Directors.</p> <p>In 2019, operating expenses were reduced by 2.4% year-on-year through energy savings, improvement of procurement procedure efficiency, reduction of procurement and administrative costs, and optimisation of employee headcount¹.</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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5.5. Development of internal regulations

<p>Paragraph 2 of List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014</p> <p>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</p> <p>Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015</p> <p>Paragraph 2 of Instruction of the President of the Russian Federation No. Pr-769 dated 26 April 2016</p> <p>Paragraph 6 of Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016</p> <p>Letter of the Federal Agency for State Property Management No. RB-11/9968 dated 20 March 2017</p>	<p>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:</p> <ul style="list-style-type: none"> • 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; • the Company's Standard on the Corporate-Wide Risk Management System (CWRMS) • 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. <p>Rosneft complies with the provisions of the Directives in full.</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
<p>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</p> <p>Directives of the Government of the Russian Federation No. 5024p-P13 dated 31 July 2015</p>	<p>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:</p> <ul style="list-style-type: none"> • Regulations on the Procedure for Charitable Activities in Rosneft and Group Subsidiaries; • Regulations on Sponsorship in Rosneft and Group Subsidiaries; <p>Information on compliance with instructions and directives of the President and the Government of the Russian Federation is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>

5.6. Performance optimisation through integration

<p>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</p> <p>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</p> <p>Directives of the Government of the Russian Federation No. 5110p-P13 dated 8 August 2014 and No. 1796p-P13 dated 26 March 2015</p>	<p>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).</p> <p>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.</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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5.7. Alignment of corporate activities with the Bank of Russia's Corporate Governance Code

<p>Instruction of the Government of the Russian Federation No. DM-P36-46pr dated 28 August 2014</p> <p>Instruction of the Government of the Russian Federation No. ISh-P13-5859 dated 31 July 2014</p> <p>Directives of the Government of the Russian Federation No. 5667p-P13 dated 2 September 2014</p> <p>Directives of the Government of the Russian Federation No. 989p-P13 dated 20 February 2015</p>	<p>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 roadmap was implemented consistently throughout 2019.</p> <p>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.</p> <p>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)).</p> <p>All the initiatives scheduled for 2019 by the roadmap were implemented in full.</p> <p>Information on compliance with the principles and recommendations of the Bank of Russia's Corporate Governance Code, including the list of recommendations not incorporated in the Company's internal documents, reasons preventing the Company from implementing these recommendations and description of alternative mechanisms and instruments of corporate governance, is disclosed in the Company's annual report.</p>
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5.8. New export contracts providing for rouble as a settlement currency

<p>Subparagraph 1, paragraph 1, section I of Minutes of the Meeting of the National Financial Stability Board No. 7 dated 10 April 2015</p> <p>Directives of the Government of the Russian Federation No. 4807p-P13 dated 23 July 2015</p>	<p>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.</p> <p>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.</p> <p>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.</p>
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5.9. Remuneration of the Company's management and employees and KPI system development

<p>Instruction of the President of the Russian Federation No. Pr-825 dated 6 April 2009</p> <p>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</p> <p>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</p> <p>Paragraph 5 of List of Instructions of the President of the Russian Federation No. Pr-1474 dated 05/07/2013</p> <p>Directives of the Government of the Russian Federation No. 2579p-P13 dated 25 April 2014</p> <p>Instruction of the Government of the Russian Federation No. ISh-P13-2043 dated 27 March 2014</p> <p>Directives of the Government of the Russian Federation No. 3984p-P13 dated 24 June 2015</p> <p>Subparagraph 5, paragraph 1 of List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014</p> <p>Instruction of the Government of the Russian Federation No. DM-P13-9024 dated 4 December 2014</p> <p>Directives of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015</p> <p>Directives of the Government of the Russian Federation No. 9054p-P13 dated 2 October 2019</p>	<p>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.</p> <p>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%.</p> <p>Rosneft's KPI system includes:</p> <ul style="list-style-type: none"> • 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.). <p>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.</p> <p>Other employees of Rosneft's Head Office receive bonuses based on collective KPIs for Rosneft and its businesses, and personal performance evaluation (an individual performance factor).</p> <p>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.</p> <p>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.</p> <p>Pursuant to Directives of the Government of the Russian Federation No. 9054p-P13 dated 2 October 2019, the Company analysed its Regulations on the Company's KPI System and Standard on Payments and Compensations to Top Managers, which set out key performance indicators and remuneration for Rosneft's top management, for compliance with the guidelines approved by Resolution of the Government of the Russian Federation No. 1388-r dated 27 June 2019. The analysis showed that the said documents did not need to be updated in 2019 (Minutes of the Meeting of Rosneft's Board of Directors No. 12 dated 30 December 2019).</p> <p>Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.</p>
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¹ The figure is an estimate only and subject to change after the KPI achievement is audited by the Internal Audit Service.

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.

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

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 2019, Rosneft and Group Subsidiaries took measures to adopt professional standards in accordance with the Action Plan approved by Rosneft's Board of Directors on 24 December 2018 (Minutes No. 13).

Rosneft's Board of Directors was twice updated (as at 1 May 2019 and 1 November 2019) on the implementation of the Action Plan in Rosneft and the Group Subsidiaries (Minutes No. 2 dated 1 July 2019 and Minutes No. 12 dated 30 December 2019).

By resolution of the Board of Directors, Rosneft approved the Action Plan for Adoption of Professional Standards at Rosneft and the Group Subsidiaries for 2020 (Minutes No. 12 dated 30 December 2019).

Relevant information is regularly posted on the online interdepartmental portal of the Federal Agency for State Property Management.

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 09/11/2016

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.

Appendix 5

(Information on basic internal regulations that serve as a basis for the preparation of the current 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 Environmental Protection;

Company Policy on Health and Safety.

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 2019, the income statement for 2019, 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 2019 and its financial performance and its cash flows for 2019 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 each 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 these matters. 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 matters 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	
<p>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 2019 in order to create and spin-off management sub-holdings. In accordance with Accounting statement 19/02, Financial Investments, where it is impossible to determine the cost of assets transferred or transferable by the organization, the value of financial investments received by the organization under agreements providing for non-monetary compensation (settlement) is based on the price at which the organization normally purchases similar assets under comparable circumstances. As a result, the value of financial investments received should be determined based on the fair value of assets transferred as a contribution to the charter capital.</p> <p>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.</p> <p>Information on the above-mentioned transactions is provided in Note 11 to the financial statements.</p>	<p>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 the 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.</p>

Other information included in the Annual Report

Other information consists of the information included in the Annual Report for 2019, 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 the other information specified above 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.

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, 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
19 February 2020

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 2019

Explanatory Note	Item	Line code	At 31 December 2019	At 31 December 2018	At 31 December 2017
ASSETS					
I. NON-CURRENT ASSETS					
6	Intangible assets	1110	44,331,957.00	44,599,532.00	23,468,759.00
8	Research and development results	1120	8,950,122.00	6,728,123.00	4,890,365.00
7	Intangible exploration assets	1130	107,173,666.00	99,214,115.00	111,303,011.00
7	Tangible exploration assets	1140	31,140,877.00	20,222,627.00	26,179,268.00
5	Fixed assets	1150	1,325,676,684.00	1,269,210,761.00	1,186,529,970.00
	Income-bearing investments in tangible assets	1160	0.00	0.00	0.00
3.11	Financial investments	1170	5,833,160,665.00	6,159,574,705.00	6,003,776,788.00
3.21	Deferred tax assets	1180	118,633,694.00	94,841,893.00	95,062,970.00
9	Other non-current assets	1190	33,452,714.00	31,951,119.00	32,318,324.00
	Total for Section I	1100	7,502,520,379.00	7,726,342,875.00	7,483,529,455.00
II. CURRENT ASSETS					
10	Inventories	1210	138,889,747.00	151,426,199.00	142,388,555.00
10	Value added tax on purchased assets	1220	48,808,809.00	72,718,694.00	72,598,729.00
3.15.18	Accounts receivables	1230	3,543,076,666.00	2,653,803,215.00	2,531,306,562.00
	including:	1231	1,411,354,476.00	1,005,017,767.00	1,119,929,274.00
	Accounts receivable expected to be settled within 12 months after the reporting date				
	Accounts receivable expected to be settled in over 12 months after the reporting date	1232	2,131,722,190.00	1,648,785,448.00	1,411,377,288.00
3.11	Financial investments (other than cash equivalents)	1240	985,762,573.00	1,100,833,573.00	728,055,665.00
12	Short-term derivative financial instruments at fair value through profit or loss	1241	2,243,018.00	0.00	0.00
12	Long-term derivative financial instruments at fair value through profit or loss	1242	0.00	0.00	0.00
14	Cash and cash equivalents	1250	97,398,766.00	598,541,224.00	116,638,660.00
	Other current assets	1260	4,797,785.00	5,052,039.00	8,400,746.00
	including:	1261	0.00	0.00	0.00
	Unbilled accrued revenue under construction contracts				
	Total for Section II	1200	4,820,977,364.00	4,582,374,944.00	3,599,388,917.00
	BALANCE	1600	12,323,497,743.00	12,308,717,819.00	11,082,918,372.00

Explanatory Note	Item	Line code	At 31 December 2019	At 31 December 2018	At 31 December 2017	
LIABILITIES						
III. CAPITAL AND RESERVES						
1.19	Charter capital (pooled capital, authorized capital, partners' contributions)	1310	105,982.00	105,982.00	105,982.00	
19	Treasury shares	1320	0	0	0	
19	Revaluation of non-current assets	1340	3	5	5	
19	Additional capital (without revaluation)	1350	118,168,244	113,279,890	113,278,538	
19	Reserve capital	1360	5,299	5,299	5,299	
13	Other funds and reserves	1365	1,389,427	-115,062,581	-231,748,689	
3.20	Retained earnings (uncovered loss)	1370	2,142,102,123	2,028,141,822	1,802,733,923	
Total for Section III			1300	2,261,771,078	2,026,470,417	1,684,375,058
IV. NON-CURRENT LIABILITIES						
16	Loans and borrowings	1410	5,397,760,107	5,792,741,747	5,083,998,328	
21	Deferred tax liabilities	1420	106,176,347	91,808,512	91,105,397	
24	Provisions	1430	76,836,351	56,345,080	61,023,750	
12	Long-term derivative financial instruments at fair value through profit or loss	1440	0	0	0	
16	Other liabilities	1450	799,125,852	1,134,390,419	1,419,426,029	
Total for Section IV			1400	6,379,898,657	7,075,285,758	6,655,553,504
V. CURRENT LIABILITIES						
16	Loans and borrowings	1510	946,067,618	817,935,056	860,270,860	
15.18	Accounts payable	1520	2,699,900,722	2,333,146,921	1,785,522,679	
	Deferred income	1530	2,865,382	2,740,157	2,651,115	
24	Provisions	1540	32,444,291	19,582,179	20,059,244	
12	Short-term derivative financial instruments at fair value through profit or loss	1545	0	33,058,044	74,073,303	
	Other liabilities	1550	549,995	499,287	412,609	
Total for section V			1500	3,681,828,008	3,206,961,644	2,742,989,810
BALANCE			1700	12,323,497,743	12,308,717,819	11,082,918,372

I. I. Sechin
Chief Executive Officer of
PJSC Rosneft Oil Company _____

V. A. Surkov
General Director of
LLC RN-Uchet _____

[Contract No. 100019/05992D dated 2 January 2020]

" ____ " _____ 2020

Income statement for 2019

Explanatory Note	Item	Line code	January-December 2019	January-December 2018	
20.26	Revenue	2110	6,827,526,407.00	6,968,248,044.00	
20	Cost of sales	2120	(4,782,222,071)	(4,815,224,782)	
20	Oil and gas reserves exploration and estimation expenses	2130	(6,559,819)	(24,065,226)	
Gross income (loss)			2100	2,038,744,517.00	2,128,958,036.00
20	Selling expenses	2210	(1,196,815,437)	(1,422,676,475)	
20	General and administrative expenses	2220	(83,302,902)	(80,583,478)	
Income (loss) from sales			2200	758,626,178.00	625,698,083.00
	Income from equity participation in other entities	2310	0.00	0.00	
20	Interest receivable	2320	176,844,160.00	186,773,202.00	
16.20	Interest payable	2330	(445,059,171)	(451,851,788)	
20	Gains from changes in the fair value of derivative financial instruments	2333	35,301,062.00	51,966,086.00	
20	Losses from changes in the fair value of derivative financial instruments	2334	0.00	(10,950,827)	
17.20	Other income	2340	124,722,952.00	328,328,022.00	
13.17.20	Other expenses	2350	(302,893,537)	(296,124,690)	
Income (loss) before tax			2300	347,541,644.00	433,838,088.00
	Current income tax	2410	9,648,441.00	431,697.00	
21	Including permanent tax assets (liabilities)	2421	89,179,905.00	81,505,569.00	
21	Change in deferred tax liabilities	2430	(14,367,835)	(703,115)	
21	Change in deferred tax assets	2450	23,791,801.00	(2,835,837)	
	Other	2460	29,912,158.00	30,053,176.00	
	Tax on prior year income	2461	703,325.00	(204,996)	
	Imputed income tax	2464	0.00	0.00	
	Income tax re-distribution within consolidated taxpayer group	2465	95,831.00	1,086,645.00	
13	Tax effect of the results of other operations not included in net income (loss) for the period	2466	29,113,002.00	29,171,527.00	
22	Net income (loss)	2400	396,526,209.00	460,784,009.00	

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V. A. Surkov
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LLC RN-Uchet _____

[Contract No. 100019/05992D dated 2 January 2020]

" ____ " _____ 2020

Statement of changes in equity for 2019

1. Changes in equity

Item	Line code	Charter capital	Treasury shares	Additional capital	Reserve capital	Other funds and reserves	Retained earnings (uncovered loss)
Equity at 31 December 2017	3100	105,982.00	-	113,278,543.00	5,299.00	(231,748,689)	1,802,733,923.00
For 2018	3210	-	-	5,921.00	-	116,686,108.00	460,866,255.00
Total increase in equity:							
including:	3211	x	x	x	x	x	460784009
Net income							
Revaluation of property	3212	x	x	-	x	-	x
Earnings directly increasing equity	3213	x	x	5,921.00	x	116,686,108.00	82,246.00
Additional issue of shares	3214	-	-	-	x	-	x
Increase in the par value of shares	3215	-	x	-	x	-	-
Legal entity reorganization	3216	-	-	-	-	-	-
Total decrease in equity:	3220	-	-	(4,569)	-	-	(235,458,356)
including:	3221	x	x	x	x	x	-
Loss							
Revaluation of property	3222	x	x	-	x	-	x
Expenses directly decreasing equity	3223	x	x	(4,569)	x	-	(10,459,041)
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	(224,999,315)
Change in additional capital	3230	x	x	-	x	-	-
Change in reserve capital	3240	x	x	x	-	x	-
Equity at 31 December 2018	3200	105,982.00	-	113,279,895.00	5,299.00	(115,062,581)	2,028,141,822.00
For 2019	3310	-	-	4,891,328.00	-	116,452,008.00	396,613,701.00
Total increase in equity:							
including:	3311	x	x	x	x	x	396,526,209.00
Net income							
Revaluation of property	3312	x	x	-	x	-	x
Earnings directly increasing equity	3313	x	x	4,891,328.00	x	116,452,008.00	87,492.00
Additional issue of shares	3314	-	-	-	x	-	x
Increase in the par value of shares	3315	-	x	-	x	-	-
Legal entity reorganization	3316	-	-	-	-	-	-
Total decrease in equity:	3320	-	-	(2,974)	-	-	(282,653,402)
including:	3321	x	x	x	x	x	-
Loss							
Revaluation of property	3322	x	x	-	x	-	x

Item	Line code	Charter capital	Treasury shares	Additional capital	Reserve capital	Other funds and reserves	Retained earnings (uncovered loss)
Expenses directly decreasing equity	3323	x	x	(2,974)	x	-	-
Decrease in the par value of shares	3324	-	-	0.00	x	-	-
Decrease in the number of shares	3325	-	-	x	x	-	x
Legal entity reorganization	3326	-	-	-	-	-	-
Dividends	3327	x	x	x	x	x	(282,653,402)
Change in additional capital	3330	x	x	(2)	x	-	2.00
Change in reserve capital	3340	x	x	x	-	x	-
Equity at 31 December 2019	3300	105,982.00	-	118,168,247.00	5,299.00	1,389,427.00	2,142,102,123.00

2. Adjustment due to changes in the accounting policy and correction of errors

Item	Line code	At 31 December 2017	Change in equity for 2018		At 31 December 2018
			Through net income (loss)	Due to other factors	
Total equity	3400	1,684,375,058.00	460,784,009.00	(118,688,650)	2,026,470,417.00
Before adjustments					
Adjustment due to:	3410	-	-	-	-
Changes in the accounting policy					
Correction of errors	3420	-	-	-	-
After adjustments	3500	1,684,375,058.00	460,784,009.00	(118,688,650)	2,026,470,417.00
including:	3401	1,802,733,923.00	460,784,009.00	(235,376,110)	2,028,141,822.00
Retained earnings (uncovered loss):					
Before adjustments					
Adjustment due to:	3411	-	-	-	-
Changes in the accounting policy					
Correction of errors	3421	-	-	-	-
After adjustments	3501	1,802,733,923.00	460,784,009.00	(235,376,110)	2,028,141,822.00
Other equity items that have been adjusted:	3402	(118,358,865)	-	116,687,460.00	(1,671,405)
(By item)					
Before adjustments					
Adjustment due to:	3412	-	-	-	-
Changes in the accounting policy					
Correction of errors	3422	-	-	-	-
After adjustments	3502	(118,358,865)	-	116,687,460.00	(1,671,405)

3. Net assets

Item	Code	Line code	At 31 December 2019	At 31 December 2018	At 31 December 2017
Net assets	3600	3600	2261771078	2026470417	1684375058

I. I. Sechin
Chief Executive Officer of
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" " _____ 2020

Statement of cash flows for 2019

Item	Line code	For 2019	For 2018
Cash flows from operating activities	4110	6179070239	6949361784
Total proceeds			
including:	4111	5498167192	5962431089
From the sale of products, goods, work and services			
Lease payments, license payments, royalties, commissions and other similar payments	4112	150978981	151987590
From resale of financial investments	4113	0	0
Other proceeds	4119	529924066	834943105
Total cash disbursements	4120	-6780339685	-6898554475
including:	4121	-4708441513	-4820693835
Payments to suppliers (contractors) for raw materials, work and services			
Payroll-related payments	4122	-41823850	-41438562
Interest on debt obligations	4123	-372122046	-347701977
Income tax	4124	-10184117	-15390346
Other taxes and levies	4125	-904235818	-944055998
Exploration costs	4128	-6582553	-15091557
Other payments	4129	-736949788	-714182200
Net cash flows from operating activities	4100	-601269446	50807309
Cash flows from investing activities	4210	1304175862	2448010068
Total proceeds			
including:	4211	10762256	18649588
From sale of non-current assets (except for financial investments)			
From sale of shares (interests) in other entities	4212	23371	28723
From repayment of loans issued and sale of debt securities (receivables from other parties)	4213	886376455	1772649402
Dividends, interest on debt financial instruments and similar proceeds from equity participation in other entities	4214	368230520	580793533
Other proceeds	4219	38783260	75888822
Total payments	4220	-831287612	-2080505380
including:	4221	-188557971	-203655854
Purchase, creation, upgrading, reconstruction and preparation for use of non-current assets			
Purchase of shares (interests) in other entities	4222	-374023314	-148272795
Purchase of debt securities (receivables from other parties), issue of loans to other parties	4223	-207069417	-1639041928
Interest on debt obligations included in the value of the investment asset	4224	-	-
Exploration assets	4228	-23773804	-15993209
Other payments	4229	-37863106	-73541594
Net cash flows from investing activities	4200	472888250	367504688
Cash flows from financing activities	4310	3502514309	3401044264
Total proceeds			
including:	4311	3417634273	3331053021
Loans and borrowings received			
Cash contributions of shareholders (participants)	4312	4890000	-
Issue of shares, increase in interests	4313	-	-
Issue of bonds, promissory notes and other debt securities, etc.	4314	79990036	69991243
Other proceeds	4319	-	-
Total payments	4320	-3824224290	-3338428524

Item	Line code	For 2019	For 2018
including:	4321	-	-
Payments to shareholders (participants) due to the buyback of shares (interests) in the entity or due to their withdrawal			
Dividends and other distributions of income among shareholders (participants)	4322	-274265540	-218156115
Repayment (redemption) of promissory notes and other debt securities, repayment of loans and borrowings	4323	-3549958750	-3120272409
Other payments	4329	-	-
Net cash flows from financing activities	4300	-321709981	62615740
Net cash flows for the reporting period	4400	-450091177	480927737
Balance of cash and cash equivalents at the beginning of the reporting period	4450	598541224	116638660
Balance of cash and cash equivalents at the end of the reporting period	4500	97398766	598541224
Effect of changes in the exchange rate of foreign currency to the ruble	4490	-51051281	974827

I.I. Sechin
Chief Executive Officer of
PJSC Rosneft Oil Company _____

V.A. Surkov
General Director of
LLC RN-Uchet _____

[Contract No. 100019/05992D dated 2 January 2020]

" ____ " _____ 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 2019 reporting year prepared in accordance with the applicable legislation of the Russian Federation.

I. I. Sechin
Chief Executive Officer of
PJSC Rosneft Oil Company _____

V.A. Surkov
General Director of
LLC RN-Uchet _____
[Contract No. 100019/05992D dated 2 January 2020]
"_____" 2020

The reporting date of these financial statements, as of which they are prepared, is 31 December 2019.

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.

Governing 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 Rosneft Oil Company that served as of 31 December 2019 was formed by the decision of the extraordinary General Shareholders' Meeting of the Company held on 4 June 2019.

The matter of forming the Board of Directors was not included in the agenda of the annual General Shareholders' Meeting held on 30 September 2019. The current members of the Board of Directors were approved by the General Shareholders' Meeting on 4 June 2019.

As of 31 December 2019, the Board of Directors of Rosneft Oil Company comprised:

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.	Andrey Removich Belousov	Member of the Board of Directors of Rosneft Oil Company, First Deputy Prime Minister of the Russian Federation ¹
4.	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)
5.	Oleg Vyacheslavovich Viyugin	Member of the Board of Directors of Rosneft Oil Company, Independent Director, professor of the Finance Department of the Economic Faculty of the National Research University Higher School of Economics
6.	Robert Warren Dudley	Member of the Board of Directors of Rosneft Oil Company, Director and member of the Board of Directors of BP p.l.c., Chief Executive Officer of BP Group
7.	Guillermo Ordonez Quintero	Member of the Board of Directors of Rosneft Oil Company, Director of GQO Consultants LTD
8.	Alexander Valentinovich Novak	Member of the Board of Directors of Rosneft Oil Company, Minister of Energy of the Russian Federation
9.	Hans-Joerg 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 4 June 2019, the annual General Shareholders' Meeting (meeting minutes w/o number dated 7 June 2019) 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
- Faisal Alsuwaidi – USD530,000
- Matthias Warnig – USD580,000
- Oleg Vyacheslavovich Viyugin – USD560,000
- Ivan Glasenberg – USD530,000
- Hans-Joerg Rudloff – USD580,000

In addition, on 4 June 2019, the annual General Shareholders' Meeting (meeting minutes w/o number dated 7 June 2019) approved compensation for all expenses and costs incurred by the members of the Board of Directors of the Company when performing their duties.

As of 31 December 2019, the Company fulfilled its obligation to pay the remuneration to the above members of the Board of Directors of Rosneft Oil Company for the period during which they performed their duties.

In 2019, no remuneration was paid to the members of the Board of Directors of Rosneft Oil Company, namely Andrey Removich Belousov, a government official at the date of the adoption of the decision to pay remuneration by the General Shareholders' Meeting, Aleksander Valentinovich Novak, who held a public office, and Igor Ivanovich Sechin, the Chairman of the Management Board of Rosneft Oil Company, for performing their duties as members of the Board of Directors of Rosneft Oil Company. In addition, in 2019, no remuneration was paid to the members of the Board of Directors of Rosneft Oil Company representing BP, a shareholder of Rosneft Oil Company, namely Robert Dudley and Guillermo Quintero, for performing their duties as members of the Board of Directors of Rosneft Oil Company, in accordance with their applications filed. Sole executive body of the Company

¹ As of 31 December 2019, Andrey Removich Belousov held the position of the Assistant to the President of the Russian Federation.

Chief Executive Director of Rosneft Oil Company is its sole executive body.

Igor Ivanovich Sechin was appointed as the sole executive body of the Company (Minutes No. 22 of the Board of Directors' meeting dated 23 May 2012) and took office on 24 May 2012. Igor Ivanovich Sechin was appointed as the sole executive body of the Company for a new 5-year period by decision of the Board of Directors of Rosneft Oil Company dated 30 April 2015 (Minutes No. 32 dated 30 April 2015).

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 2019, members of the Management Board of the Company included:

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.	Eric Liron	Vice President for In-House Services at Rosneft Oil Company
4.	Gennady Ivanovich Bukaev	Vice President – Head of Internal Audit at Rosneft Oil Company
5.	Didier Casimiro	Vice President for Refining, Petrochemical, Commerce and Logistics at Rosneft Oil Company
6.	Peter Ivanovich Lazarev	Financial Director of Rosneft Oil Company
7.	Zavaleeva Elena Vladimirovna	State Secretary – Vice President at Rosneft Oil Company
8.	Yury Igorevich Kurilin	Vice President, Chief of Staff at Rosneft Oil Company
9.	Andrey Nikolaevich Shishkin	Vice-President for Informatization, Innovation and Localization at Rosneft Oil Company
10.	Andrey Aleksandrovich Polyakov	Vice President – Chief Geologist at Rosneft Oil Company
11.	Ural Alfretovich Latypov	Vice President – Head of Security Service at Rosneft Oil Company

The Board of Directors of Rosneft Oil Company made the following decisions with respect to the Management Board of the Company:

- To appoint Gennady Ivanovich Bukaev, Vice President – Head of Internal Audit at Rosneft Oil Company, as a member of the Management Board of Rosneft Oil Company for three (3) years from 1 July 2019 (Minutes No. 2 dated 1 July 2019).
- To terminate the powers as a member of the Management Board of Rosneft Oil Company of Yuri Ivanovich Kalinin, Deputy Chairman of the Management Board, and Vlada Vilorikovna Rusakova, member of the Management Board of Rosneft Oil Company from 26 December 2019.
- To appoint Ural Alfretovich Latypov, Vice President – Head of Security Service at Rosneft Oil Company, and Andrey Aleksandrovich Polyakov, Vice President – Chief Geologist at Rosneft Oil Company, as members of the Management Board of Rosneft Oil Company for three (3) years, and to appoint Zeljko Runje, First Vice President for Oil, Gas, and Offshore Business Development at Rosneft Oil Company, as Deputy Chairman of the Management Board from 27 December 2019 (Minutes No. 12 dated 30 December 2019).

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 2019, the Audit Commission of the Company comprised:

Chairman of the Audit Commission:	
1. Zakhar Borisovich Sabantsev	Head of the Bank 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. Alexander Yevgenievich Bogashov	Director of the Department for Corporate Governance, Price Environment, Control and Audit Activity in the Energy Sector, 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 4 June 2019, the annual General Shareholders' Meeting (meeting minutes w/o number dated 7 June 2019) 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 2019, the Company fulfilled its obligation to pay the remuneration.1.2 Structure of the Company's charter capital*

Information about the shareholders of Rosneft Oil Company as of 31 December 2019 is presented below:

No.	Name of legal entity or individual	Number of common (voting) shares and interest in the charter capital
1	JSC ROSNEFTEGAZ	5,299,088,910 common shares representing 50.00000001 % 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	2,006,045,126 common shares representing 18.93 % 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)	1,163,626,202 common shares representing 10.98 % of the total number of common shares and the charter capital of the Company
5	Other legal entities	1,182,555 common shares representing 0.01 % of the total number of common shares and the charter capital of the Company
6	The Russian Federation, acting through the Federal Property Management Agency	1 common share, representing 0.000000009 % of the total number of common shares and the charter capital of the Company
7	Individuals	35,180,243 common shares representing 0.33 % of the total number of common shares and the charter capital of the Company
8	Account of unidentified individuals	154,683 common shares representing less than 0.01 % of the total number of common shares and the charter capital of the Company

¹ * Information is based on the data of Rosneft shareholders' register.

1.3 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 (meeting minutes w/o number) with the amendments approved by the General Shareholders' Meeting of the Company on 15 June 2016 (meeting minutes w/o number), amendments approved by the General Shareholders' Meeting of the Company on 22 June 2017 (meeting minutes w/o number), amendments approved by the General Shareholders' Meeting of the Company on 29 September 2017 (meeting minutes w/o number), 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 2019, the average headcount of the Company was 4,537 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 2019 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 2019 reporting year

To ensure the comparability of the financial statements (paragraph 10 of Accounting Statement 4/99), the following reclassifications were made to the data for 2018 due to amendments introduced to the accounting policy for 2019 in terms of presentation of the statement of cash flows:

- In 2019, the approach to presenting data in the statement of cash flows was changed requiring that interest-free loans issued be recognized within other payments on operating activities less the amount repaid in the reporting period.

Table 1. Changes in the statement of cash flows (kRUB)

Item	Line	As previously reported for 2018	As currently reported for 2018	Changes	Reason
Cash flows from operating activities	4120	(6,762,778,931)	(6,898,554,475)	(135,775,544)	
Total cash disbursements					
Including other payments	4129	(578,406,656)	(714,182,200)	(135,775,544)	
Net cash flows from operating activities	4100	186,582,853	50,807,309	(135,775,544)	
Cash flows from investing activities	4210	2,877,879,280	2,448,010,068	(429,869,212)	Transactions to provide and repay interest-free loans were reclassified from investing activities to operating activities and were recognized on a net basis
Total proceeds					
including from repayment of loans issued and sale of debt securities (receivables from other parties)	4213	2,202,518,614	1,772,649,402	(429,869,212)	
Cash flows from investing activities	4220	(2,646,150,136)	(2,080,505,380)	565,644,756	
Total payments					
including purchases of debt securities (receivables from other parties), provision of loans to other parties	4223	(2,204,686,684)	(1,639,041,928)	565,644,756	
Net cash flows from investing activities	4200	231,729,144	367,504,688	135,775,544	

4. Information about the accounting policy

The Company developed its accounting policy in accordance with the principles established by Accounting Statement 1/2008, Accounting Policies of an Organization, approved by Order No. 106n of the Russian Ministry of Finance dated 6 October 2008:

- Economic entity assumption according to which the Company's assets and liabilities are accounted for separately from the assets and liabilities of other legal entities and individuals
- Going concern assumption according to which the Company will continue its business in the foreseeable future and it neither intends nor has to liquidate or significantly curtail its activities, and, therefore, its liabilities will be duly discharged
- Consistency assumption according to which the Company will consistently apply the adopted accounting policy in its activities
- Time period assumption Material accounting methods provided for by the Company's accounting policy in 2019 are reflected below in the respective Explanatory Notes to the balance sheet and the income statement for the 2019 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.

Items intended to be leased out are recorded in line 1150, Fixed assets. The net book value of such items was:

- kRUB597,600,420 at the end of the period
- kRUB566,447,177 at the beginning of the period

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 is 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	10 to 15 years
Machinery and equipment	5 to 7 years

Assets with a value of not more than kRUB40 per unit have been recorded and reported as inventories since 1 January 2014. 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):

- Land plots
- Buildings
- Structures
- Transfer devices
- Downhole equipment
- Vehicles
- Assets held as joint shared property or joint property
- Assets held for leasing

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 2. Information on fixed assets (kRUB)

Group of fixed assets	Period	At the beginning of the period		Additions	Changes for the period			At the end of the period	
		Historical cost	Accumulated depreciation		Historical cost	Disposals Accumulated depreciation	Depreciation charge	Historical cost	Accumulated depreciation
Total fixed assets	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)
	2018	1,434,802,008	(819,931,051)	182,429,326	(47,953,372)	29,655,898	(141,185,287)	1,569,277,962	(931,460,440)
Buildings and structures	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)
	2018	1,253,588,915	(701,088,374)	171,128,379	(43,996,094)	26,649,133	(127,248,900)	1,380,721,200	(801,688,141)
Machinery, equipment, vehicles	2019	183,346,891	(128,016,586)	5,037,447	(503,857)	470,965	(11,652,378)	187,880,481	(139,197,999)
	2018	176,942,695	(117,144,438)	10,323,503	(3,919,307)	2,969,973	(13,842,121)	183,346,891	(128,016,586)
Other fixed assets	2019	5,209,871	(1,755,713)	31,040	(85,678)	85,561	(85,210)	5,155,233	(1,755,362)
	2018	4,270,398	(1,698,239)	977,444	(37,971)	36,792	(94,266)	5,209,871	(1,755,713)
Including fixed assets that are not depreciated	2019	3,209,893	x	13	(60)	x	x	3,209,846	x
	2018	2,349,824	x	860,970	(901)	x	x	3,209,893	x

Table 3. Information on fixed assets requiring state registration (kRUB)

	At 31 December 2019	At 31 December 2018	At 31 December 2017
Fixed assets whose title has not yet been registered	212,947,138	216,700,282	242,504,069
Including fixed assets whose registration documents have not yet been accepted by the state authorities	210,138,389	208,464,386	232,630,158

Table 4. Information on the use of fixed assets (kRUB)

Group of fixed assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total assets leased out (historical cost), including	1,557,316,383	1,425,671,402	1,313,143,006
• Buildings	48,462,125	46,838,617	47,879,783
• Structures	1,332,392,306	1,207,948,158	1,098,760,374
Mothballed fixed assets (historical cost)	60,412,857	52,526,131	37,787,491
Total fixed assets leased (contract or cadastral value), including	100,963,500	84,246,854	74,235,887
• Land plots	69,523,734	74,304,769	66,337,376
• Other fixed assets	31,439,766	9,942,085	7,898,511
Change in the value of fixed assets as a result of supplementary construction, retrofitting, refurbishment, modernization or partial liquidation	21,277,842	22,425,172	23,019,002

Table 5. Information on capital investments in progress (kRUB)

Capital investments in progress by type of asset	At 31 December 2019	At 31 December 2018	At 31 December 2017
Equipment for installation	15,897,385	15,431,560	17,828,175
Construction in progress, including	634,303,095	613,815,168	551,066,851
Advances issued for construction, acquisition, manufacturing of fixed assets (net of VAT)	50,198,285	45,491,528	46,294,428
Other assets	2,158,984	2,146,511	2,763,987
Total	652,359,464	631,393,239	571,659,013

In 2019, the value of work performed under capital construction projects amounted to kRUB183,624,014 (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 kRUB8,800,503 (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)
- Oil and gas production licenses
- 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.)
- 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 the result of drilling the offshore appraisal and exploration wells abandoned as successful 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 kRUB296,046
- Exclusive rights to an invention with a historical cost of kRUB7,025
- Digital forest management maps with a historical cost of kRUB10,800
- Multimedia products, websites with a historical cost of kRUB1

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, provided that the production of mineral resources in the license area is commercially viable: 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 2019, 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 the result of drilling successful onshore appraisal and 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	4.1 to 13.6 years
Patents	1.1 to 24.1 years
Exclusive rights to computer software and databases	1.1 to 10 years
Exploration and production licenses *	3 to 173 years
Geological prospecting, exploration and production licenses (combined licenses) ¹	10 to 166 years
Other mineral licenses (for the abstraction of underground water, construction of gas storage facilities, etc.)	7 to 25 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.

Table 6. Information on intangible assets (kRUB)

Groups of intangible assets	Period	At the beginning of the period		Changes for the period			At the end of the period		
		Historical cost	Accumulated amortization	Additions	Disposals		Amortization charge	Historical cost	Accumulated amortization
					Historical cost	Accumulated amortization			
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)
	2018	25,688,938	(5,683,766)	22,253,141	(2,048)	789	(1,788,234)	47,940,031	(7,471,211)
Trademarks	2019	21,306	(11,374)	2,661	-	-	(1,749)	23,967	(13,123)
	2018	19,235	(9,128)	2,071	-	-	(2,246)	21,306	(11,374)
Exclusive rights to an invention, utility model or industrial design	2019	750,705	(352,283)	7,025	-	-	(146,430)	757,730	(498,713)
	2018	750,695	(211,358)	10	-	-	(140,925)	750,705	(352,283)
Exclusive rights to computer software and databases	2019	2,277,299	(1,281,842)	296,046	(6,949)	6,949	(285,343)	2,566,396	(1,560,236)
	2018	1,507,484	(1,163,715)	769,815	-	-	(118,127)	2,277,299	(1,281,842)
Oil and gas production licenses (including combined exploration and production licenses issued after commercial viability is confirmed)	2019	42,772,552	(5,527,300)	66,180	-	-	(1,056,037)	42,838,732	(6,583,337)
	2018	22,311,222	(4,048,198)	20,462,364	(1,034)	636	(1,479,738)	42,772,552	(5,527,300)
Other licenses	2019	814	(563)	-	(507)	383	(25)	307	(205)
	2018	911	(597)	-	(97)	77	(43)	814	(563)
Information received as the result of drilling successful onshore appraisal and exploration wells abandoned due to technological reasons	2019	555,770	(6,663)	-	-	-	(14,960)	555,770	(21,623)
	2018	38,482	(2,732)	517,288	-	-	(3,931)	555,770	(6,663)
Results of 3D and 4D seismic surveys at sites after commercial viability is confirmed	2019	1,347,653	(99,032)	1,321,358	-	-	(71,001)	2,669,011	(170,033)
	2018	849,993	(65,026)	497,660	-	-	(34,006)	1,347,653	(99,032)
Other intangible assets	2019	213,932	(192,154)	10,801	-	-	(7,946)	224,733	(200,100)
	2018	210,916	(183,012)	3,933	(917)	76	(9,218)	213,932	(192,154)

¹ Provided that the production of mineral resources in the license area is commercially viable

Table 7. Information on intangible assets created by the Company (kRUB)

Historical cost by group of intangible assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total, including	3,542,467	3,235,544	2,462,703
Exclusive rights to computer software and databases	2,566,396	2,277,299	1,507,484
Exclusive rights to an invention, utility model or industrial design	751,338	744,313	744,303
Other	224,733	213,932	210,916

Table 8. Information on investments in progress made to create intangible assets (kRUB)

Investments in progress	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total investments in the creation of individual intangible assets, including by type:	3,742,681	4,130,712	3,463,587
Exclusive rights to computer software and databases	3,709,159	2,808,226	1,940,991
3D and 4D seismic surveys	17,522	1,304,261	1,507,340
Exclusive rights to an invention, utility model or industrial design	872	897	6,087
Trademarks	2,947	5,103	3,877
Other intangible assets	12,181	12,225	5,292

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 9. Information on intangible assets received by the Company for use (kRUB)

Cost by group of intangible assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total, including	9,201,500	8,870,210	7,417,358
Non-exclusive rights to software programmes, rights of access to information resources	9,201,500	8,870,210	7,417,358

Table 10. Information on fully amortized intangible assets (kRUB)

Intangible assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total, including	1,327,933	1,266,602	1,115,886
Exclusive rights to computer software and databases	1,064,121	1,071,022	1,023,677
Patents	79,003	13,715	10,012
Oil and gas production licenses	5,483	5,373	623
Trademarks	7,808	6,361	535
Other licenses	21	61	61
Other	171,497	170,070	80,978

7. Oil and gas reserves exploration and estimation costs

Oil and gas reserves exploration and evaluation expenses 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 evaluation 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 appraisal/exploration drilling
- Information on the results of drilling successful abandoned appraisal/exploration wells

Capitalized exploration and evaluation 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 offshore appraisal/exploration wells abandoned as successful in the license areas that did not prove to be commercially viable to recover oil and gas are capitalized as follows:

- Expenses related to the construction of offshore 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 offshore 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 value 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 evaluation expenses:

- 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 11. Information on exploration assets (kRUB)

Groups 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	2019	20,170,757	-	9,604,440	(544,342)	-	29,230,855	-
	2018	26,126,691	-	12,321,977	(18,277,911)	-	20,170,757	-
Intangible exploration assets, including	2019	99,214,265	(150)	8,975,984	(1,016,575)	142	107,173,674	(8)
	2018	111,303,164	(153)	8,387,854	(20,476,753)	3	99,214,265	(150)
License to use subsurface resources with the right of extraction	2019	56,623,639	-	7,437,552	(1,003,948)	-	63,057,243	-
	2018	76,083,997	-	994,151	(20,454,509)	-	56,623,639	-
License to use subsurface resources without the right of extraction	2019	2,421	(150)	84,520	(173)	142	86,768	(8)
	2018	2,409	(153)	15	(3)	3	2,421	(150)
Information on the results of drilling of successful abandoned appraisal/exploration wells	2019	42,548,639	-	472,973	-	-	43,021,612	-
	2018	35,193,583	-	7,355,056	-	-	42,548,639	-
Costs related to acquiring of subsoil use rights for oil and gas reserves	2019	39,566	-	980,939	(12,454)	-	1,008,051	-
	2018	23,175	-	38,632	(22,241)	-	39,566	-

Information on tangible exploration assets as of 31 December 2019 is disclosed in line 1140, Tangible exploration assets, including advances issued of kRUB1,865,867 and materials of kRUB44,155 intended for creating tangible exploration assets in the balance sheet.

Change in tangible exploration assets was due to the completion of exploratory drilling in 2019 amounting to kRUB9,604,440, reclassification to intangible exploration assets of information on the results of drilling a successful abandoned appraisal/exploration well in the amount of kRUB472,973, realization of the exploration well in the amount of kRUB69,019 and write-off of expenses due to other expenses in the amount of kRUB2,350, as the Company has no intention to continue 3D seismic surveys.

In 2019, change in intangible exploration assets was primarily due to the acquisition of licenses to use subsurface resources with the right of extraction in the amount of kRUB7,437,552, and without the right of extraction in the amount of kRUB84,520, reclassification to intangible exploration assets of information on the results of drilling a successful abandoned appraisal/exploration well in the amount of kRUB472,973, and disposal of geological exploration and production licenses in the amount of kRUB1,003,948 due to reissue of licenses to use subsurface resources.

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 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 deliverables is as follows:

- Technology for production of highly dearomatized white oils 5 years
- Technology for production of oil bases with low chilling temperatures 5 years
- Technology for production of synthetic high-viscosity-index base waxy oils 5 years

Table 12. 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	2019	550,847	(360,890)	535,911	(7,000)	(177,302)	1,079,758	(538,192)
	2018	523,335	(184,634)	27,512	-	(176,256)	550,847	(360,890)

Changes in R&D project value written-off in the amount of kRUB7,000 in 2019 was due to reclassification of R&D projects to intangible assets at net book value upon receipt of protection documents. No reclassification of R&D to intangible assets was made in 2018.

Table 13. 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	2019	6,538,166	2,406,301	-	(535,911)	8,408,556
	2018	4,551,664	2,014,038	-	(27,536)	6,538,166

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 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 2019, 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 14. Information on other non-current assets (kRUB)

Other non-current assets by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total prepaid expenses with the write-off period exceeding 12 months	12,157,493	9,812,024	7,365,761
including by type:	12,157,493	9,812,024	7,365,761
Software			
ARO asset	20,962,554	21,814,156	24,160,025
Other non-current assets	332,667	324,939	792,538
Total	33,452,714	31,951,119	32,318,324

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 Rosneft Oil Company upon accounting for straight-run gasoline, benzene, 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.

Table 15. Information on VAT and excise duties (kRUB)

Tax	At 31 December 2019	At 31 December 2018
Input value added tax charged	43,878,882	66,860,529
Excise duty assessed upon accounting for straight-run gasoline, benzene, orthoxylene, paraxylene	4,929,927	5,858,165

Table 16. Information on inventories (kRUB)

Inventories by type	At 31 December 2019		At 31 December 2018		At 31 December 2017	
	Cost	Allowance for impairment	Cost	Allowance for impairment	Cost	Allowance for impairment
Total inventories	138,946,748	(57,001)	151,463,844	(37,645)	142,439,261	(50,706)
Raw and other materials	15,838,148	(57,001)	18,883,705	(37,426)	18,575,428	(27,811)
Costs related to work in progress	11,722,717	x	11,326,184	x	9,706,137	x
Finished products and goods	111,385,883	x	121,253,955	(219)	114,157,696	(22,895)

Decrease in inventories was due to the fact that most of the inventories were used in production and shipped to customers. In 2017–2019, inventories were not pledged.

Table 17. Information on the movements in allowances for impairment of inventories (kRUB)

Item	Period	Allowance at the beginning of the period	Change in the allowance for the reporting period		Allowance at the end of the period
			Accrued (additionally accrued), +	Reversed (adjusted), -	
Total allowance	2019	37,645	20,330	(974)	57,001
	2018	50,706	19,142	(32,203)	37,645

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). As of 31 December 2019, the allowance for impairment of financial investments amounts to kRUB44,802,708.

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 at the reporting date and previous valuation of financial investments whose market value can be determined as of 31 December 2018 is 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 PJSC Bashneft ("Bashneft") quoted in the securities market are accounted for following the procedure provided for financial investments, for which the current market value is not determined. It is due to the fact that quotes in the securities market do not represent a market price (control premium). The volume of shares available for free circulation in the market is insignificant and their sales are not representative for appraising the value of the majority shareholding since they are easily manipulated by stock players.

The historical cost of debt securities whose current market value cannot be determined is not adjusted for the difference between the historical cost and nominal value.

Where it is impossible to determine the cost of assets transferred or transferable by the Company, the value of financial investments received by the Company under contracts providing for non-monetary compensation (settlement) is based on the price at which the Company normally purchases similar financial investments under comparable circumstances.

Debt securities and loans issued are not measured at present value. At disposal of assets recognized as financial investments, for which the current market value is determined, the value of such assets is based on their most recent valuation.

Financial investments whose current market value cannot be determined are measured at historical cost of each unit disposed.

Deposits with the maturity period not exceeding 91 days are not considered to be financial investments and are recorded within cash in the financial statements.

Short-term debt related to financial investments is reclassified to long-term debt in cases when the payment terms envisaged by the agreement are revised and increased to exceed 365 days after the reporting date.

Long-term debt related to financial investments is reclassified to short-term debt when the term to maturity under the agreement remains 365 days or less after the reporting date.

The value of all financial investments previously remeasured at market value is recorded at the current market value as of the reporting date. The Company did not have in accounting records any financial investments measured at market value with undetermined market value at the reporting date.

The Company did not have in accounting records any financial investments pledged or transferred to third parties (except for sale).

From 1 January 2016, 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.) were subject to capitalization in the cost of the financial investments in the entities in which additional investments were made.

Table 18. Information on financial investments (kRUB)

Financial investments by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total	6,818,923,238	7,260,408,278	6,731,832,453
Total long-term investments	5,833,160,665	6,159,574,705	6,003,776,788
Units and shares (interests), including:	4,409,568,942	3,946,983,553	3,662,042,158
Shares (interests) in subsidiaries and associates	4,403,720,303	3,942,196,509	3,657,753,129
Long-term loans issued	1,220,410,862	1,954,261,188	1,712,770,543
Other long-term financial investments	203,180,861	258,329,964	628,964,087
Total short-term investments	985,762,573	1,100,833,573	728,055,665
Short-term loans issued	712,067,647	655,165,832	572,777,685
Deposits	55,642,502	216,368,210	37,440,130
Promissory notes and bonds received	119,019,389	130,282,140	64,444,958
Accounts receivable acquired under assignment agreements	-	456	1,056
Other short-term financial investments	99,033,035	99,016,935	53,391,836

In 2019, change in the value of long-term financial investments from kRUB6,159,574,705 to kRUB5,833,160,665 was primarily due to the decrease in loans issued of kRUB733,850,326, including due to repayment, revaluation and reclassification of debt; decrease in other financial investments of kRUB55,149,103, including due to repayment and revaluation of credit notes and long-term deposits; increase in interests and investments in the charter capital of subsidiaries of kRUB461,523,868, including as part of creating sub-holding asset management structure.

When calculating the value of interests and investments of sub-holdings by adding up the transferred interests and shares of other subsidiaries, the value is based on the price at which the Company normally purchases similar assets under comparable circumstances. The market value of the transferred interests and shares calculated by an independent appraiser is deemed to be the indicator of such value. The difference between the carrying amount and the market value of the transferred interests and shares is taken to other income (expenses).

In 2019, the value of investments in LLC RN-Inostranniye Proekty increased by kRUB181,344,462, in LLC RN-Kommerciya – by kRUB172,694,698, in LLC RN-Aktiv – by kRUB43,050,000, in LLC RN-Pererabotka – by kRUB28,815,311, in LLC RN-Gaz – by kRUB22,829,296 and in LLC RN-Razvedka i Dobycha – by kRUB10,758,173.

In 2019, change in the value of short-term financial investments from kRUB1,100,833,573 to kRUB985,762,573 was primarily due to repayment of short-term deposits, reclassification of loans 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 cross currency and interest rate swaps to sell US dollars and euro that help match the currency of revenue and the currency of liabilities, and reduced absolute 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. 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 as 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 related to cross currency and interest rate swaps.

Transactions with derivative financial instruments are presented below:

Table 19. Information on transactions with derivative financial instruments

Financial instrument	Period		Nominal amount at 31 December 2019		Interest rate type	Fair value of asset (liability) at 31 December (kRUB)	
	Issue	Repayment	kEUR/ kUSD	kRUB ¹		2019	2018
Swaps	2014	2019	-	-	Floating	-	(33,058,044)
Swaps	2019	2020	EUR985,718	68,350,278	Floating	2,243,018	-

In 2019, the Company completed transactions with derivative financial instruments entered into in 2014 in the nominal amount of kUSD1,009,518 (kRUB62,494,918 at the CBR official exchange rate as of 31 December 2019).

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).

In the reporting year, the Company performed transactions to hedge the cash flows from the Company's future exports due to foreign currency risks attributed to export revenue denominated in foreign currency mainly in US dollars. The Company raises borrowings in the same currency as the future revenue to economically hedge the foreign currency risk exposure. 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.

¹ Equivalent of the nominal amount at the CBR official exchange rate as of 31 December 2019.

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 2019 and 31 December 2018, there were no designated hedging instruments.

Table 20. Information on amounts recognized in other funds and reserves on hedging transactions (kRUB)

Item	2019	2018	2017
Recognized in other funds and reserves at the beginning of the year	(115,062,581)	(231,748,689)	(348,012,103)
Foreign exchange differences on cash flow hedges before tax	-	333,196	(317,589)
Reclassified to profit or loss	145,565,010	145,524,439	145,646,857
Difference between the accounting profit (loss) and the taxable profit (loss) resulting from recognition of hedging transactions ¹	(29,113,002)	(29,171,527)	(29,065,854)
Recognized in other funds and reserves at the end of the year	1,389,427	(115,062,581)	(231,748,689)

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 2019 is presented below:

Table 21. Forecast of revaluations reclassified to profit or loss (kRUB)

Year	2020	2021	Total
Reclassifications	1,900,006	(163,222)	1,736,784
Income tax	(380,001)	32,644	(347,357)
Total net of income tax	1,520,005	(130,578)	1,389,427

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 21. Information on cash and cash equivalents (kRUB)

Cash	At 31 December 2019	At 31 December 2018	At 31 December 2017
Cash	46,481,256	504,118,733	115,167,670
including restricted cash	2,333,436	3,366,005	8,269,529
Deposits with the maturity period not exceeding 91 days and other cash equivalents	50,917,510	94,422,491	1,470,990

¹ Recognized in line 2466 of the income statement.

15. Accounts receivable and accounts payable

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.

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 existing contract provides for repayment by installments in different periods.

Table 23. Information on accounts receivable (kRUB)

Accounts receivable by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total accounts receivable	3,543,076,666	2,653,803,215	2,531,306,562
Long-term accounts receivable	2,131,722,190	1,648,785,448	1,411,377,288
Including:	63,543	53,330	89,808
Trade accounts receivable			
Advances issued	571,607	592,718	443,736
Other receivables, including	2,131,087,040	1,648,139,400	1,410,843,744
Loans issued to companies within Rosneft Oil Company Group	1,869,506,975	1,330,769,489	1,164,327,102
Interest on long-term loans, promissory notes	234,673,280	288,968,440	226,058,312
Short-term accounts receivable	1,411,354,476	1,005,017,767	1,119,929,274
Including:	453,183,557	490,499,629	548,535,766
Trade accounts receivable			
Advances issued	42,524,293	37,565,998	38,208,836
Other receivables, including	915,646,626	476,952,140	533,184,672
Receivables from the budget and state non-budgetary funds	110,217,319	96,014,921	53,345,166
Loans and promissory notes issued to companies within Rosneft Oil Company Group	197,716,914	109,168,244	139,691,819
Interest (discount) on deposits, loans, promissory notes	240,049,474	126,541,234	194,144,515
Settlements under commission agreements, other receivables	90,050,833	80,463,919	79,157,929

As of 31 December 2018, the Company's accounts receivable amounted to kRUB2,653,803,215, including the allowance for impairment of accounts payable in the amount of kRUB30,518,051. In 2019, accounts receivable increased by kRUB889,273,451 and amounted to kRUB3,543,076,666 as of 31 December 2019, including the allowance for impairment of accounts payable in the amount of kRUB54,377,152. The increase in accounts receivable was primarily attributed to the increase in amounts due from companies within Rosneft Oil Company Group: On interest-free loans to finance operating activities

- As dividends accrued to Rosneft Oil Company

Table 24. Information on accounts payable (kRUB)

Accounts payable by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Accounts payable	2,699,900,722	2,333,146,921	1,785,522,679
Trade accounts payable	1,867,264,817	1,526,096,089	1,120,734,835
Payables to the Company's employees	34,712	35,661	34,690
Payables to the budget and non-budgetary funds	100,730,066	72,371,917	71,118,709
Advances received	384,794,432	394,999,901	306,953,478
Settlements under commission agreements, other payables	347,076,695	339,643,353	286,680,967

In 2019, accounts payable increased by kRUB366,753,801 year-on-year, and as of 31 December 2019 amounted to kRUB2,699,900,722. The increase 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. Long-term and short-term 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 be assets that necessarily take a substantial period of time (over 12 months) to get ready for their intended use through acquisition, construction or production. 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 2019, 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 kRUB146,674.

Total interest of kRUB81,825,457 was accrued on the Company's loans for the reporting period. Interest payable increased by kRUB4,709,567 year-on-year.

Interest capitalized in the cost of investment assets created (acquired) was kRUB17,336,510. The amount of interest included in the cost of an investment asset and payable to the lender (creditor) on loans received for purposes other than acquisition, construction and/or production of the investment asset totaled kRUB17,274,260.

Table 25. Information on long-term and short-term loans and borrowings (kRUB)

Loans and borrowings by type	Balance at 31 December 2018		Change for the reporting period		Balance at 31 December 2019	
		Received (accrued)	Repaid (paid)	Reclassified	2019	2018
Long-term loans and borrowings	5,792,741,747	1,743,783,462	(1,633,912,268)	(504,852,834)	5,397,760,107	
including						
• Long-term loans	1,243,781,168	104,500,000	(200,291,382)	(242,238,929)	905,750,857	
• Long-term borrowings	1,605,977,044	1,518,123,913	(1,410,107,948)	31,181,483	1,745,174,492	
• Long-term interest accrued under loan and borrowing agreements	91,605,440	40,941,545	(23,512,938)	62,746,424	171,780,471	
• Long-term promissory notes issued	3,018,422	-	-	(1,097,608)	1,920,814	
• Long-term interest accrued on promissory notes	1,748,705	218,004	-	(681,023)	1,285,686	
• Long-term bonds issued	2,846,610,968	80,000,000	-	(354,763,181)	2,571,847,787	
Short-term loans and borrowings	817,935,056	2,143,422,417	(2,520,142,689)	504,852,834	946,067,618	
including						
• Short-term loans	324,400,000	200,000,000	(464,400,000)	20,000,000	80,000,000	
• Short-term borrowings	235,968,391	1,601,981,103	(1,609,496,352)	(31,181,483)	197,271,659	
• Current portion of long-term loans and borrowings	86,392,518	-	(89,340,077)	222,238,929	219,291,370	
• Current portion of long-term interest accrued under loan and borrowing agreements	1,183,669	69,898,633	(69,819,573)	-	1,262,729	
• Short-term interest accrued under loan and borrowing agreements	91,056,384	35,498,447	(52,647,725)	(62,746,424)	11,160,682	
• Short-term bonds issued	45,236,819	-	-	(45,236,819)	-	
• Current portion of long-term bonds	-	-	-	400,000,000	400,000,000	
• Interest accrued on bonds issued (coupon income)	33,058,990	235,967,477	(233,777,574)	-	35,248,893	
• Short-term promissory notes issued	333,904	-	(333,904)	1,097,608	1,097,608	
• Long-term interest accrued on promissory notes	304,381	76,757	(327,484)	681,023	734,677	

Information on RUB-denominated interest-bearing non-convertible bearer bonds issued as of 31 December is provided below:

Table 26. Information on RUB-denominated interest-bearing non-convertible bearer bonds (kRUB)

Type of bonds	Series number	Issue date	Total nominal value, kRUB	Coupon rate ¹	At 31 December	
					2019	2018
Bonds	04, 05	October 2012	20,000,000	7.90 %	20,000,000	20,000,000
Bonds	07, 08	March 2013	30,000,000	7.30 %	30,000,000	30,000,000
Bonds	06 ² , 09 ² , 10 ²	June 2013	40,000,000	7.00 %	610,968	610,968
Exchange-traded bonds	BO-05 ² , BO-06 ²	December 2013	40,000,000	6.65 %	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
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
Exchange-traded bonds	BO-15, BO-16, BO-17, BO-24	December 2014	400,000,000	7.85 %	400,000,000	400,000,000

¹ As of 31 December

² Part of the issue was repurchased by the issuer as of 31 December 2019. 2019.

Type of bonds	Series number	Issue date	Total nominal value, kRUB	Coupon rate ¹	At 31 December	
					2019	2018
Exchange-traded bonds	BO-18, BO-19, BO-20, BO-21, BO-22, BO-23, BO-25, BO-26	January 2015	400,000,000	8.50 %	400,000,000	400,000,000
Exchange-traded bonds	001R-01	December 2016	600,000,000	6.60 %	600,000,000	600,000,000
Exchange-traded bonds	001R-02	December 2016	30,000,000	9.39 %	30,000,000	30,000,000
Exchange-traded bonds	001R-03	December 2016	20,000,000	9.50 %	20,000,000	20,000,000
Exchange-traded bonds	001R-04	May 2017	40,000,000	8.65 %	40,000,000	40,000,000
Exchange-traded bonds	001R-05	May 2017	15,000,000	8.60 %	15,000,000	15,000,000
Exchange-traded bonds	001R-06	July 2017	90,000,000	8.50 %	90,000,000	90,000,000
Exchange-traded bonds	001R-07	July 2017	176,000,000	8.50 %	176,000,000	176,000,000
Exchange-traded bonds	001R-08	October 2017	100,000,000	7.10 %	100,000,000	100,000,000
Exchange-traded bonds	002R-01	December 2017	300,000,000	6.6 %	300,000,000	300,000,000
Exchange-traded bonds	002R-02	December 2017	300,000,000	6.60 %	300,000,000	300,000,000
Exchange-traded bonds	002R-03	December 2017	30,000,000	7.75 %	30,000,000	30,000,000
Exchange-traded bonds	002R-04	February 2018	50,000,000	7.50 %	50,000,000	50,000,000
Exchange-traded bonds	002R-05	March 2018	20,000,000	7.30 %	20,000,000	20,000,000
Exchange-traded bonds	002R-06	April 2019	10,000,000	8.70 %	10,000,000	-
Exchange-traded bonds	002R-07	April 2019	20,000,000	8.70 %	20,000,000	-
Exchange-traded bonds	002R-08	July 2019	25,000,000	7.95 %	25,000,000	-
Exchange-traded bonds	002R-09	October 2019	25,000,000	7.10 %	25,000,000	-
Total long-term RUB-denominated bonds					2,971,847,787	2,891,847,787

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 nominal value kRUB274,401.98 each and a total amount of kRUB10,976,079.12, 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 2019.

The repayment schedule of long-term debt as of 31 December 2019 is as follows:

Table 27. The repayment schedule of long-term debt as of 31 December 2019 (kRUB)

2020	619,291,370
2021	1,543,235,165
2022	729,583,010
2023	635,695,636
2024 and after	2,316,180,139
Total long-term debt	5,843,985,320

Table 28. Information on other long-term liabilities (kRUB)

Amounts of loan facilities provided to and not used		Restrictions on use of loan facilities (including required minimum balances)
At the beginning of the period	At the end of the period	
10,000,000	-	None

Loans are partially secured by crude oil export contracts.

As of 31 December 2019, guarantees and sureties issued by the Company totaled kRUB65,298,765 and included collateral provided in foreign currency in the amount of kUSD466,672 and kEUR7,888 at the CBR exchange rate at the transaction date. Items pledged as collateral were as follows:

Table 29. 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	37.81
Sureties	62.19

In the course of operating activities, Rosneft Oil 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 Rosneft Oil 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 Rosneft Oil Company and Equinor (before July 2018 – Statoil ASA) to develop tight oil and gas reserves is governed by mutual unlimited, unconditional and indefinite guarantees of affiliates' liabilities provided in 2015.

Table 30. Information on other long-term liabilities (kRUB)

Other long-term liabilities, by type	Balance at the beginning of the year	Received (accrued)	Repaid (reclassified to short-term debt)	Balance at the end of the year
Other long-term liabilities, including:	1,134,390,419	–	(335,264,567)	799,125,852
Long-term prepayments under crude oil and oil product supply contracts	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 2019 and 2018, offset of prepayments under these contracts amounted to RUB344 billion and RUB283 billion (USD7.08 billion and USD7.03 billion at the CBR official 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 the customer of part of the cost of construction work to be paid to the contractor after acceptance of completed facility. As of 31 December 2019, liabilities totaling kRUB1,649,983 are reclassified to long-term accounts payable under the agreements whose terms 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 and euro rates, have a significant effect on the Company's financial and business performance.

Table 31. Information on changes in RUB/USD and RUB/EUR exchange rates

As at 31 December	Exchange rate	
	USD	EUR
2019	61.91	69.34
2018	69.47	79.46
2017	57.60	68.87
2016	60.66	63.81
2015	72.88	79.70

For financial reporting purposes, foreign exchange differences are all operations to translate the value of assets and liabilities denominated in foreign currency and are to be recorded as other income or other expenses. The total (net) amount of all operations to translate the value of assets and liabilities denominated in foreign currency was kRUB41,638,090 in the reporting period 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 kRUB1,328 and foreign exchange losses of kRUB2,974.

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 32. Income and expenses from dealing in foreign currency (kRUB)

Income and expenses	For 2019	For 2018
Income	7,650,755	14,849,072
Expenses	(34,464,085)	(64,297,345)

18. Taxes and levies, customs duties

The Company's tax liabilities are recorded in accounting using the periodicity convention.

In 2019, 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 kRUB851,463,520 in 2019 (2018: kRUB921,936,275.)

In 2019, the accrued export duty amounted to kRUB702,733,622 (2018: kRUB993,501,181).

Information on settlements with the budget and non-budgetary funds is presented in the table below:

Table 33. Settlements with the budget and state non-budgetary funds (kRUB)

	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total receivables from the budget and state non-budgetary funds	110,217,319	96,014,921	53,345,166
Value added tax (VAT)	95,094,406	91,483,038	50,870,082
Excise duty	15,043,880	11,611	512,004
Income tax	–	4,433,051	–
Other taxes and levies receivable	62,225	66,945	1,928,016
Receivables from state non-budgetary funds	16,808	20,276	35,064
Total payables to the budget and state non-budgetary funds	100,730,066	72,371,917	71,118,709
Mineral extraction tax (MET)	70,443,836	65,315,239	64,819,580
Tax on additional income from extraction of hydrocarbons (additional income tax, AIT)	21,752,473	–	–

	At 31 December 2019	At 31 December 2018	At 31 December 2017
Income tax	952,179	–	206,319
Excise duty	3,141,026	4,115,943	2,860,598
Property tax	3,273,315	2,826,990	3,075,984
Other taxes and levies payable	122,613	112,463	155,013
Payables to state non-budgetary funds	1,044,624	1,282	1,215

As of 31 December 2019, taxes and levies receivable increased by kRUB14,202,398 year-on-year, primarily due to the introduction of the reverse (negative) excise duty mechanism from 1 January 2019, applied to crude oil refined at local refineries.

As of 31 December 2019, taxes and levies payable increased by kRUB28,358,149 year-on-year, primarily due to the introduction of the tax on additional income from the extraction of hydrocarbons (AIT).

As of 31 December 2019, 2018 and 2017, 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 2019, 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.

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 2019, the reserve capital is fully formed and amounts to kRUB5,299.

As of 31 December 2019, the Company's additional capital (without revaluation) amounts to kRUB118,168,244 (31 December 2018: kRUB113,279,890). Treasury shares

The Company may acquire common shares in Rosneft Oil Company in accordance with the Programme for purchasing shares in the open market, including in the form of depositary receipts which certify rights to such shares, in the maximum amount of USD2 billion, approved by the Board of Directors in August 2018 (hereinafter, the "Programme"). The Programme will be implemented from the date of the approval by the Board of Directors through 31 December 2020.

The maximum number of shares and global depositary receipts that may be purchased under the Programme will not exceed 340,000,000. The Programme is aimed at securing high returns for the shareholders in case of significant market volatility.

In 2019, there were no transactions to purchase treasury shares.

Net assets

As of 31 December 2019, the Company's net assets amounted to kRUB2,261,771,078. The net assets increased by kRUB235,300,661 or 12 % compared with the prior reporting date (kRUB2,026,470,417). As of 31 December 2019, the Company's net assets exceed its charter capital by kRUB2,261,665,096.

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 was recognized in the income statement within cost of sales by decreasing the cost of sales for the reporting period.

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 in the unit cost of finished goods.

Selling expenses are allocated between sold products (goods) and products (goods) that were shipped but not sold, including finished products (goods) at the warehouse.

The Company's total advertising expenses (not broken down by type of products) are recognized in selling expenses.

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 2019, retained earnings of prior years amounted to kRUB1,908,151,961 (31 December 2018: kRUB2,028,141,822).

Changes in the profit of prior years resulted mainly from accrued dividends in the amount of kRUB120,077,355.

The following income and expenses affected the retained earnings for the reporting year:

Table 34. The Company's income and expenses (kRUB)

Item	2019	2018
Revenue (net) from the sale of goods, products, work, services (net of value added tax)	6,827,526,407	6,968,248,044
Including: Principal activities	4,351,246,655	4,721,264,040
Trading and procurement	1,954,897,814	1,866,340,138
Income from shareholdings in other entities	516,331,673	375,223,648
Intermediation	5,050,265	5,420,218
Cost of goods, products, work and services sold	(4,782,222,071)	(4,815,224,782)
Including: Principal activities	(3,230,653,508)	(3,364,749,974)
Trading and procurement	(1,551,568,563)	(1,450,474,808)
Oil and gas reserves exploration and estimation expenses	(6,559,819)	(24,065,226)
Gross profit	2,038,744,517	2,128,958,036
Selling expenses	(1,196,815,437)	(1,422,676,475)
General and administrative expenses	(83,302,902)	(80,583,478)
Profit (loss) from the sale of goods, work and services	758,626,178	625,698,083
Profit (loss) from other income and expenses	(411,084,534)	(191,859,995)
Including:		
Interest receivable	176,844,160	186,773,202

Item	2019	2018
Interest payable	(445,059,171)	(451,851,788)
Including: Expenses on unwinding of the ARO asset discount	(4,193,305)	(4,122,532)
Gains from changes in the fair value of derivative financial instruments	35,301,062	51,966,086
Losses from changes in the fair value of derivative financial instruments	-	(10,950,827)
Gains from the sale and other disposal of other assets	5,807,645	29,397,843
Including:		
Gains from the sale of long-term securities	2,255	32,022
Gains from the sale of geological and technical documentation	3,062,933	62,668
Gains from the sale of fixed assets and capital construction in progress	2,317,813	28,582,222
Losses from the sale and other disposal of other assets	(5,956,251)	(30,025,792)
Including:		
Losses from the sale of long-term securities	(3,246)	(6,635)
Losses from the sale of fixed assets and capital construction in progress	(1,985,202)	(27,082,940)
Losses from write-off of capital construction in progress	(2,061,116)	(985,473)
Losses from write-off of exploration assets	(1,006,321)	(366,015)
Other income	118,915,307	298,930,179
Including: Difference between the carrying amount of financial investments of shares (interests) transferred as a contribution to the charter capital and their market value	88,083,562	145,759,461
Translation differences	-	97,724,202
Refund of excise duty	6,484,435	6,786,182
Other expenses	(296,937,286)	(266,098,898)
Including: Recognition of the deferred effect of hedging within other expenses	(145,565,010)	(145,524,439)
Translation differences	(41,638,090)	-
Dividend income tax	(370,537)	(5,384,349)

Table 35. Allocation of the Company's expenses recognized in the income statement by type (kRUB)

Item	2019	2018
Material costs	5,062,926,686	5,186,702,859
Payroll	37,053,917	39,822,391
Social charges	6,832,450	6,477,812
Depreciation and amortization*	149,353,651	131,827,944
Other costs*, including reverse excise duty, AIT, MET and oil and gas reserves exploration and estimation expenses	812,733,525	977,718,955
Total for types of expenses	6,068,900,229	6,342,549,961
Change (increase [-], decrease [+]) in balances of work in progress, finished products, etc.	(12,599,481)	29,410,920
Total expenses related to ordinary activities**	6,068,900,229	6,342,549,961

¹ * Recalculation of the effect of the revised estimates:

² For the HSE that due to their nature were recognized:

³ 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)

⁴ In the cost of finished products (sand) – the total amount is included in the expenses for the period in material costs (cost of sales)

⁵ 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

⁶ **Including general and administrative expenses, selling expenses and oil and gas reserves exploration and estimation expenses.

21. Deferred tax assets and liabilities, permanent tax assets and liabilities

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 liabilities and assets and deferred tax liabilities and assets.

Current income tax is determined in the accounting records through recognizing the following indicators:

- Contingent income (expense)
- Permanent tax asset
- Permanent tax liability
- 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 non-current liabilities, respectively.

Provision for doubtful debt recognized in the accounting records is a source of temporary difference.

The net amount of permanent tax assets (liabilities) is provided in the income statement for reference only. A 20 % income tax rate is used to calculate deferred and permanent tax assets and liabilities.

Table 36. Deferred and permanent tax assets and liabilities (kRUB)

Description	Change for 2019		Change for 2018	
	Accrued (charged)	Repaid (written off)	Accrued (charged)	Repaid (written off)
Deferred tax asset	57,591,738	(33,799,937)	52,330,419	(52,551,496)
Deferred tax liability	(27,880,942)	13,513,107	(12,055,007)	11,351,892
Permanent tax asset	136,388,071	x	128,128,492	x
Permanent tax liability	(47,208,166)	x	(46,622,923)	x

In 2019, contingent income tax expense amounted to kRUB69,508,329 (2018: kRUB86,767,618).

Movement in deferred taxes for the reporting period recorded in line 2430, Change in deferred tax liabilities, and line 2450, Change in deferred tax assets, includes deferred taxes written off and/or accrued due to filing updated tax returns and written-off deferred tax liabilities and assets that will never be realized. 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 permanent and temporary differences that led to the adjustment of the contingent income tax expense are presented in the table below.

Table 37. Permanent and temporary differences that led to the adjustment of the contingent income tax expense (kRUB)

Description	Change for 2019		Change for 2018	
	Accrued (charged)	Repaid (written off)	Accrued (charged)	Repaid (written off)
Deductible temporary differences	287,958,690	(168,999,685)	261,652,095	(262,757,480)
Taxable temporary differences	(139,404,710)	67,565,535	(60,275,035)	56,759,460
Negative permanent differences	681,940,355	x	640,642,460	x
Positive permanent differences	(236,040,830)	x	(233,114,615)	x

22. Dividends

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 2019, the Company's net income amounted to kRUB396,526,209, and net earnings per share amounted to RUB37.41.

In the first half of 2020, the Board of Directors will provide recommendations to the General Shareholders' Meeting on the amount of dividends on the Company's shares for 2019.

Based on the Company's result for 2018, the annual General Shareholders' Meeting that took place on 4 June 2019 (meeting minutes w/o number of 7 June 2019) decided that dividends should be paid on Rosneft Oil Company's common shares in the amount of kRUB120,077,355 or RUB11.33 per share. As of 31 December 2019, the Company paid dividends in the amount of kRUB120,050,531. 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.

Based on the Company's result for the first half of 2019, the extraordinary General Shareholders' Meeting that took place on 30 September 2019 (meeting minutes w/o number of 3 October 2019) decided that dividends should be paid on Rosneft Oil Company's common shares in the amount of kRUB162,576,048 or RUB15.34 per share.

As of 31 December 2019, the Company paid dividends in the amount of kRUB162,539,622. 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 2019 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 Rosneft Oil Company.

Due to the pollution of oil in the trunk pipeline "Druzhba" in April 2019 a number of claims from the customers were submitted to Rosneft Oil Company during 2019, 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, Rosneft Oil 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 trunk oil pipeline "Druzhba" resulting from the pollution.

Calculation of losses incurred by Rosneft Oil Company can be finalized after the completion of 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 a 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 38. Provisions (kRUB)

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	as excessive or if recognition criteria are no longer met	Increase (+) / decrease (-) of provision, when expense/income (reversal of expense) is recognized upon recognition of provisions	Balance at the end of the period
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Total provisions created from expenses on ordinary activities, including by type of provisions:

Total	2018	2019	22,176,271	29,837,142	(17,677,979)	(719,991)	(741,349)	32,874,094
		22,648,964	17,403,103	(16,875,356)	(607,167)	(393,273)	22,176,271	
Provision for annual year-end bonuses	Planned amount of annual year-end bonuses to employees, with insurance contributions at the effective interest rate 2018	2019	10,594,452	14,437,851	(13,923,971)	-	-	11,108,332
		9,835,675	13,796,537	(13,037,760)	-	-	10,594,452	
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 2018	2019	2,821,660	2,914,341	(3,285,480)	-	-	2,450,521
		3,412,562	2,427,965	(3,018,728)	(139)	-	2,821,660	

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 (reversal of expense) is recognized upon recognition of 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		
Other provisions created from expenses	Provisions related to environmental issues, legal claims and other relations with third parties Created by type of obligation. 2018	2019	8,760,159	12,484,950	(468,528)	(719,991)	(741,349)	19,315,241
		9,400,727	1,178,601	(818,868)	(607,028)	(393,273)	8,760,159	
Provisions created by increasing the value of assets:								
Total	2018	2019	53,750,988	8,482,687	(2,376,729)	(221,413)	16,771,015	76,406,548
			58,434,030	5,975,705	(1,555,852)	(11,148)	(9,091,747)	53,750,988
Provision for fixed asset liquidation	Formed on all immovable oil and gas assets. The estimation is made by field. Recognized at present value. 2018	2019	52,094,640	6,042,093	(1,548,844)	-	16,947,422	73,535,311
		56,750,608	4,752,086	(1,168,407)	(11,148)	(8,228,499)	52,094,640	
Environmental provisions	Obligations to be included in the value of assets (08*) 2018	2019	1,656,348	2,440,594	(827,885)	(221,413)	(176,407)	2,871,237
		1,683,422	1,223,619	(387,445)	-	(863,248)	1,656,348	

The provision for fixed asset liquidation presented in the column Recognized (accrued) for the reporting period in Table 38 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 in Table 38.

The environmental provision presented in the column Increase (+) /decrease (-) of provision when expense/income (reversal of expense) is recognized upon recognition of provisions in Table 38 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. Related party transactions

In the normal course of its business, Rosneft Oil 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. Rosneft Oil 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 IFRS24, 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 Rosneft Oil Company:

- Subsidiaries (entities consolidated by Rosneft Oil Company as subsidiaries)
- Associates (legal entities consolidated by Rosneft Oil 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).

Subsidiaries

This section discloses information concerning transactions with those subsidiaries in which Rosneft Oil Company holds, directly or through other entities, more than 50 % of the common voting shares, or which are controlled by other means.

Table 39. Information on transactions with subsidiaries (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Oil and gas sales	1,036,105,402	1,054,417,117
Petroleum products and petrochemicals sales	1,420,121,766	1,527,326,855
Income from leasing out property	149,161,243	150,594,846
Income from shareholdings in other entities	514,872,917	159,247,612
Other income	102,839,512	187,852,911
	3,223,100,840	3,079,439,341
Costs and expenses		
Oil and gas purchases	2,357,618,751	2,322,042,045
Petroleum products and petrochemicals purchases	5,516,359	4,920,810
Logistics and transportation	146,469,209	159,564,621
Oil and gas production services	346,374,644	342,257,716
Cost of processing	166,537,773	157,157,311
Leases of assets	655,035	510,392
Other expenses	67,222,778	73,466,823
	3,090,394,549	3,059,919,718
Other transactions		
Loans and borrowings issued	1,285,097,529	1,975,502,995
Repayment of loans and borrowings issued	1,209,323,653	1,737,331,936
Proceeds from short-term loans and borrowings	1,576,442,009	1,180,046,505
Repayment of short-term loans and borrowings	1,580,578,845	1,165,256,127
Proceeds from long-term loans and borrowings	1,476,368,478	1,176,457,487

Transactions	2019	2018
Repayment of long-term loans and borrowings	1,289,364,023	992,263,560
Deposits placed	541,381,292	374,798,640
Deposits repaid	561,700,338	352,850,000
Interest receivable	136,096,049	159,618,232
Interest payable	58,806,165	45,983,108
Cash flows		
Cash flows from operating activities		
Proceeds		
From Sale of products, goods, work and services	2,424,042,134	2,526,310,943
From Lease payments, license payments, royalties, commissions and other similar payments	150,188,103	151,213,150
Payments		
To Suppliers (contractors) for raw materials, work and services	(3,003,608,814)	(2,810,471,452)
Of interest on debt obligations	(51,069,686)	(23,928,758)
Exploration costs	(6,061,861)	(14,607,056)
Other payments	(633,340,385)	(240,714,561)
Cash flows from investing activities		
Proceeds		
From sale of non-current assets (other than financial investments)	10,580,966	18,527,152
From repayment of loans issued, receivables from other parties, etc.	714,872,671	1,307,778,172
From dividends, interest on debt financial instruments and similar proceeds from equity participation in other entities	355,362,963	355,312,656
Payments		
To purchase, create, upgrade, reconstruct and prepare non-current assets for use	(169,023,407)	(184,480,474)
To purchase shares (interest) in other entities	(374,023,314)	(148,272,795)
To issue loans to other parties	(164,513,879)	(1,409,858,239)
Exploration assets	(12,968,542)	(14,552,151)
Cash flows from financing activities		
Proceeds		
From loans and borrowings received	3,052,860,148	2,356,503,992
Payments		
Repayment of loans and borrowings, repayment (redemption) of promissory notes, etc.	(2,870,276,820)	(2,232,786,629)

Table 40. Assets and liabilities under transactions with subsidiaries (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Cash and cash equivalents	23,903,215	59,038,002
Accounts receivable, including	2,970,447,681	2,085,545,419
• Long-term accounts receivable	2,098,170,151	1,610,680,068
• Advances issued for capital construction and equipment for installation	14,467,016	14,910,443
• Short-term advances issued	7,303,321	7,568,489
• Allowance for impairment of accounts receivable	1,679,073	2,999,318
Short-term and long-term financial investments,	6,267,338,712	6,489,566,357
Including long-term	5,571,861,514	5,836,049,136
	9,261,689,608	8,634,149,778
Liabilities		
Accounts payable	1,927,536,974	1,560,159,472
Short-term and long-term loans and borrowings (including interest),	1,951,309,008	1,869,749,149
Including long-term	1,732,886,115	1,542,979,725
	3,878,845,982	3,429,908,621

Associates

This section discloses information concerning transactions with those associates in which Rosneft Oil Company holds, directly or through other entities, more than 20 % but less than 50 % of the ordinary voting shares (or no control is provided for other reasons), and which Rosneft Oil Company holds significant influence over.

Table 41. Information on transactions with associates (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Oil and gas sales	9,824,798	9,895,428
Petroleum products and petrochemicals sales	200,590,043	256,901,420
Income from leasing out property	339,993	267,982
Income from shareholdings in other entities	1,247,139	6,385
Other income	1,756,420	874,885
	213,758,393	267,946,100
Costs and expenses		
Oil and gas purchases	370,590,472	370,758,918
Logistics and transportation	32,394,201	21,706,524
Leases of assets	239,032	227,202
Cost of processing	15,352,240	14,357,449
Other expenses	1,467,546	9,014,113
	420,043,491	416,064,206
Other transactions		
Loans and borrowings issued	4,615,969	3,806,525
Repayment of loans and borrowings issued	2,197,300	1,476,200
Proceeds from short-term loans and borrowings	26,351,823	13,570
Repayment of short-term loans and borrowings	25,235,622	64,830
Proceeds from long-term loans and borrowings	33,577,913	9,773,280

Transactions	2019	2018
Repayment of long-term loans and borrowings	671,596	5,794,060
Interest receivable	2,399,869	2,141,534
Interest payable	5,577,670	1,114,412
Cash flows		
Cash flows from operating activities		
Proceeds		
Other proceeds	94,455,926	294,284,172

Table 42. Assets and liabilities under transactions with associates (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Accounts receivable, including	34,347,960	33,863,180
• Long-term accounts receivable	1,190,904	4,148,305
• Advances issued for capital construction and equipment for installation	153	4,979
• Short-term advances issued	1,900,177	1,470,657
• Allowance for impairment of accounts receivable	9,390,197	9,473,083
Short-term and long-term financial investments,	51,214,855	48,984,585
Including long-term	40,217,926	47,338,161
	85,562,815	82,847,765
Liabilities		
Accounts payable	330,970,899	317,267,080
Short-term and long-term loans and borrowings (including interest),	50,271,297	15,405,438
Including long-term	33,414,515	15,394,669
	381,242,196	332,672,518

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 2019 and 2018, short-term compensation to the members of the Management Board taking in account the rotation of the management staff, including salary, bonuses and compensations and considering personal income tax, amounted to kRUB3,570,285 and kRUB3,853,586, 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 kRUB513,128 and kRUB567,000, respectively). The amount of short-term compensation to members of the Management Board and members of the Board of Directors for 2019 is disclosed in accordance with the Russian legal requirements for disclosure of information by issuers of securities.

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 43. Information on transactions with principal owners and entities controlled by principal owners (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Oil and gas sales	264,219,112	280,452,006
Petroleum products and petrochemicals sales	134,202,571	108,595,740
Income from transactions involving term transaction financial instruments	729,800	402,203
Income from shareholdings in other entities	211,618	135,628
Other income	321,792	1,323,127
	399,684,893	390,908,704
Costs and expenses		
Oil and gas purchases	124,248,816	139,160,281
Oil products purchases	1,386,417	2,910,840
Logistics and transportation	362,053,540	360,400,484
Customs duties	728,078,630	973,983,183
Leases of assets	112,808	122,474
Expenses from transactions involving term transaction financial instruments	31,832,282	35,677,914
Other expenses	2,817,216	3,222,426
	1,250,529,709	1,515,477,602
Other transactions		
Loans and borrowings issued	4,572,586	-
Proceeds from short-term loans and borrowings	105,000,000	374,600,000
Repayment of short-term loans and borrowings	252,000,000	319,600,000
Proceeds from long-term loans and borrowings	-	100,000,000
Repayment of long-term loans and borrowings	112,500,000	-
Deposits placed	3,046,277,335	4,304,803,257
Deposits repaid	3,114,766,129	4,669,493,457
Interest payable	34,313,321	38,047,139
Interest receivable	9,756,564	11,274,669
Cash flows		
Cash flows from operating activities		
Payments		
Interest on debt obligations	(35,602,786)	(37,467,323)
Other payments	(75,352,050)	(87,748,686)
Cash flows from investing activities		
Proceeds		
Sale of debt securities (receivables from other parties)	95,911,693	462,927,962
Other proceeds	36,553,233	49,897,794
Payments		
Related to purchase of debt securities (receivables from other parties), issue of loans to other entities	(37,939,569)	(68,814,789)
Exploration assets	(8,406,471)	(1,001,301)
Cash flows from financing activities		
Payments		
Dividends and other distributions of income among shareholders (participants)	(242,388,808)	(193,330,982)
Repayment of loans and borrowings	(364,500,000)	(319,600,000)

Table 44. Assets and liabilities under transactions with principal owners and entities controlled by principal owners (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Cash and cash equivalents	33,562,166	475,694,965
Accounts receivable, including	126,154,406	97,499,791
• Long-term accounts receivable	4,936,200	5,132,184
• Advances issued for capital construction and equipment for installation	32,809,682	28,237,506
• Short-term advances issued	35,002,026	29,803,656
• Allowance for impairment of accounts receivable	10,345	9,136
Short-term and long-term financial investments,	93,254,267	165,693,636
Including long-term	87,663,843	96,324,663
	252,970,839	738,888,392
Liabilities		
Accounts payable	6,755,387	10,170,206
Short-term and long-term loans and borrowings (including interest),	360,518,892	605,153,497
Including long-term	180,477,410	408,917,660
	367,274,279	615,323,703

Joint venture participants

There are no transactions with companies involved in joint activities with Rosneft Oil Company for the period of 2018–19. Other related parties

Other related parties include a non-state pension fund operating in the interests of the Company's employees.

Table 45. Information on transactions with other related parties (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Other income	182	345
	182	345
Costs and expenses		
Expenses under non-state pension agreements	1,100,112	4,590,389
	1,100,112	4,590,389

Table 46. Assets and liabilities under transactions with other related parties (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Accounts receivables	3	-
	3	-
Liabilities		
Accounts payable	1	3,804,684
	1	3,804,684

In the reporting period, Rosneft Oil 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. The 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 the 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 47. Information on sales revenue by segment (kRUB)

Segment	Net revenue for the reporting year		
	Total	External market	Domestic market
Oil	3,517,288,489	2,894,549,444	622,739,045
Gas	173,831,586	-	173,831,586
Oil products and petrochemicals	2,461,297,168	1,183,586,787	1,277,710,381
Other sales	675,109,164	-	675,109,164
Total	6,827,526,407	4,078,136,231	2,749,390,176

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.

Related information

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 below¹

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.

² 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).

Table 48. Information on resources used (kRUB)

No.	Energy resource	2019	2018
1	Electric energy	36,475	33,805
2	Heat energy	4,508	4,704

27.4 Risk management

Business environment

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. The ruble interest rates remain high. The combination of the above resulted in reduced access to capital, a higher cost of capital and increased uncertainty regarding economic growth, which could negatively affect the Company's future financial position, operating results and business prospects.

Management is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

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 scenario 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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English Version: www.rosneft.com

For notes

