



***Rosneft Oil Company***  
Report on payments to governments  
for the year ended December 31, 2016

**Rosneft Oil Company**  
**Report on payments to governments**

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**1. Introduction**

Section 4.3A of the UK Disclosure Rules and Transparency Rules (DTR 4.3A) requires the extractive sector companies whose transferable securities are admitted to trading on a regulated market to publicly disclose payments made to the governments of those countries where they carry out extractive operations.

DTR 4.3A apply without limitation to companies incorporated outside the UK but that have transferable securities admitted to trading on the London Stock Exchange (LSE).

Rosneft Global depositary receipts (GDR) which certify rights in respect of ordinary shares are admitted to trading on the LSE. The securities are listed on its Main market through its International Order Book. One GDR is equivalent to one common share of Rosneft Oil Company.

Rosneft's consolidated Report on payments to governments (the Report) is presented below pursuant to DTR 4.3A. It includes Payments made by the Rosneft Group's Extractive Companies as defined below, for the benefit of each government in the countries in which these companies carry out their activities. The Report also provides details on the total amount of such payments by type, specific project and government paid.

Where the amount of payment made during the period for a specific project or country are less than £86,000 or the equivalent amount in another currency such payment is not disclosed in the Report.

# **Rosneft Oil Company**

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### **2. Reporting principles**

#### **Definitions**

**(Rosneft Group's) Extractive Companies:** Rosneft Oil Company (Rosneft) and its subsidiaries whose activities consist, in whole or in part, of the exploration, prospection, discovery, development and extraction of minerals, crude oil and natural gas, amongst others, fully consolidated by Rosneft in accordance with International Financial Reporting Standards (IFRS).

**Payment:** a single payment or multiple interconnected payments, whether in money or in kind, for extractives activities.

The payment types included in this Report:

**Production entitlement:** host Government's share of production. This payment is generally made in kind.

**Taxes:** taxes and levies paid on income, production or profits, excluding taxes levied on consumption such as value added tax, sales taxes, as well as personal income taxes.

Regarding taxes paid in the Russian Federation the Report includes Income Tax and Mineral extraction tax.

**Royalties:** percentage of production payable to the owner of mineral rights.

In addition, for the purposes of this Report Export customs duty on oil paid in the Russian Federation is included in Royalties.

**Dividends:** dividends, other than dividends paid to a government as an ordinary shareholder unless they are paid in lieu of a production entitlement or royalty. For the year ended December 31, 2016, there were no reportable Dividend payments to Governments.

**Signature, Discovery and Production Bonuses:** bonuses paid for and in consideration of signature, discovery, production, awards, grants and transfers of extraction rights; bonuses related to achievement or failure to achieve certain production levels or targets, and the discovery of additional mineral reserves or deposits. For the year ended December 31, 2016, there were no reportable Bonuses payments to Governments.

**Licence and other fees:** licence fees, rental fees, entry fees and other considerations for licences and/or concessions that are paid for access to the area where the extractive activities will be conducted.

**Infrastructure improvements:** payments for local infrastructure development, including the improvement of infrastructure, except where the infrastructure is exclusively used for operational purposes.

**Government:** any national, regional or local authority of a country or territory, or any department, agency or undertaking controlled by that authority.

**Project:** operational activities governed by a single contract, licence, lease, concession or similar legal agreement that form the basis for payment liabilities with a Government. If multiple such agreements are substantially interconnected, they are considered as a single Project.

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**Reporting currency**

All amounts presented in the Report are stated in Russian rubles. Payments made to Governments in foreign currencies (currencies other than the Russian ruble) were translated into the equivalent ruble amount using a weighted average of the relevant exchange rates during the reporting period.

**In-kind payments**

Production entitlement and Royalties paid in kind owed to Governments pursuant to legal or contractual provisions (not booked in the Extractive Companies' accounts pursuant to the accounting standards) are reported in proportion to the interest held in the Project. Payments in kind are estimated at fair value which corresponds to the contractual price of oil and gas, market price (if available) or an appropriate benchmark price. These prices may be calculated on an averaged basis over a given period.

**Operatorship**

Payments made by the Extractive Companies directly to a Government arising from a project are reported in the full amount, regardless of whether the Extractive Companies are the operators. Such payments are reported in the full amount even where the Extractive Companies acting as operators are proportionally reimbursed by their non-operating venture partners.

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**3. Summary Report**

*(in millions of Russian rubles)*

<b>Country</b>	<b>Total amount of payments</b>	<b>Production Entitlement</b>	<b>Taxes</b>	<b>Royalties</b>	<b>Licence and other fees</b>	<b>Infrastructure Improvements</b>
Russian Federation	1 515 314	-	1 017 191	484 945	13 178	-
Vietnam	10 994	10 594*	-	-	7	393
Brazil	141	-	-	-	141	-
Canada	(23)	-	(26)	3	-	-
Norway	(536)	-	(538)**	-	2	-
<b>Total</b>	<b>1 525 890</b>	<b>10 594</b>	<b>1 016 627</b>	<b>484 948</b>	<b>13 328</b>	<b>393</b>

\* - monetary amount. The in-kind payment amounts to 0.03599 million tonnes of gas condensate and 1.45 bcm of gas.

\*\* - represents the refund received under the Norwegian tax rules in 2016 for the portion of exploration costs incurred in 2015 as the result of the tax loss for 2015.

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**4. Reporting by Project and by type of Payment, and by Government and by type of Payment**

**Amounts paid in the Russian Federation by Project and by type of Payment**  
*(in millions of Russian rubles)*

<b>Payments per project</b>	<b>Total amount of payments</b>	<b>Production Entitlement</b>	<b>Taxes</b>	<b>Royalties</b>	<b>Licence and other fees</b>	<b>Infrastructure Improvements</b>
<b>Russian Federation:</b>	<b>1 515 314</b>	-	<b>1 017 191</b>	<b>484 945</b>	<b>13 178</b>	-
Rosneft	474 108	-	(6 232)*	480 339	1	-
Yuganskneftegaz	334 867	-	333 925	-	942	-
Vankorneft	121 472	-	121 209	-	263	-
Samotlorneftegaz	117 376	-	116 881	-	495	-
Orenburgneft	89 551	-	87 473	-	2 078	-
Uvatneftegaz	68 949	-	65 885	-	3 064	-
Samaraneftegaz	66 698	-	65 907	-	791	-
Verkhnechonskneftegaz	57 519	-	57 268	-	251	-
Varyeganneftegaz	36 120	-	34 693	-	1 427	-
Nyaganneftegaz	35 821	-	33 888	-	1 933	-
Bashneft	29 724	-	25 061	4 606	57	-
Purneftegaz	23 583	-	24 000	-	(417)	-
Severnaya Neft (Timan Pechora)	14 979	-	14 626	-	353	-
Sibneftegaz (Yamalo-Nenetsky Autonomous District)	8 197	-	8 176	-	21	-
Rospan (Yamalo-Nenetsky Autonomous District)	6 892	-	6 615	-	277	-
Krasnodarneftegaz	5 355	-	5 118	-	237	-
Shelf Dalniy Vostok	4 620	-	4 328	-	292	-
Stavropolneftegaz	4 132	-	4 130	-	2	-
Sorovskneft (Bashneft)	3 956	-	3 954	-	2	-
Oil and Gas operations in Sakhalin	3 836	-	3 815	-	21	-

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**Amounts paid in the Russian Federation by Project and by type of Payment (continued)**  
*(in millions of Russian rubles)*

<b>Payments per project</b>	<b>Total amount of payments</b>	<b>Production Entitlement</b>	<b>Taxes</b>	<b>Royalties</b>	<b>Licence and other fees</b>	<b>Infrastructure Improvements</b>
Oil and Gas operations in Northern Caucasia	2 321	-	1 798	-	523	-
Taas-Yuryakh (Sakha Yakutia)	2 171	-	2 128	-	43	-
Sakhalin-1**	1 136	-	1 136	-	-	-
Tyumenneftegaz (Yamalo-Nenetsky Autonomous District)	662	-	464	-	198	-
Tomskneft***	529	-	526	-	3	-
Vostsibneftegaz (Krasnoyarsky Region)	247	-	181	-	66	-
Shelf Arctic	163	-	46	-	117	-
RN-Exploration (Black sea)	156	-	156	-	-	-
Kynsko-Chaselskoe neftegaz (Yamalo-Nenetsky Autonomous District)	135	-	36	-	99	-
Joint offshore Kara Sea project (with ExxonMobil)	17	-	-	-	17	-
Joint offshore Laptev Sea project (with ExxonMobil)	13	-	-	-	13	-
Joint offshore Chukchi Sea project (with ExxonMobil)	9	-	-	-	9	-

\* - Includes Income Tax refund for a consolidated group of taxpayers. Russian tax legislation allows income taxes to be calculated on a consolidated basis. Rosneft's main subsidiaries were therefore combined into a consolidated group of taxpayers which consists of more than 60 entities. Some of them do not engage in activities related to the exploration, prospection, discovery, development and extraction of minerals or crude oil and natural gas.

\*\* - The Sakhalin-1 project is operated by ExxonMobil. Besides the payments listed above for the Sakhalin-1 project, there have been payments made by ExxonMobil on behalf of the consortium and which are not included in this report.

\*\*\* - payments made by Rosneft Oil Company in respect of licences operated by OJSC «Tomskneft» VNK.



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**Amounts paid in foreign jurisdictions by Project and by type of Payment**  
*(in millions of Russian rubles)*

<b>Payments per project</b>	<b>Total amount of payments</b>	<b>Production Entitlement</b>	<b>Taxes</b>	<b>Royalties</b>	<b>Licence and other fees</b>	<b>Infrastructure Improvements</b>
Vietnam: Block 06.1	10 994	10 594*	-	-	7	393
Brazil: Solimoes	141	-	-	-	141	-
Canada: Cardium	(23)	-	(26)	3	-	-
Norway: RN Nordic Oil	(536)	-	(538)**	-	2	-

\* - monetary amount. The in-kind payment amounts to 0.03599 million tonnes of gas condensate and 1.45 bcm of gas.

\*\* - represents the refund received under the Norwegian tax rules in 2016 for the portion of exploration costs incurred in 2015 as the result of the tax loss for 2015.

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**Amounts paid by Government and by type of Payment**  
*(in millions of Russian rubles)*

<b>Payments per government</b>	<b>Total amount of payments</b>	<b>Production Entitlement</b>	<b>Taxes</b>	<b>Royalties</b>	<b>Licence and other fees</b>	<b>Infrastructure Improvements</b>
<b>Russian Federation:</b>	<b>1 515 314</b>	-	<b>1 017 191</b>	<b>484 945</b>	<b>13 178</b>	-
Treasury of the Russian Federation	1 515 314	-	1 017 191	484 945	13 178	-
<b>Vietnam:</b>	<b>10 994</b>	<b>10 594</b>	-	-	<b>7</b>	<b>393</b>
PetroVietnam	10 994	10 594*	-	-	7	393
<b>Brazil:</b>	<b>141</b>	-	-	-	<b>141</b>	-
National Agency of Petroleum, Natural Gas and Biofuels	130	-	-	-	130	-
Secretary of State Land Policy – state Amazonas	10	-	-	-	10	-
Brazilian Institute of Environment and Renewable Natural Resources	1	-	-	-	1	-
<b>Canada:</b>	<b>(23)</b>	-	<b>(26)</b>	<b>3</b>	-	-
Government of Alberta-AB Energy	3	-	-	3	-	-
Canada Revenue Agency	(26)	-	(26)	-	-	-
<b>Norway:</b>	<b>(536)</b>	-	<b>(538)</b>	-	<b>2</b>	-
Norwegian Tax Administration	(538)	-	(538)**	-	-	-
Oil directorate	2	-	-	-	2	-

\* - monetary amount. The in-kind payment amounts to 0.03599 million tonnes of gas condensate and 1.45 bcm of gas.

\*\* - represents the refund received under the Norwegian tax rules in 2016 for the portion of exploration costs incurred in 2015 as the result of the tax loss for 2015.

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