



Rosneft Oil Company

Interim Condensed Consolidated Financial Statements
(unaudited)

Three months ended March 31, 2021

Rosneft Oil Company
Interim condensed consolidated financial statements (unaudited)
Three months ended March 31, 2021

Contents

| | |
|--|----|
| Report on Review of Interim Financial Information | 3 |
| Interim condensed consolidated financial statements (unaudited) | |
| Interim consolidated balance sheet..... | 5 |
| Interim consolidated statement of profit or loss | 6 |
| Interim consolidated statement of comprehensive income..... | 7 |
| Interim consolidated statement of changes in equity | 8 |
| Interim consolidated statement of cash flows | 9 |
| Notes to the interim condensed consolidated financial statements (unaudited) | |
| 1. General..... | 11 |
| 2. Basis of preparation | 11 |
| 3. Changes in accounting policies and comparative amounts | 11 |
| 4. Segment information..... | 12 |
| 5. Income tax and other taxes..... | 14 |
| 6. Export customs duty..... | 14 |
| 7. Finance expenses..... | 15 |
| 8. Other income and expenses..... | 15 |
| 9. Cash and cash equivalents..... | 16 |
| 10. Other short-term financial assets..... | 16 |
| 11. Accounts receivable | 17 |
| 12. Inventories..... | 17 |
| 13. Prepayments and other current assets | 18 |
| 14. Property, plant and equipment | 19 |
| 15. Other long-term financial assets..... | 20 |
| 16. Other non-current non-financial assets | 20 |
| 17. Accounts payable and accrued liabilities | 20 |
| 18. Loans and borrowings and other financial liabilities | 21 |
| 19. Other current tax liabilities..... | 22 |
| 20. Provisions..... | 23 |
| 21. Prepayment on long-term oil and petroleum products supply agreements | 23 |
| 22. Shareholders' equity | 24 |
| 23. Fair value of financial instruments..... | 24 |
| 24. Related party transactions | 25 |
| 25. Contingencies..... | 29 |
| 26. Events after the reporting date | 31 |

Report on Review of Interim Financial Information

To the Shareholders and Board of Directors
of Rosneft Oil Company

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Rosneft Oil Company and its subsidiaries (hereinafter collectively referred to as the “Company”), which comprise the interim consolidated balance sheet as at 31 March 2021, the interim consolidated statement of profit or loss, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period then ended and notes to interim condensed consolidated financial statements (interim financial information).

Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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улучшаем мир

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

D.E. Lobachev
Partner
Ernst & Young LLC

14 May 2021

Details of the entity

Name: 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 embankment, 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 naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Rosneft Oil Company
Interim consolidated balance sheet
(in billions of Russian rubles)

| | Notes | March 31, 2021 (unaudited) | December 31, 2020 |
|---|-------|-------------------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 644 | 806 |
| Restricted cash | 9 | 14 | 17 |
| Other short-term financial assets | 10 | 783 | 817 |
| Accounts receivable | 11 | 584 | 468 |
| Bank loans granted | | 147 | 131 |
| Inventories | 12 | 432 | 361 |
| Prepayments and other current assets | 13 | 411 | 322 |
| Total current assets | | 3,015 | 2,922 |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 10,369 | 10,401 |
| Right-of-use assets | | 158 | 155 |
| Intangible assets | | 78 | 80 |
| Other long-term financial assets | 15 | 263 | 275 |
| Investments in associates and joint ventures | | 871 | 846 |
| Bank loans granted | | 374 | 363 |
| Deferred tax assets | | 58 | 54 |
| Goodwill | | 82 | 82 |
| Other non-current non-financial assets | 16 | 191 | 172 |
| Total non-current assets | | 12,444 | 12,428 |
| Total assets | | 15,459 | 15,350 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 17 | 1,533 | 1,546 |
| Loans and borrowings and other financial liabilities | 18 | 616 | 798 |
| Income tax liabilities | | 15 | 14 |
| Other tax liabilities | 19 | 509 | 301 |
| Provisions | 20 | 65 | 68 |
| Prepayment on long-term oil and petroleum products supply agreements | 21 | 381 | 357 |
| Other current liabilities | | 7 | 8 |
| Total current liabilities | | 3,126 | 3,092 |
| Non-current liabilities | | | |
| Loans and borrowings and other financial liabilities | 18 | 3,888 | 3,810 |
| Deferred tax liabilities | | 1,043 | 1,072 |
| Provisions | 20 | 398 | 437 |
| Prepayment on long-term oil and petroleum products supply agreements | 21 | 1,294 | 1,401 |
| Other non-current liabilities | | 51 | 51 |
| Total non-current liabilities | | 6,674 | 6,771 |
| Equity | | | |
| Share capital | | 1 | 1 |
| Treasury shares | | (370) | (370) |
| Additional paid-in capital | | 1,099 | 1,100 |
| Reserve for foreign exchange differences on translation of foreign operations | | (64) | (66) |
| Other funds and reserves | | 34 | 34 |
| Retained earnings | | 4,156 | 4,007 |
| Rosneft shareholders' equity | | 4,856 | 4,706 |
| Non-controlling interests | | 803 | 781 |
| Total equity | | 5,659 | 5,487 |
| Total liabilities and equity | | 15,459 | 15,350 |

Chief Executive Officer _____

I.I. Sechin

May 14, 2021

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of profit or loss

(in billions of Russian rubles, except earnings per share data, and share amounts)

| | Notes | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited, restated) |
|--|-------|--|---|
| Revenues and equity share in profits of associates and joint ventures | | | |
| Oil, gas, petroleum products and petrochemicals sales | 4 | 1,696 | 1,725 |
| Support services and other revenues | | 27 | 22 |
| Equity share in profits of associates and joint ventures | | 14 | 11 |
| Total revenues and equity share in profits of associates and joint ventures | | 1,737 | 1,758 |
| Costs and expenses | | | |
| Production and operating expenses | | 111 | 202 |
| Cost of purchased oil, gas, petroleum products, goods for retail and refining costs | | 291 | 273 |
| General and administrative expenses | | 40 | 29 |
| Transportation costs and other commercial expenses | | 151 | 215 |
| Exploration expenses | | 1 | 2 |
| Depreciation, depletion and amortization | | 155 | 176 |
| Taxes other than income tax | 5 | 667 | 633 |
| Export customs duty | 6 | 78 | 127 |
| Total costs and expenses | | 1,494 | 1,657 |
| Operating income | | 243 | 101 |
| Finance income | | 28 | 24 |
| Finance expenses | 7 | (58) | (80) |
| Other income | 8 | 5 | 2 |
| Other expenses | 8 | (15) | (46) |
| Foreign exchange differences | | 5 | (177) |
| Income/(loss) before income tax | | 208 | (176) |
| Income tax (expense)/benefit | 5 | (40) | 33 |
| Net income/(loss) | | 168 | (143) |
| Net income/(loss) attributable to: | | | |
| - Rosneft shareholders | | 149 | (156) |
| - non-controlling interests | | 19 | 13 |
| Net income/(loss) attributable to Rosneft per common share (in RUB) – basic and diluted | | 15.68 | (14.72) |
| Weighted average number of shares outstanding (millions) | | 9,500 | 10,598 |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of comprehensive income

(in billions of Russian rubles)

| Notes | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| Net income/(loss) | 168 | (143) |
| Other comprehensive income/(loss) – to be reclassified to profit or loss in subsequent periods | | |
| Foreign exchange differences on translation of foreign operations | 2 | 147 |
| Loss from changes in fair value of debt financial assets at fair value through other comprehensive income | (2) | (4) |
| Equity share in other comprehensive loss of associates | – | (5) |
| Income tax related to other comprehensive loss – to be reclassified to profit or loss in subsequent periods | – | 2 |
| Total other comprehensive income – to be reclassified to profit or loss in subsequent periods, net of tax | – | 140 |
| Other comprehensive income/(loss) – not to be reclassified to profit or loss in subsequent periods | | |
| Income/(loss) from changes in fair value of equity financial assets at fair value through other comprehensive income | 2 | (2) |
| Total comprehensive income/(loss) – not to be reclassified to profit or loss in subsequent periods, net of tax | 2 | (2) |
| Total comprehensive income/(loss), net of tax | 170 | (5) |
| Total comprehensive income/(loss), net of tax, attributable to: | | |
| - Rosneft shareholders | 151 | (18) |
| - non-controlling interests | 19 | 13 |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of changes in equity

(in billions of Russian rubles, except share amounts)

| | Number of shares (millions) | Share capital | Treasury shares | Additional paid-in capital | Reserve for foreign exchange differences on translation of foreign operations | Other funds and reserves | Retained earnings | Rosneft share- holders' equity | Non- controlling interests | Total equity |
|--|-----------------------------------|------------------|--------------------|----------------------------------|--|--------------------------------|----------------------|---|----------------------------------|-----------------|
| Balance at January 1, 2020 | 10,598 | 1 | – | 635 | (185) | 31 | 4,032 | 4,514 | 635 | 5,149 |
| Net (loss)/income | – | – | – | – | – | – | (156) | (156) | 13 | (143) |
| Other comprehensive income/(loss) | – | – | – | – | 147 | (9) | – | 138 | – | 138 |
| Total comprehensive income/(loss) | – | – | – | – | 147 | (9) | (156) | (18) | 13 | (5) |
| Dividends declared | – | – | – | – | – | – | – | – | (8) | (8) |
| Acquisition of treasury shares (Note 22) | (9) | – | (3) | – | – | – | – | (3) | – | (3) |
| Change of interest in subsidiaries | – | – | – | – | – | – | – | – | (1) | (1) |
| Other movements | – | – | – | – | – | – | – | – | 2 | 2 |
| Balance at March 31, 2020 (unaudited) | 10,589 | 1 | (3) | 635 | (38) | 22 | 3,876 | 4,493 | 641 | 5,134 |
| Balance at January 1, 2021 | 9,500 | 1 | (370) | 1,100 | (66) | 34 | 4,007 | 4,706 | 781 | 5,487 |
| Net income | – | – | – | – | – | – | 149 | 149 | 19 | 168 |
| Other comprehensive income | – | – | – | – | 2 | – | – | 2 | – | 2 |
| Total comprehensive income | – | – | – | – | 2 | – | 149 | 151 | 19 | 170 |
| Disposal of subsidiaries | – | – | – | – | – | – | – | – | 1 | 1 |
| Other movements | – | – | – | (1) | – | – | – | (1) | 2 | 1 |
| Balance at March 31, 2021 (unaudited) | 9,500 | 1 | (370) | 1,099 | (64) | 34 | 4,156 | 4,856 | 803 | 5,659 |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of cash flows

(in billions of Russian rubles)

| | Notes | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|-------|--|--|
| Operating activities | | | |
| Net income/(loss) | | 168 | (143) |
| <i>Adjustments to reconcile net income to net cash provided by operating activities</i> | | | |
| Depreciation, depletion and amortization | | 155 | 176 |
| Loss on disposal of non-current assets | | – | 1 |
| Offset of prepayments received on oil and petroleum products long term supply agreements | 21 | (83) | (79) |
| Offset of prepayments made under oil and petroleum products long term supply agreements | | 2 | 9 |
| Foreign exchange loss/(gain) on non-operating activities | | (12) | 283 |
| Offset of other financial liabilities | | (39) | (47) |
| Equity share in profits of associates and joint ventures | | (14) | (11) |
| Changes in provisions for financial assets | | 2 | (6) |
| Loss from changes in provisions and impairment of assets | | 2 | 46 |
| Income from disposal of subsidiaries | | (2) | – |
| Finance expenses | 7 | 58 | 80 |
| Finance income | | (28) | (24) |
| Income tax (income)/expense | 5 | 40 | (33) |
| <i>Changes in operating assets and liabilities</i> | | | |
| (Increase)/decrease in accounts receivable, gross | | (112) | 27 |
| (Increase)/decrease in inventories | | (68) | 49 |
| Decrease in restricted cash | | 3 | 1 |
| (Increase)/decrease in prepayments and other current assets | | (30) | 18 |
| Increase in long-term prepayments made on oil and petroleum products supply agreements | | (24) | – |
| Increase/(decrease) in accounts payable and accrued liabilities | | 35 | (16) |
| Increase/(decrease) increase in other tax liabilities | | 207 | (56) |
| Increase in other current reserves | | – | 2 |
| Decrease in other current liabilities | | – | (1) |
| (Decrease)/increase in other non-current liabilities | | (3) | 6 |
| Interest paid on long-term prepayment received under oil and petroleum products supply agreements | | (1) | (3) |
| Net increase in operating assets of subsidiary banks | | (26) | (31) |
| Net (decrease)/increase in operating liabilities of subsidiary banks | | (27) | 129 |
| Net cash provided by operating activities before income tax and interest | | 203 | 377 |
| Income tax payments | | (59) | (56) |
| Interest received | | 16 | 19 |
| Dividends received | | – | 1 |
| Net cash provided by operating activities | | 160 | 341 |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of cash flows (continued)

(in billions of Russian rubles)

| | | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|----------|--|--|
| Notes | | | |
| Investing activities | | | |
| Capital expenditures | | (225) | (185) |
| Acquisition of licenses and auction fee payments | | (7) | (1) |
| Acquisition of short-term financial assets | | (9) | (6) |
| Proceeds from sale of short-term financial assets | | 75 | 4 |
| Acquisition of long-term assets | | – | (3) |
| Proceeds from sale of long-term financial assets | | – | 1 |
| Proceeds from sale of property, plant and equipment | | 1 | 4 |
| Net cash used in investing activities | | (165) | (186) |
| Financing activities | | | |
| Proceeds from short-term loans and borrowings | | 33 | 275 |
| Repayment of short-term loans and borrowings | | (118) | (289) |
| Proceeds from long-term loans and borrowings | | 86 | 242 |
| Repayment of long-term loans and borrowings | | (104) | (331) |
| Proceeds from other financial liabilities | | – | 54 |
| Repayment of other financial liabilities | | (7) | (7) |
| Interest paid | | (60) | (66) |
| Other financing received | | 2 | 1 |
| Treasury shares acquired | | – | (2) |
| Dividends paid to non-controlling shareholders | | – | (8) |
| Net cash used in financing activities | | (168) | (131) |
| Net (decrease)/increase in cash and cash equivalents | | (173) | 24 |
| Cash and cash equivalents at beginning of period | 9 | 806 | 228 |
| Effect of foreign exchange on cash and cash equivalents | | 11 | 13 |
| Cash and cash equivalents at end of period | 9 | 644 | 265 |

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited)

Three months ended March 31, 2021

(all amounts in tables are in billions of Russian rubles, except as noted otherwise)

1. General

Public Joint Stock Company (“PJSC”) Rosneft Oil Company (“Rosneft”) and its subsidiaries (collectively, the “Company”) are principally engaged in exploration, development, production and sale of crude oil and gas and refining, transportation and sale of petroleum products in the Russian Federation and on international markets.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the information contained in its 2020 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Company has provided disclosures where significant events have occurred subsequently to the issuance of its 2020 audited consolidated financial statements. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to ensure that the presented information is not misleading if these interim condensed consolidated financial statements are read in conjunction with the Company’s 2020 audited consolidated financial statements and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments necessary to present fairly the Company’s financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

The Company maintains its books and records and prepares financial statements in accordance with accounting and taxation principles and practices mandated by legislation of the relevant jurisdictions. The accompanying IFRS interim condensed consolidated financial statements were derived from the Company’s statutory books and records.

The Company’s interim condensed consolidated financial statements are presented in billions of Russian rubles (“RUB”), unless otherwise indicated.

The interim condensed consolidated financial statements for the three months ended March 31, 2021 were approved and authorized for issue by the Chief Executive Officer of the Company on May 14, 2021.

3. Changes in accounting policies and comparative amounts

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of amendments to existing standards effective as of January 1, 2021:

- *Amendments to IFRS 7 Financial instruments: Disclosures, IFRS 9 Financial instruments, as well as IFRS 4 Insurance contracts and IFRS 16 Leases named Interest Rate Benchmark Reform – Phase II.* The amendments provide certain temporary reliefs which address the financial reporting effects related to the transfer to the risk-free interest rate. The amendments did not have a material impact on the consolidated financial statements.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

3. Changes in accounting policies and comparative amounts (continued)

Sales of oil, gas, petroleum products and petrochemicals and the Cost of purchased oil, gas, petroleum products, goods for retail and refining costs in the first quarter of 2020 in the part of trading operations were reduced (netted) by RUB 7 billion based on the criteria in IFRS 15 *Revenue from contracts with customers*.

4. Segment information

The Company determines its operating segments based on the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. The Exploration and production segment is engaged in field exploration and the production of crude oil and natural gas. The Refining and distribution segment is engaged in processing crude oil and other hydrocarbons into petroleum products, as well as in the purchase, sale and transportation of crude oil and petroleum products. Corporate and other unallocated activities are not part of any operating segment and include corporate activity, activities involved in field development, the maintenance of infrastructure and the functioning of the first two segments, as well as banking and finance services, and other activities. Substantially all of the Company's operations and assets are located in the Russian Federation.

Segment performance is evaluated based on both revenues and operating income, which are measured on the same basis as in the consolidated financial statements, but with intersegment transactions revalued at market prices.

The performance of the operating segments for the three months ended March 31, 2021 (unaudited) is shown below:

| | Exploration and production | Refining and distribution | Corporate and other unallocated activities | Adjustments | Consolidated |
|--|----------------------------------|------------------------------|---|-------------|--------------|
| Total revenues and equity share in profits of associates and joint ventures | 1,138 | 1,749 | 47 | (1,197) | 1,737 |
| <i>Including: equity share in profits of associates and joint ventures</i> | 9 | 5 | – | – | 14 |
| Costs and expenses | | | | | |
| Costs and expenses other than depreciation, depletion and amortization | 718 | 1,748 | 70 | (1,197) | 1,339 |
| Depreciation, depletion and amortization | 125 | 27 | 3 | – | 155 |
| Total costs and expenses | 843 | 1,775 | 73 | (1,197) | 1,494 |
| Operating income | 295 | (26) | (26) | – | 243 |
| Finance income | – | – | 28 | – | 28 |
| Finance expenses | – | – | (58) | – | (58) |
| Total finance expenses | – | – | (30) | – | (30) |
| Other income | – | – | 5 | – | 5 |
| Other expenses | – | – | (15) | – | (15) |
| Foreign exchange differences | – | – | 5 | – | 5 |
| Income/(loss) before income tax | 295 | (26) | (61) | – | 208 |
| Income tax (expense)/benefit | (57) | 6 | 11 | – | (40) |
| Net income/(loss) | 238 | (20) | (50) | – | 168 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

4. Segment information (continued)

The performance of the operating segments for the three months ended March 31, 2020 (unaudited, restated) is shown below:

| | Exploration and production | Refining and distribution | Corporate and other unallocated activities | Adjustments | Consolidated |
|--|----------------------------------|------------------------------|---|-------------|--------------|
| Total revenues and equity share in profits of associates and joint ventures | 863 | 1,771 | 52 | (928) | 1,758 |
| <i>Including: equity share in profits of associates and joint ventures</i> | 2 | 8 | 1 | – | 11 |
| Costs and expenses | | | | | |
| Costs and expenses other than depreciation, depletion and amortization | 626 | 1,715 | 68 | (928) | 1,481 |
| Depreciation, depletion and amortization | 145 | 27 | 4 | – | 176 |
| Total costs and expenses | 771 | 1,742 | 72 | (928) | 1,657 |
| Operating income | 92 | 29 | (20) | – | 101 |
| Finance income | – | – | 24 | – | 24 |
| Finance expenses | – | – | (80) | – | (80) |
| Total finance expenses | – | – | (56) | – | (56) |
| Other income | – | – | 2 | – | 2 |
| Other expenses | – | – | (46) | – | (46) |
| Foreign exchange differences | – | – | (177) | – | (177) |
| Realized foreign exchange differences on hedge instruments | – | – | – | – | – |
| Income/(loss) before income tax | 92 | 29 | (297) | – | (176) |
| Income tax (expense)/benefit | (18) | (4) | 55 | – | 33 |
| Net income/(loss) | 74 | 25 | (242) | – | 143 |

Oil, gas, petroleum products and petrochemicals sales comprise the following (based on the country indicated in the bill of lading):

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited, restated) |
|--|--|---|
| International sales of crude oil, petroleum products and petrochemicals – non-CIS | 1,154 | 1,248 |
| International sales of crude oil and petroleum products – CIS, other than Russia | 71 | 22 |
| Domestic sales of crude oil, petroleum products and petrochemicals | 398 | 392 |
| Sales of gas | 73 | 63 |
| Total oil, gas, petroleum products and petrochemicals sales | 1,696 | 1,725 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

5. Income tax and other taxes

Income tax expenses comprise the following:

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Current income tax expense | (64) | (12) |
| Deferred tax benefit due to the origination and reversal of temporary differences | 24 | 45 |
| Total income tax (expense)/benefit | (40) | 33 |

In 2012 the Company created a consolidated group of taxpayers (hereinafter “CGT”), Rosneft became the responsible taxpayer of the CGT. At present, under the terms of the agreement the number of members in the consolidated group of taxpayers is 62.

In addition to income tax, the Company accrued other taxes as follows:

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Mineral extraction tax | 433 | 445 |
| Excise tax | 59 | 125 |
| Property tax | 10 | 10 |
| Insurance contributions | 23 | 23 |
| Tax on additional income from production of hydrocarbons | 133 | 29 |
| Other | 9 | 1 |
| Total taxes other than income tax | 667 | 633 |

6. Export customs duty

Export customs duty comprises the following:

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Export customs duty on oil sales | 50 | 80 |
| Export customs duty on petroleum products and petrochemicals sales | 28 | 47 |
| Total export customs duty | 78 | 127 |

During the first quarter of 2020, following the adoption of Federal law No. 24-FZ dated February 18, 2020 the one-off effect amounting to RUB 30 billion was recorded to reflect the customs duty exemption for the 2019 export deliveries of crude oil produced in certain subsoil areas where the tax on additional income regime was enacted in 2019.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

7. Finance expenses

Finance expenses comprise the following:

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Interest expenses on | | |
| Loans and borrowings | (27) | (24) |
| Interest on the lease liability | (3) | (2) |
| Prepayment on long-term oil and petroleum products supply agreements (Note 21) | (13) | (12) |
| Other interest expenses | (3) | (5) |
| Total interest expenses | (46) | (43) |
| Increase in provision due to the unwinding of a discount | (6) | (6) |
| Increase in allowance for expected credit losses on debt financial assets at amortized cost | – | (1) |
| Change in fair value of financial assets measured at fair value through profit or loss | (5) | (22) |
| Net loss from operations with derivative financial instruments | – | (7) |
| Other finance expenses | (1) | (1) |
| Total finance expenses | (58) | (80) |

8. Other income and expenses

Other income and expenses comprise the following:

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Insurance recoveries | – | 1 |
| Disposal of subsidiaries | 2 | – |
| Other | 3 | 1 |
| Total other income | 5 | 2 |
| Sale and disposal of property, plant and equipment and intangible assets | – | (1) |
| Impairment of assets | – | (27) |
| Social payments, charity, financial aid | (6) | (4) |
| Other | (9) | (14) |
| Total other expenses | (15) | (46) |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

9. Cash and cash equivalents

Cash and cash equivalents comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|---|---------------------------------------|------------------------------|
| Cash on hand and in bank accounts in RUB | 56 | 56 |
| Cash on hand and in bank accounts in foreign currencies | 377 | 468 |
| Deposits | 206 | 273 |
| Other | 5 | 9 |
| Total cash and cash equivalents | 644 | 806 |

Cash accounts denominated in foreign currencies primarily comprise cash in U.S. dollars and euro.

Deposits are interest bearing and denominated mainly in RUB and U.S. dollars.

Restricted cash includes the obligatory reserve of subsidiary banks with the CBR in the amount of RUB 14 billion and RUB 17 billion as of March 31, 2021 and December 31, 2020, respectively.

10. Other short-term financial assets

Other short-term financial assets comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|---------------------------------------|------------------------------|
| Financial assets at fair value through other comprehensive income | | |
| Bonds | 195 | 198 |
| Promissory notes | 118 | 116 |
| Stocks and shares | 50 | 47 |
| Loans granted under reverse repurchase agreements | 57 | 56 |
| Financial assets at amortized cost | | |
| Bonds | – | 1 |
| Loans issued | 21 | 20 |
| Deposits and certificates of deposit | 320 | 363 |
| Financial assets at fair value through profit or loss | | |
| Deposits | 2 | 1 |
| Bonds | 19 | 15 |
| Derivative financial instruments | 1 | – |
| Total other short-term financial assets | 783 | 817 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

11. Accounts receivable

Accounts receivable include the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|-------------------------------|----------------------|
| Trade receivables | 612 | 497 |
| Other accounts receivable | 57 | 55 |
| Total | 669 | 552 |
| Allowance for expected credit losses | (85) | (84) |
| Total accounts receivable, net of allowance | 584 | 468 |

As of March 31, 2021 and December 31, 2020 accounts receivable were not pledged as collateral for loans and borrowings provided to the Company, except as discussed in Note 18.

Set out below is the movement in the allowance for expected credit losses on accounts receivable:

| | As of January 1, 2021 | Increase in allowance | Decrease in allowance | As of March 31, 2021 (unaudited) |
|--|-----------------------------|--------------------------|--------------------------|---|
| Allowance at an amount equal to 12-month expected credit losses on trade receivables | 16 | 3 | (3) | 16 |
| Allowance at an amount equal to lifetime expected credit losses on trade receivables | 40 | 1 | – | 41 |
| Allowance for expected credit losses on other accounts receivable | 28 | 2 | (2) | 28 |
| Total | 84 | 6 | (5) | 85 |

Due to overall high credit quality and short-term nature of trade receivables, the allowance for expected credit losses for significant counterparties is determined based on 12-month expected credit losses. The Company has no trade receivables that were credit impaired upon initial recognition.

12. Inventories

Inventories comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|---------------------------------------|-------------------------------|----------------------|
| Crude oil and gas | 111 | 86 |
| Petroleum products and petrochemicals | 188 | 145 |
| Materials and supplies | 133 | 130 |
| Total inventories | 432 | 361 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

12. Inventories (continued)

Petroleum products and petrochemicals include those designated both for sale and for own use.

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Cost of inventories recognized as an expense during the period | 328 | 312 |

The cost of inventories recognized as an expense during the period is included in Production and operating expenses, Cost of purchased oil, gas, petroleum products and refining costs and General and administrative expenses in the interim consolidated statement of profit or loss.

13. Prepayments and other current assets

Prepayments and other current assets comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|-------------------------------|----------------------|
| Value added tax and excise receivable | 192 | 161 |
| Prepayments to suppliers | 102 | 124 |
| - <i>Current portion of long-term prepayments issued</i> | 6 | 5 |
| Assets being transferred | 65 | – |
| Settlements with customs | 14 | 13 |
| Profit and other tax payments | 26 | 15 |
| Other | 12 | 9 |
| Total prepayments and other current assets | 411 | 322 |

Assets being transferred represent the net value of certain assets and liabilities of a number of mature oil production and service assets (“tail” assets”), the legal ownership for which is to be transferred to the counterparty in 2021 to settle the respective liability (Note 17).

Settlements with customs primarily represent prepaid export duties related to the export of crude oil and petroleum products (Note 6).

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

14. Property, plant and equipment

| | Exploration and production | Refining and distribution | Corporate and other unallocated activities | Total |
|--|-------------------------------|------------------------------|---|----------------|
| Cost as of January 1, 2021 | 12,636 | 2,555 | 172 | 15,363 |
| Depreciation, depletion and impairment losses as of January 1, 2021 | (4,066) | (892) | (67) | (5,025) |
| Net book value as of January 1, 2021 | 8,570 | 1,663 | 105 | 10,338 |
| Prepayments for property, plant and equipment as of January 1, 2021 | 21 | 41 | 1 | 63 |
| Total as of January 1, 2021 | 8,591 | 1,704 | 106 | 10,401 |
| Cost | | | | |
| Additions | 189 | 19 | – | 208 |
| <i>Including capitalized expenses on loans and borrowings</i> | <i>34</i> | <i>10</i> | <i>–</i> | <i>44</i> |
| Disposals and other movements | (7) | (1) | – | (8) |
| Disposal of subsidiaries | (967) | – | (5) | (972) |
| Foreign exchange differences | 23 | (5) | 1 | 19 |
| Changes in cost of asset retirement (decommissioning) obligations | (15) | – | – | (15) |
| As of March 31, 2021 | 11,859 | 2,568 | 168 | 14,595 |
| Depreciation, depletion and impairment losses | | | | |
| Depreciation and depletion charge | (126) | (22) | (2) | (150) |
| Disposals and other movements | 3 | 1 | – | 4 |
| Disposal of subsidiaries | 858 | – | 1 | 859 |
| Foreign exchange differences | (12) | 2 | – | (10) |
| As of March 31, 2021 | (3,343) | (911) | (68) | (4,322) |
| Net book value as of March 31, 2021 | 8,516 | 1,657 | 100 | 10,273 |
| Prepayments for property, plant and equipment as of March 31, 2021 | 46 | 47 | 3 | 96 |
| Total as of March 31, 2021 | 8,562 | 1,704 | 103 | 10,369 |

The depreciation charge for the three months ended March 31, 2021 includes RUB 4 billion of depreciation which was capitalized as part of the construction cost of property, plant and equipment and cost of inventory.

The Company capitalized RUB 44 billion (including RUB 31 billion in capitalized interest) and RUB 54 billion (including RUB 36 billion in capitalized interest) of borrowing costs for the three months ended March 31, 2021 and 2020, respectively. The weighted average quarterly rates used to determine the amount of borrowing costs eligible for capitalization were 1.28% and 1.60% for the three months ended March 31, 2021 and 2020, respectively.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

15. Other long-term financial assets

Other long-term financial assets comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|-------------------------------|----------------------|
| Financial assets at fair value through other comprehensive income | | |
| Shares and participating interests | 37 | 37 |
| Financial assets at amortized cost | | |
| Bonds | 26 | 26 |
| Loans granted | 31 | 22 |
| Loans granted to associates and joint ventures | 6 | 6 |
| Deposits and certificates of deposit | 6 | 25 |
| Other accounts receivable | 12 | 13 |
| Financial assets at fair value through profit or loss | | |
| Deposits | 143 | 144 |
| Other | 2 | 2 |
| Total other long-term financial assets | 263 | 275 |

Bank deposits of the Company are placed in rubles and US dollars at interest rates ranging from 4.9% to 8.75% p.a.

No long-term financial assets were pledged as collateral as of March 31, 2021 and December 31, 2020.

16. Other non-current non-financial assets

Other non-current non-financial assets comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|---|-------------------------------|----------------------|
| Long-term advances issued | 190 | 170 |
| Other | 1 | 2 |
| Total other non-current non-financial assets | 191 | 172 |

Long-term advances issued represent primarily advance payments under contracts for future crude oil purchases.

17. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|---|-------------------------------|----------------------|
| Financial liabilities | | |
| Accounts payable to suppliers and contractors | 434 | 422 |
| Current operating liabilities of subsidiary banks | 697 | 724 |
| Salary and other benefits payable | 135 | 111 |
| Dividends payable | 1 | 1 |
| Cash consideration payable | 102 | 100 |
| Obligation to transfer the assets | 78 | 82 |
| Other accounts payable | 45 | 42 |
| Total financial liabilities | 1,492 | 1,482 |
| Non-financial liabilities | | |
| Short-term advances received | 41 | 64 |
| Total accounts payable and accrued liabilities | 1,533 | 1,546 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

17. Accounts payable and accrued liabilities (continued)

Obligation to transfer the assets represent the obligations to transfer interests in a number of mature oil production and service assets (“tail” assets”, Note 13). During the 1st quarter of 2021, part of the obligations was settled by transferring legal rights to the shares in a number of entities.

18. Loans and borrowings and other financial liabilities

Loans and borrowings and other financial liabilities comprise the following:

| | Currency | March 31, 2021 (unaudited) | December 31, 2020 |
|--|------------|-------------------------------|----------------------|
| Long-term | | | |
| Bank loans | RUB | 808 | 807 |
| Bank loans | US\$, euro | 909 | 913 |
| Bonds | RUB | 578 | 581 |
| Eurobonds | US\$ | 152 | 150 |
| Borrowings | RUB | 126 | 122 |
| Other borrowings | RUB | 872 | 744 |
| Other borrowings | US\$ | 692 | 750 |
| <i>Less: current portion of long-term loans and borrowings</i> | | <i>(434)</i> | <i>(452)</i> |
| Total long-term loans and borrowings | | 3,703 | 3,615 |
| Lease liabilities | | 164 | 157 |
| Other long-term financial liabilities | | 42 | 56 |
| <i>Less: current portion of long-term lease liabilities</i> | | <i>(21)</i> | <i>(18)</i> |
| Total long-term loans and borrowings and other financial liabilities | | 3,888 | 3,810 |
| Short-term | | | |
| Bank loans | RUB | – | 90 |
| Bank loans | US\$, euro | – | 6 |
| Borrowings | RUB | 2 | – |
| Borrowings | US\$ | 32 | 16 |
| Other borrowings | RUB | 3 | 49 |
| Other borrowings | US\$ | – | 7 |
| <i>Current portion of long-term loans and borrowings</i> | | <i>434</i> | <i>452</i> |
| Total short-term loans and borrowings | | 471 | 620 |
| <i>Current portion of long-term lease liabilities</i> | | <i>21</i> | <i>18</i> |
| Other short-term financial liabilities | | 112 | 147 |
| Short-term liabilities related to derivative financial instruments | | 12 | 13 |
| Total short-term loans and borrowings and other financial liabilities | | 616 | 798 |
| Total loans and borrowings and other financial liabilities | | 4,504 | 4,608 |

Long-term loans and borrowings

Long-term bank loans from a foreign bank are denominated in U.S. dollars are partially secured by oil export contracts. If the Company fails to make timely debt repayments, the terms of such contracts normally provide the lender with the express right of claim to contractual revenue in the amount of the late loan repayments, which the purchaser generally remits directly through transit currency accounts with the lender banks. The outstanding balance of Accounts receivable arising from such contracts amounts to RUB 28 billion as of March 31, 2021 and RUB 22 billion as of December 31, 2020, respectively, and is included in Trade receivables.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

18. Loans and borrowings and other financial liabilities (continued)

Long-term loans and borrowings (continued)

During the first quarter of 2021 the Company continued to settle other long-term borrowings under the repurchasing agreement operations. As of March 31, 2021, the liabilities of the Company under those transactions amounted to the equivalent of RUB 1,564 billion at the CBR official exchange rate as of March 31, 2021. The Company's own corporate bonds were used as an instrument for those transactions.

The Company is obliged to comply with a number of restrictive financial and other covenants contained in several of its loan agreements. Such covenants include maintaining certain financial ratios. As of March 31, 2021 and December 31, 2020 the Company was in compliance with all restrictive financial and other covenants contained in its loan agreements.

Short-term loans and borrowings

During the first quarter of 2021 the Company continued to settle other short-term borrowings under the repurchasing agreement operations and entered into the new transactions. As of March 31, 2021 the liabilities of the Company under those transactions amounted to the equivalent of RUB 3 billion (at the CBR official exchange rate as of March 31, 2021). Own corporate bonds were used as an instrument for those transactions.

During the first quarter of 2021 the Company was current on all payments under loan agreements and interest payments.

Liabilities related to derivative financial instruments

Short-term liabilities related to derivative financial instruments mainly include liabilities related to cross-currency rate swaps.

The Company enters into cross-currency rate swaps to sell currencies in order to balance the currency of revenues and liabilities and reduce the overall interest rates on borrowings.

The cross-currency rate swaps are recorded in the consolidated balance sheet at fair value. The measurement of the fair value of the transactions is based on a discounted cash flow model and consensus forecasts of foreign currency rates. The consensus forecasts include forecasts of the major international banks and agencies. The Bloomberg system is the main information source for the model.

19. Other current tax liabilities

Other current tax liabilities comprise the following:

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|-------------------------------|----------------------|
| Mineral extraction tax | 177 | 133 |
| VAT | 133 | 99 |
| Excise duties | 40 | 32 |
| Property tax | 11 | 9 |
| Tax on additional income from production of hydrocarbons | 141 | 24 |
| Personal income tax | 3 | 2 |
| Other | 4 | 2 |
| Total other tax liabilities | 509 | 301 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

20. Provisions

| | Asset retirement obligations | Environmental remediation provision | Legal and tax claims and other provisions | Total |
|--|------------------------------------|---|---|-------------|
| As of January 1, 2021, including | 406 | 51 | 48 | 505 |
| <i>Non-current</i> | 400 | 33 | 4 | 437 |
| <i>Current</i> | 6 | 18 | 44 | 68 |
| Provisions charged during the year | 1 | 1 | 5 | 7 |
| Increase/(decrease) in the liability resulting from: | | | | |
| Changes in the discount rate | (16) | – | – | (16) |
| Foreign exchange differences | 2 | – | 1 | 3 |
| Unwinding of discount | 6 | – | – | 6 |
| Utilization | (1) | (1) | (2) | (4) |
| Disposal | (34) | (3) | (1) | (38) |
| As of March 31, 2021 (unaudited), including | 364 | 48 | 51 | 463 |
| <i>Non-current</i> | 359 | 33 | 6 | 398 |
| <i>Current</i> | 4 | 15 | 45 | 65 |

21. Prepayment on long-term oil and petroleum products supply agreements

During 2013-2014 the Company entered into a number of long-term crude oil and petroleum products supply contracts which require the buyer to make a prepayment. The total minimum delivery volume under those contracts at inception approximated 400 million tonnes. The crude oil and petroleum product prices are based on current market prices. The prepayments are settled through physical deliveries of crude oil and petroleum products.

Deliveries of oil and petroleum products that reduce the prepayment amounts commenced in 2015. The Company considers these contracts to be regular-way contracts.

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| As of January 1 | 1,758 | 1,082 |
| Reclassified | – | (3) |
| Settled | (83) | (79) |
| Total prepayment on long-term oil and petroleum products supply agreements | 1,675 | 1,000 |
| Less current portion | (381) | (340) |
| As of March 31 | 1,294 | 660 |

The amounts settled under these contracts were RUB 83 billion and RUB 79 billion (US\$ 1.7 billion and US\$ 1.6 billion at the CBR official exchange rate at the prepayment dates, the prepayments are not revalued at each balance sheet date), for the first quarter of 2021 and 2020 respectively.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

22. Shareholders' equity

During the first quarter of 2020 the Company acquired 9,381,466 treasury shares (including in form of global depository receipts), as a part of the share buyback program. During the first quarter of 2021 the Company did not acquired treasury shares.

23. Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities quoted on active liquid markets is determined in accordance with market prices;
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted models and is based on discounted cash flow analysis that relies on prices used for existing transactions in the current market;
- The fair value of derivative financial instruments is based on market quotes. In illiquid and highly volatile markets fair value is determined on the basis of valuation models that rely on assumptions confirmed by observable market prices or rates as of the reporting date.

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments, depending on the valuation methodology

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: methodologies in which all inputs that significantly affect the fair value are directly or indirectly observable in the open market;
- Level 3: techniques which use inputs which have a significant effect on the fair value that are not based on the data observable in the open market.

Assets and liabilities of the Company that are measured at fair value on a recurring basis in accordance with the fair value hierarchy are presented in the table below.

| | Fair value measurement as of March 31, 2021 (unaudited) | | | |
|---|--|-------------|-----------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Current assets | | | | |
| Financial assets at fair value through other comprehensive income | 81 | 305 | 34 | 420 |
| Financial assets at fair value recognized in profit or loss | – | 21 | – | 21 |
| Derivative financial instruments | – | 1 | – | 1 |
| Non-current assets | | | | |
| Financial assets at fair value through other comprehensive income | 10 | – | 27 | 37 |
| Financial assets at fair value recognized in profit or loss | – | 144 | 1 | 145 |
| Total assets measured at fair value | 91 | 471 | 62 | 624 |
| Liabilities | | | | |
| Derivative financial instruments | – | (12) | – | (12) |
| Total liabilities measured at fair value | – | (12) | – | (12) |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

23. Fair value of financial instruments (continued)

The fair value of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments included in Level 2 is measured at the present value of future estimated cash flows, using inputs such as market interest rates and market quotes of forward exchange rates.

The carrying value of cash and cash equivalents and derivative financial instruments recognized in these interim condensed consolidated financial statements equals their fair value. The carrying value of accounts receivable and accounts payable, loans issued, other financial assets and other financial liabilities recognized in these interim condensed consolidated financial statements approximates their fair value.

Financial assets measured at fair value through other comprehensive income in Level 3 are investments in shares of non-listed companies that are measured on the basis of information not observable in the market. The fair value of investments in unquoted equity instruments was determined using the adjusted net assets method. There were no significant changes in fair value during the reporting period.

There were no transfers of financial assets and liabilities between levels during the reporting period.

| | Carrying value | | Fair value (Level 2) | |
|--|----------------------------------|----------------------|----------------------------------|----------------------|
| | March 31, 2021 (unaudited) | December 31, 2020 | March 31, 2021 (unaudited) | December 31, 2020 |
| Financial liabilities | | | | |
| Financial liabilities at amortized cost: | | | | |
| Loans and borrowings with a variable interest rate | (2,911) | (2,964) | (2,810) | (2,876) |
| Loans and borrowings with a fixed interest rate | (1,263) | (1,271) | (1,285) | (1,313) |
| Lease liabilities | (164) | (157) | (172) | (169) |

24. Related party transactions

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders and companies under their control (including enterprises directly or indirectly controlled by the Russian Government), associates and joint ventures, key management and pension funds.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be entered on the same terms as transactions between unrelated parties.

The disclosure of related party transactions is presented on an aggregate basis for major shareholders and companies under their control, joint ventures and associates, and non-state pension funds. In addition, there may be additional disclosures of certain significant transactions (balances and turnovers) with certain related parties.

In the course of its ordinary business, the Company enters into transactions with other companies controlled by the Russian Government. In the Russian Federation, electricity and transport tariffs are regulated by the Federal Antimonopoly Service, an authorized governmental agency of the Russian Federation. Bank loans are recorded based on market interest rates. Taxes are accrued and paid in accordance with applicable tax law. The Company sells crude oil and petroleum products to and purchases crude oil and petroleum products from related parties in the ordinary course of business at prices close to average market prices.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

24. Related party transactions (continued)

Transactions with major shareholders and companies under their control

Revenues and income

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| Oil, gas, petroleum products and petrochemicals sales | 179 | 149 |
| Support services and other revenues | 1 | 1 |
| Finance income | 7 | 4 |
| Other income | 1 | 1 |
| | 188 | 155 |

Costs and expenses

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| Production and operating expenses | 13 | 5 |
| Cost of purchased oil, gas, petroleum products and refining costs | 14 | 17 |
| Transportation costs and other commercial expenses | 109 | 120 |
| Other expenses | 4 | 2 |
| Financial expenses | 15 | 10 |
| | 155 | 154 |

Other operations

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Loans received | 12 | 180 |
| Loans repaid | (89) | (170) |
| Loans and borrowings issued | – | (8) |
| Repayment of loans and borrowings issued | 1 | 6 |

Settlement balances

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|-------------------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | 321 | 467 |
| Accounts receivable | 170 | 166 |
| Prepayments and other current assets | 45 | 44 |
| Other financial assets | 382 | 376 |
| | 918 | 1,053 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 444 | 372 |
| Loans and borrowings and other financial liabilities | 805 | 858 |
| | 1,249 | 1,230 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

24. Related party transactions (continued)

Transactions with joint ventures

Crude oil is purchased from joint ventures at Russian domestic market prices.

Revenues and income

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| Oil, gas, petroleum products and petrochemicals sales | 4 | 4 |
| Support services and other revenues | 2 | 1 |
| Finance income | – | 1 |
| | 6 | 6 |

Costs and expenses

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| Production and operating expenses | 1 | 1 |
| Cost of purchased oil, gas, petroleum products and refining costs | 67 | 61 |
| Transportation costs and other commercial expenses | 1 | 1 |
| Finance expenses | 1 | 1 |
| | 70 | 64 |

Other operations

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Loans received | 66 | 52 |
| Loans repaid | (48) | (39) |
| Loans and borrowings issued | – | (5) |
| Repayment of loans and borrowings issued | – | 1 |

Settlement balances

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|-------------------------------|----------------------|
| Assets | | |
| Accounts receivable | 16 | 9 |
| Prepayments and other current assets | 1 | 2 |
| Other financial assets | 3 | 3 |
| | 20 | 14 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 139 | 110 |
| Loans and borrowings and other financial liabilities | 73 | 54 |
| | 212 | 164 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

24. Related party transactions (continued)

Transactions with associates

Revenues and income

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| Oil, gas, petroleum products and petrochemicals sales | 75 | 98 |
| Finance income | 1 | 1 |
| | 76 | 99 |

Costs and expenses

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|---|--|--|
| Cost of purchased oil, gas, petroleum products and refining costs | 9 | 13 |
| Finance expenses | 2 | 3 |
| | 11 | 16 |

Other operations

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|--|--|--|
| Loans received | 2 | 56 |
| Loans repaid | (33) | (41) |
| Loans and borrowings issued | – | (2) |
| Repayment of loans and borrowings issued | – | 9 |

Settlement balances

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|---------------------------------------|------------------------------|
| Assets | | |
| Accounts receivable | 61 | 71 |
| Prepayments and other current assets | 2 | 1 |
| Other financial assets | 3 | 3 |
| | 66 | 75 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 21 | 22 |
| Loans and borrowings and other financial liabilities | 119 | 159 |
| | 140 | 181 |

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

24. Related party transactions (continued)

Transactions with non-state pension funds

Costs and expenses

| | Three months ended March 31, 2021 (unaudited) | Three months ended March 31, 2020 (unaudited) |
|----------------|--|--|
| Other expenses | 1 | 1 |

Settlement balances

| | March 31, 2021 (unaudited) | December 31, 2020 |
|--|-------------------------------|----------------------|
| Liabilities | | |
| Accounts payable and accrued liabilities | 4 | 1 |
| | 4 | 1 |

25. Contingencies

Russian business environment

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. Ruble interest rates are growing. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

The Company also has investments in subsidiaries, associates and joint ventures and advances issued to counterparties operating in foreign jurisdictions. Besides commercial risks being a part of any investment operation, assets in a number of regions of the Company's activities also bear political, economic and tax risks which are analyzed by the Company on a regular basis.

Since the beginning of March 2020, the world markets were experiencing a significant volatility in oil demand and oil prices, in particular as a result of COVID-19 pandemic. Russian ruble value has fallen significantly against the major world currencies. In the opinion of the Company's management, these trends will not have a material impact on the Company's future financial position, results of operations and business prospects.

Legal claims

Rosneft and its subsidiaries are involved in litigations which arise from time to time in the course of their business activities. Management believes that the ultimate results of these litigations will not materially affect the performance or financial position of the Company. Reliably estimated probable obligations were recognized within provisions in the interim condensed consolidated financial statements of the Company (Note 20).

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

25. Contingencies (continued)

Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislative acts and regulations are not always clearly written, and their interpretation is subject to the opinions of the taxpayers, and local, regional, and national tax authorities, and the Ministry of Finance of the Russian Federation. Instances of inconsistent opinions are not unusual.

In Russia, tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the period of three calendar years preceding the year when the inspection started.

In accordance with Russian tax legislation, if an understatement of a tax liability is detected as a result of an inspection, penalties and fines to be paid might be material in respect of the tax liability misstatement.

During the reporting period, the tax authorities continued their inspections of some of Rosneft subsidiaries for 2016-2019. The Company's management does not expect the outcome of the inspections to have a material impact on the Company's consolidated balance sheet or results of operations.

As part of the new regime for fiscal control over the pricing of related party transactions, the Company and the Federal Tax Service signed a number of pricing agreements from 2012 to the first quarter of 2021 with respect to the taxation of oil sales and refining transactions in Russia.

The Company believes that transfer pricing risks in relation to intragroup transactions during the three months ended March 31, 2021 and earlier will not have a material effect on its financial position or results of operations.

The Company follows the rules of tax legislation on de-offshorization, including income tax rules for controlled foreign companies to calculate its current and deferred income tax estimates.

Overall, management believes that the Company has paid and accrued all taxes that are applicable. For taxes where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources that will be required to settle these liabilities.

Capital commitments

The total amount of contracted but not yet delivered goods and services related to the construction and acquisition of property, plant and equipment amounted to RUB 919 billion and RUB 668 billion as of March 31, 2021 and December 31, 2020, respectively.

Environmental liabilities

The Company periodically evaluates its environmental liabilities pursuant to environmental regulations. Such liabilities are recognized in the consolidated financial statements as and when identified. Potential liabilities, which could arise as a result of changes in existing regulations or the settlement of civil litigation, or as a result of changes in environmental standards, cannot be reliably estimated but may be material. With the existing system of control, management believes that there are no material liabilities for environmental damage other than those recorded in these interim condensed consolidated financial statements.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

25. Contingencies (continued)

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 related to climate change impact on its business activities.

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 and international legislation 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, reputation 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 for of the global energy developments scenario planning.

Other matters

Due to the pollution of oil in the trunk pipeline "Druzhba" in April 2019 a number of claims from the customers were submitted to PJSC "Rosneft Oil Company", stating that the supplied oil contains substantially exceeded maximum permitted levels of organochlorine compounds (compared to levels determined by the relevant technical regulations and standards). At the same time, PJSC "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.

Also, the Company received claims from the customers who were not delivered the contracted amounts of oil due to the oil pumping interruption in the trunk oil pipeline "Druzhba" resulting from the contamination.

Currently the Company is working with foreign customers and PJSC "Transneft" on the settlement of claims. Calculation of losses incurred by PJSC "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.

26. Events after the reporting date

In April 2021 conditions for classification as held for sale were met for certain assets of the Exploration and Production segment. The consolidated balance sheet as at March 31, 2021 includes assets of RUB 17 bln and liabilities of RUB 8 bln relating to these assets.

Contact information

PJSC Rosneft Oil Company

Legal address:

Russian Federation, 115035, Moscow, Sofiyskaya embankment, 26/1

Mailing address:

Russian Federation, 117997, Moscow, Sofiyskaya embankment, 26/1

Phone:

+7 (499) 517-88-99

Fax:

+7 (499) 517-72-35

E-mail:

postman@rosneft.ru

Corporate website:

www.rosneft.ru (Russian)
www.rosneft.com (English)