



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED
DECEMBER 31, 2020 AND SEPTEMBER 30, 2020 AND
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020 AND 2019**

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended December 31, 2020 and 2019, and September 30, 2020 (the "Consolidated Financial Statements"). In the disclosure of financial indicators such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean PJSC Rosneft Oil Company and its consolidated subsidiaries. In the disclosure of production indicators such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean PJSC Rosneft Oil Company and its consolidated subsidiaries and its equity share in associates and joint ventures. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.

Except as otherwise indicated, oil and gas reserves are presented pro-rata for associates and joint ventures and 100% for fully consolidated subsidiaries.

Except as otherwise indicated, all amounts are provided in billions of RUB. All figures are rounded, however, figures per unit of production are provided based on the actual data.

To convert tonnes of liquid hydrocarbon (except gas condensate of JSC "Rospan International") to barrels a 7.404 ratio is used. To convert Rospan gas condensate to barrels a 8.3 ratio is used. To convert a thousand of cubic meters of gas to barrels of oil equivalent a 6.09 ratio is used.

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Overview

Rosneft is a vertically integrated oil and gas company with core activities and assets located principally in Russia. The Company is primarily engaged in exploration and production of hydrocarbons, oil refining and product marketing mainly in the Russian Federation.

According to oil, condensate, NGL and marketable gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, proved hydrocarbon reserves reached 39 billion boe per SEC classification and 43 billion boe per PRMS classification as of December 31, 2020.

In the fourth quarter of 2020 and in 2020 the liquid hydrocarbons production of the Company amounted to 49.5 mln tonnes and 204.5 mln tonnes, respectively. The production of natural and associated gas in the fourth quarter of 2020 and in 2020 was 16.08 bcm and 62.83 bcm, respectively.

In the fourth quarter and in the twelve months of 2020, the Company's total crude oil processing amounted to 25.80 mln tonnes and 103.98 mln tonnes at the refineries in Russia and abroad. The remaining volumes of crude oil are exported to Europe, Asia and the CIS.

Financial and operating highlights

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	1,521	1,439	5.7%	5,757	8,676	(33.6)%
EBITDA ¹	364	366	(0.5)%	1,209	2,105	(42.6)%
Net income/loss attributable to Rosneft shareholders	324	(64)	–	147	705 ²	(79.1)%
Capital expenditures	216	202	6.9%	785	854	(8.1)%
Free cash flow ^{3,4}	73	146	(50.0)%	425	941	(54.8)%
Operational results						
Hydrocarbon production (th. boe per day)	5,048	4,898	3.1%	5,186	5,791	(10.4)%
Liquids production (th. barrels per day)	3,984	3,908	1.9%	4,141	4,674	(11.4)%
Gas production (th. boe per day)	1,064	990	7.5%	1,045	1,117	(6.4)%
Crude oil processing at refineries in Russia (th. tonnes per day)	251	245	2.4%	254	274	(7.3)%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	22.25	21.76	2.3%	90.01	96.78	(7.0)%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	2.87	3.06	(6.2)%	11.40	10.68	6.7%

¹EBITDA adjusted for costs associated with COVID 19 in 2020 (RUB 11 billion in the twelve month of 2020).

²Net income is restated for the effect of finalized purchase price allocation of 2019 acquisitions.

³Free cash flow estimation includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 11 billion and interests paid of RUB 2 billion in the fourth quarter of 2020; offsetting of RUB 7 billion and interests paid of RUB 1 billion in the third quarter of 2020; offsetting of RUB 28 billion and interests paid of RUB 14 billion in the twelve months of 2020 and offsetting of RUB 62 billion and interests paid of RUB 8 billion in the twelve months of 2019.

⁴Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity.

For reference only: Financial highlights in USD terms

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
Financial results, USD billion*						
Revenues and equity share in profits of associates and joint ventures	20.6	20.1	2.5%	83.1	135.8	(38.8)%
EBITDA	4.8	5.0	(4.0)%	17.2	32.5	(47.1)%
Net income/(loss) attributable to Rosneft shareholders	4.3	(0.8)	–	2.2	10.9	(79.8)%
Capital expenditures	2.8	2.7	3.7%	10.8	13.2	(18.2)%
Free cash flow	0.8	2.0	(60.0)%	6.2	14.5	(57.2)%

*Calculated using average monthly USD exchange rates based on the Bank of Russia data for the reporting periods (Attachment 4).

Events in the reporting period

Acquisition of "Taimyrneftegas" Group (TNG Group) and LLC "Taimyrburservice"

In 2020 the Company embarked on a major "Vostok Oil" project. In December 2020, in order to form the project, the Company completed the acquisition of 100 % of the shares of JSC "Taimyrneftegaz", together with its subsidiaries, which is a subsurface user of the Payakh group of oil fields, as well as a 100% stake in LLC «Taimyrburservice».

Rosneft sells Equinor stake in oil projects in Eastern Siberia

In December 2020, the Company completed the transaction, resulting in Norwegian company Equinor became a 49% owner of the Company's subsidiary KrasGeoNaz LLC. LLC KrasGeoNaz holds twelve exploration and production licenses in Eastern Siberia. The remuneration received from Equinor amounted to EURO 434 million (RUB 38 billion at the official exchange rate of the Central Bank on the date of cash received).

Sale of 10% in the charter capital of Vostok Oil LLC

In December 2020, the Company closed a deal to sell a 10% share in JSC "Vostok Oil" for EUR 7 billion.

Events after reporting date

Rosneft and BP agree to cooperate on carbon management and sustainability

Rosneft and BP have signed a Strategic Collaboration Agreement focused on supporting carbon management and sustainability activities of both companies. Rosneft and BP have agreed to cooperate in identifying and developing new low carbon solutions and programs that will support their shared sustainability goals. The companies also intend to join efforts in aligning with developing industry methodologies and standards on carbon management, including methane reduction initiatives and energy efficiency applications.

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Macroeconomic factors affecting results of operations

Main factors affecting Rosneft's results of operations are:

- Changes in crude oil and petroleum products prices;
- COVID-19 economic impact;
- USD/RUB and EUR/RUB exchange rates and inflation;
- Compliance with new restrictions of crude oil production reached by OPEC+ Agreement;
- Changes in taxation of mineral extraction tax, excess profit tax, export customs duty and excises;
- Changes in tariffs of natural monopolies (for pipeline and railway transport);
- Changes in electricity prices.

Changes in Crude Oil, Petroleum Product and Gas Prices

The table below sets forth the average crude oil and petroleum products prices worldwide and in Russia in USD and RUB.

	For 3 months ended		% Change	For 12 months ended December 31,		% Change
	December 31, 2020	September 30, 2020		2020	2019	
World market	(USD per barrel)			(USD per barrel)		
Brent	44.2	43.0	2.8%	41.7	64.3	(35.2)%
Urals (average Med and NWE)	44.5	43.0	3.5%	41.7	63.4	(34.2)%
Urals (FOB Primorsk)	43.5	42.4	2.6%	40.0	62.1	(35.7)%
Urals (FOB Novorossiysk)	43.7	42.7	2.4%	40.2	62.6	(35.8)%
Dubai	44.6	42.9	4.0%	42.2	63.5	(33.6)%
	(USD per tonne)			(USD per tonne)		
Naphtha (av. FOB/CIF Med)	383	364	5.1%	337	488	(30.9)%
Naphtha (av. FOB Rotterdam/CIF NWE)	391	374	4.5%	353	503	(29.9)%
Naphtha (CFR Japan)	408	397	2.9%	380	523	(27.4)%
Fuel oil (av. FOB/CIF Med)	257	239	7.4%	220	330	(33.3)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	254	239	6.2%	219	327	(33.1)%
High sulphur fuel oil 180 cst (FOB Singapore)	280	257	9.1%	249	372	(33.1)%
Gasoil (av. FOB/CIF Med)	366	351	4.2%	358	581	(38.4)%
Gasoil (av. FOB Rotterdam/CIF NWE)	362	348	4.0%	361	583	(38.0)%
Gasoil (FOB Singapore)	357	345	3.2%	354	563	(37.0)%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent	3.37	3.16	6.6%	3.01	4.16	(27.8)%
Urals (average Med and NWE)	3.39	3.17	7.2%	3.01	4.11	(26.7)%
Urals (FOB Primorsk)	3.31	3.12	6.3%	2.88	4.02	(28.3)%
Urals (FOB Novorossiysk)	3.33	3.14	6.1%	2.90	4.05	(28.4)%
Dubai	3.40	3.16	7.7%	3.04	4.11	(25.9)%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	29.2	26.8	8.9%	24.3	31.6	(23.0)%
Naphtha (av. FOB Rotterdam/CIF NWE)	29.8	27.5	8.3%	25.4	32.6	(21.9)%
Naphtha (CFR Japan)	31.1	29.2	6.6%	27.4	33.9	(19.1)%
Fuel oil (av. FOB/CIF Med)	19.6	17.6	11.3%	15.9	21.3	(25.7)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	19.4	17.6	10.1%	15.8	21.2	(25.4)%
High sulphur fuel oil 180 cst (FOB Singapore)	21.3	18.9	13.0%	18.0	24.1	(25.5)%
Gasoil (av. FOB/CIF Med)	27.9	25.8	8.0%	25.8	37.6	(31.3)%
Gasoil (av. FOB Rotterdam/CIF NWE)	27.6	25.6	7.8%	26.1	37.7	(30.9)%
Gasoil (FOB Singapore)	27.2	25.4	7.0%	25.6	36.4	(29.8)%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)		
Crude oil	18.1	16.7	8.1%	14.9	20.5	(27.5)%
Fuel oil	11.7	10.0	17.6%	9.0	12.9	(29.8)%
Summer diesel	37.5	38.3	(2.2)%	38.1	39.4	(3.1)%
Winter diesel	41.3	40.0	3.2%	40.0	43.0	(6.9)%
Jet fuel	31.8	29.1	9.2%	30.0	38.5	(22.2)%
High octane gasoline	40.3	43.5	(7.4)%	40.5	38.1	6.3%

Sources: average prices and changes are calculated based on the unrounded data of analytical agencies.

The difference between price movements denominated in USD and those denominated in RUB is due to nominal RUB depreciation against USD of 3.5% in the fourth quarter of 2020 compared to the third quarter of 2020.

The Russian Government regulates the price of the gas sold in Russia by Gazprom and its affiliates, which is considered as the benchmark for the domestic gas market. The indexation of gas price of 3% intended for subsequent implementation to all consumer groups is effected from August 2020. Starting from July 1, 2019, indexation of gas price was 1.4%.

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Prices for gas supplies from the Company's production projects outside Russia are also stable, as they are mainly determined by contractual terms that do not depend on short-term fluctuations in spot gas prices.

USD/RUB and EUR/RUB Exchange Rates and Inflation

The USD/RUB and EUR/RUB exchange rates and inflation in Russia affect Rosneft's results as most of the Company's revenues from sales of crude oil and petroleum products are denominated in USD and EUR, while most of the Company's expenses are denominated in RUB.

The table below provides information on the exchange rates movements and inflation during the periods analysed:

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
Producer price index (PPI) y-o-y	1.8%	(1.4)%	(2.9)%	2.9%
Average RUB/USD exchange rate for the period*	76.22	73.56	72.15	64.74
RUB/USD exchange rate at the end of the period	73.88	79.68	73.88	61.91
Average RUB/EUR exchange rate for the period	90.81	85.97	82.45	72.50
RUB/EUR exchange rate at the end of the period	90.68	93.02	90.68	69.34

Source: the Central Bank of the Russian Federation.

*See Average monthly RUB/USD exchange rates in the Attachment 4.

Mineral Extraction Tax, Excess Profit Tax, Export Duties and Excise Taxes

The table below provides information on actual tax rates of mineral extraction tax and export customs duty of crude oil and petroleum products:

	For 3 months ended		% change*	For 12 months ended December 31,		% change*
	December 31, 2020	September 30, 2020		2020	2019	
Mineral extraction tax						
Crude oil (RUB per tonne)	10,011	9,406	6.4%	8,721	13,038	(33.1)%
Export customs duty for crude oil						
Crude oil (USD per tonne)	43.2	44.0	(1.9)%	45.9	93.8	(51.1)%
Crude oil (RUB per tonne)	3,295	3,246	1.5%	3,271	6,068	(46.1)%
Crude oil (RUB per barrel)	445	438	1.5%	442	820	(46.1)%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	987	970	1.7%	978	1,818	(46.2)%
Naphtha (RUB per tonne)	1,810	1,780	1.7%	1,795	3,333	(46.1)%
Light and middle distillates (RUB per tonne)	987	970	1.7%	978	1,818	(46.2)%
Liquid fuels (fuel oil) (RUB per tonne)	3,295	3,246	1.5%	3,271	6,068	(46.1)%

*Calculated based on unrounded data.

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The excise tax rates on the petroleum products are as follows:

Excise duties (RUB per tonne)	Since January 1 through December 31, 2019	Since January 1 through December 31, 2020	Since January 1 through December 31, 2021
High octane gasoline			
High octane gasoline non-compliant with euro-5	13,100	13,100	13,624
High octane gasoline euro-5	12,314	12,752	13,262
Naphtha	13,912	14,720	15,532
Diesel	8,541	8,835	9,188
Jet fuel	2,800	2,800	2,800
Lubricants	5,400	5,616	5,841
Benzol, paraxylene, ortoxylyene	2,929	3,058	3,187
Middle distillates	9,241	9,535 ¹	determined by the formula ²

¹For the period from 01.01.2020 to 31.03.2020; from 01.04.2020 to 31.12.2020, the excise tax rate for middle distillates will be: 9,585 RUB/t – $(Cdtexp - 48,300) \times 0.65$, if $Cdtexp \leq 48$, RUB/t, and 9,585 RUB/t, if $Cdtexp > 48,300$ RUB/t ($Cdtexp$ – the average price of an export alternative for class 5 diesel fuel, determined for the tax period in accordance with clause 27 of article 200 of the Tax Code).

²The excise tax rate will be: 9,938 – $(Cdtexp - 50,700) \times 0.65$, if $Cdtexp \leq 50,700$ rubles/t, and 9,938, if $Cdtexp > 50,700$ rubles/t ($Cdtexp$ is determined for the second month preceding the month of the tax period).

The Company's tax burden on revenues was 48.2% in the twelve months of 2020, most part relates to mineral extraction tax, excess profit tax and the export customs duty accounted (for approximately 71.5%). The share of fiscal withdrawals in the Company's financial result (operating income before fiscal payments) amounted to 87.0% in 2020.

Changes in Transport Tariffs of Pipeline and Railway Monopolies

Rosneft transports most of its crude oil and petroleum products via pipeline network owned and operated by PJSC “Transneft” (“Transneft”), which is a natural state-owned pipeline monopoly. Rosneft also transports crude oil and petroleum products via railway network mainly owned and operated by JSC Russian Railways (“RZD”), another natural state-owned monopoly.

Recent changes of Transneft transportation tariffs

Crude oil

Starting from January 1, 2021 Transneft tariffs for oil pipeline transportation increased by 3.6%.

Starting from January 1, 2020 Transneft tariffs for oil pipeline transportation increased by 3.4%. Starting from February 1, 2020 transit tariffs through the territory of the Republic of Belarus increased by 6.6%.

Recent changes in railroad transportation tariffs

Starting from January 1, 2021 railroad transportation tariffs increased by 3.7%. Starting from January 1, 2020 railroad transportation tariffs increased by 3.5%.

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Consolidated statement of profit or loss for the three months ended December 31, 2020 and September 30, 2020 and for the twelve months ended December 31, 2020 and 2019, respectively.

	in RUB billions					
	For 3 months ended		%	For 12 months ended December 31,		%
	December 31, 2020	September 30, 2020		2020	2019	
Revenues and equity share in profits of associates and joint ventures						
Oil, gas, petroleum products and petrochemicals sales	1,486	1,401	6.1%	5,628	8,490	(33.7)%
Support services and other revenues	18	19	(5.3)%	77	86	(10.5)%
Equity share in profits of associates and joint ventures	17	19	(10.5)%	52	100	(48.0)%
Total revenues and equity share in profits of associates and joint ventures	1,521	1,439	5.7%	5,757	8,676	(33.6)%
Costs and expenses						
Production and operating expenses	198	166	19.3%	767	715	7.3%
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	173	155	11.6%	691	1,566	(55.9)%
General and administrative expenses	48	33	45.5%	127	200	(36.5)%
Transportation costs and other commercial expenses	150	139	7.9%	661	733	(9.8)%
Exploration expenses	4	5	(20.0)%	15	11	36.4%
Depreciation, depletion and amortization	162	160	1.3%	663	687	(3.5)%
Taxes other than income tax	555	549	1.1%	2,121	2,666	(20.4)%
Export customs duty	81	73	11.0%	334	793	(57.9)%
Total costs and expenses	1,371	1,280	7.1%	5,379	7,371	(27.0)%
Operating income/(loss)	150	159	(5.7)%	378	1,305	(71.0)%
Finance income	24	24	–	95	143	(33.6)%
Finance expenses	(60)	(55)	9.1%	(220)	(227)	(3.1)%
Other income	529	1	>100%	533	11	>100%
Other expenses	(370)	(26)	>100%	(463)	(156)	>100%
Foreign exchange differences	64	(161)	–	(163)	64	–
Realized foreign exchange differences on hedge instruments	1	–	–	2	(146)	–
Income/(loss) before income tax	338	(58)	–	162	994	(83.7)%
Income tax benefit/(expense)	(9)	8	–	19	(192)	–
Net income/(loss)	329	(50)	–	181	802	(77.4)%
Net income/(loss) attributable to						
- Rosneft shareholders	324	(64)	–	147	705	(79.1)%
- non-controlling interests	5	14	(64.3)%	34	97	(64.9)%

Business Segments and Intersegment Sales

Most of all Rosneft's operations and assets are located in the Russian Federation. As geographical regions of the Russian Federation have similar economic and legal characteristics, Rosneft does not present geographical segments separately. Rosneft also carries out projects outside Russia, including exploration and production projects in Norway, Iraqi Kurdistan, Egypt and stakes in refineries in Germany, Belarus and India.

Operating Segments

As at the reporting date, the activities of Rosneft are divided into two main operating segments based on the nature of their operations:

- *Exploration and production (Upstream)*. Geological exploration and development of fields and crude oil and gas production both onshore and offshore in Russia and abroad, and internal oilfield service entities;
- *Refining and distribution (Downstream)*. Refining of crude oil, as well as the purchase, transportation, sale of crude oil and petroleum products and petrochemicals to the third parties in Russia and abroad;
- Other activities form the "*Corporate*" segment and include banking, financial services and other corporate services.

Intersegment Sales

Intercompany sales present operational activity of segments as if the segments operate separately from each other within the vertically integrated company using transfer prices for settlements between segments.

For the estimation of upstream revenues within vertically integrated company the sale price of Upstream (and the purchase price of Downstream) is recalculated using the export market price minus transportation cost, minus export duty, dispatches and other expenses relating to current sales. The price is established at oil gathering facility (point of sales) or connection point to Gasprom transportation system where Upstream dispatches the oil and gas to Downstream. All intercompany operations, including transactions from internal oilfield service entities and corporate service entities, are eliminated at the consolidated level.

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Upstream Operating Results

The segment includes Rosneft Group entities that provide operating services, the independent enterprises that produce oil, gas and gas condensate in Russia and abroad, the joint ventures and exploration units in Russia and abroad, oil service entities. The segment includes revenues generated by the transfer of oil, gas and NGL to the Downstream segment for subsequent processing and sales to third parties and all operating costs associated with production and exploration, and also revenues and costs of oil service entities that provide services to the Group entities. The results are set in the table below:

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
Operational results						
Hydrocarbon production (th. boe per day)	5,048	4,898	3.1%	5,186	5,791	(10.4)%
Liquids production (th. barrels per day)	3,984	3,908	1.9%	4,141	4,674	(11.4)%
Gas production (th. boe per day)	1,064	990	7.5%	1,045	1,117	(6.4)%
Hydrocarbon production (mln boe) ¹	439.7	426.9	3.0%	1,786.3	1,970.1	(9.3)%
Hydrocarbon production (mln toe)	62.7	60.8	3.1%	256.2	285.3	(10.2)%
Financial results, RUB billions						
EBITDA	401	341	17.6%	1,204	1,982	(39.3)%
Capital expenditures ²	185	185	–	706	773	(8.7)%
Upstream operating expenses	86.5	87.4	(1.0)%	356.7	391.8	(9.0)%
Indicators per boe						
EBITDA, RUB/boe ¹	892	773	15.4%	661	974	(32.1)%
Capital expenditures, RUB/boe	421	433	(2.8)%	395	392	0.8%
Upstream operating expenses, RUB/boe	197	205	(3.9)%	200	199	0.5%
Upstream operating expenses, USD/boe ³	2.6	2.8	(7.1)%	2.8	3.1	(9.7)%

¹Excluding effect of associates and joint ventures.

²Ref. to "Capital expenditures".

³Calculated using average monthly exchange rates of Bank of Russia for the reporting periods (Attachment 4).

Upstream EBITDA

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
Revenues and equity share in profits of associates and joint ventures	896	805	11.3%	3,057	4,781	(36.1)%
<i>Including equity share in profits of associates and joint ventures</i>	9	11	(18.2)%	23	64	(64.1)%
Expenses net of depreciation including	546	510	7.1%	2,019	2,912	(30.7)%
Upstream operating expenses*	87	87	(1.0)%	357	392	(9.0)%
Expenses associated with COVID-19	5	2	>100%	9	–	–
General and administrative expenses	14	14	–	59	67	(11.9)%
Hydrocarbon procurement costs	7	–	–	13	22	(40.9)%
Pipeline tariffs and transportation costs and other costs**	24	20	20.0%	87	46	89.1%
Exploration expenses	6	7	(14.3)%	22	18	22.2%
Taxes other than income tax	407	383	6.3%	1,472	2,372	(37.9)%
Effect of increase in stock of crude oil	(4)	(3)	(33.3)%	–	(5)	–
Effect of prepayments offsetting	46	44	4.5%	157	113	38.9%
EBITDA	396	339	16.8%	1,195	1,982	(39.7)%
<i>Expenses associated with COVID-19</i>	5	2	>100%	9	–	–
Adjusted EBITDA	401	341	17.6%	1,204	1,982	(39.3)%

*Percentage is calculated based on the unrounded data.

**Other costs include revision of ecological reserves of RUB 1.6 billion in the fourth quarter of 2020 and RUB 0.2 billion in the third quarter of 2020, RUB 2.1 billion and RUB 1.6 billion in the twelve month of 2020 and 2019, respectively.

Operating indicators

Production of liquid hydrocarbons

Rosneft has main fully consolidated production and development enterprises, which produce liquid hydrocarbons in Western Siberia, Eastern Siberia, Timan-Pechora, Ural-Volga, Southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project and a 50% stake in JSC "Tomskneft" VNK, both accounted for using proportionate consolidation method. In addition, Rosneft participates in major production joint ventures accounted for using the equity method: Slavneft – 49.96%, Udmurtneft – 49.57% and Messoyakhaneftegaz – 50.0%. The Company also participates in international projects in Egypt, Iraqi Kurdistan and Vietnam.

The following table sets forth Rosneft's liquid hydrocarbons production:

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
	(million of barrels)			(million of barrels)		
RN-Yuganskneftegaz (Western Siberia)	124.3	121.8	2.1%	481.3	514.9	(6.5)%
Samotlorneftegaz (Western Siberia)	33.2	33.6	(1.2)%	136.0	144.3	(5.8)%
Projects of the Vankor group (Eastern Siberia)	27.2	27.9	(2.5)%	114.2	134.5	(15.1)%
Orenburgneft (Ural-Volga)	25.2	22.3	13.0%	96.7	107.5	(10.0)%
Samaraneftegaz (Ural-Volga)	23.5	22.8	3.1%	91.8	93.4	(1.7)%
Bashneft-Dobycha (Ural-Volga)	13.8	13.8	–	82.8	120.9	(31.5)%
RN-Uvatneftegaz (Western Siberia)	17.0	16.5	3.0%	68.0	76.6	(11.2)%
Verkhnechonskneftegaz (Eastern Siberia)	14.4	14.1	2.1%	57.1	57.9	(1.4)%
RN-Nyaganneftegaz (Western Siberia)	10.6	10.0	6.0%	43.4	51.0	(14.9)%
Varyeganneftegaz (Western Siberia)	10.6	10.8	(1.9)%	43.4	46.6	(6.9)%
Taas-Yuryakh (Far East)	9.5	9.1	4.4%	35.7	29.4	21.4%
RN-Purneftegaz (Western Siberia)	4.9	5.8	(15.5)%	23.5	26.5	(11.3)%
Vostsibneftegaz (Eastern Siberia)	5.2	5.5	(5.5)%	22.4	30.0	(25.3)%
Kondaneft (Western Siberia)	4.9	4.6	6.5%	19.6	20.6	(4.9)%
Tomskneft (Western Siberia)	3.2	2.6	23.1%	19.5	30.3	(35.6)%
Offshore projects (Far East)*	4.5	4.5	–	18.8	19.4	(3.1)%
RN-Severnaya Neft (Timan-Pechora)	2.2	2.4	(8.3)%	12.1	19.7	(38.6)%
Rospan International (Western Siberia)	3.0	2.7	11.1%	11.9	11.4	4.4%
Kharampurneftegaz (Western Siberia)	1.9	1.8	5.6%	7.5	8.8	(14.8)%
Bashneft-Polyus (Timan-Pechora)**	2.0	1.7	17.6%	7.5	8.2	(8.5)%
Sorovskneft (Western Siberia)	0.9	1.0	(10.0)%	5.6	9.3	(39.8)%
Other	7.5	7.6	(1.3)%	33.1	31.7	4.4%
Liquids production by fully and proportionately consolidated enterprises	349.5	342.9	1.9%	1 431.9	1 592.9	(10.1)%
Slavneft (Western and Eastern Siberia)	6.3	6.6	(4.5)%	35.9	51.7	(30.6)%
Messoyakhaneftegaz (Western Siberia)	5.1	5.1	–	20.5	20.2	1.5%
Udmurtneft (Ural-Volga)	4.5	4.4	2.3%	19.1	21.8	(12.4)%
Other	1.1	0.5	>100%	8.1	19.4	(58.2)%
Total share in production of associates and JV	17.0	16.6	2.4%	83.6	113.1	(26.1)%
Total liquids production	366.5	359.5	1.9%	1,515.5	1,706.0	(11.2)%
Daily liquids production (th. barrels per day)	3,984	3,908	1.9%	4,141	4,674	(11.4)%

* Net of royalty and government share.

** Refers to 100% consolidated share in production.

For the fourth quarter of 2020 the average daily liquid hydrocarbons production amounted to 3.98 million barrels per day, an increase of 1.9% compared with the third quarter of 2020 as a result of the easing of restrictions from August 2020 under the OPEC+ Agreement.

In 2020 the average daily liquid hydrocarbons daily production amounted to 4.14 million barrels, a decrease of 11.4% compared with previous year, driven by the higher production cuts in current year under the OPEC+ Agreement.

Development drilling footage amounted to 10.9 mln meters and the number of new wells commissioned amounted to 2.6 thousand units in 2020. The number of newly commissioned horizontal wells amounted to 1.8 thousand units and increased by 5.8% compared with 2019.

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Meanwhile, the share of such wells has increased by 11 p.p. year-on-year up to 68% of the total number of new wells commissioned. The share of newly commissioned horizontal wells with multistage hydro fracturing has reached 44% of the total number of new wells commissioned.

Production of Gas

The table below sets forth Rosneft's used gas* production:

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
	bcm			bcm		
Sibneftegas (Western Siberia)	2.21	2.33	(5.2)%	9.79	11.37	(13.9)%
Rospan International (Western Siberia)	1.59	1.46	8.9%	6.24	6.67	(6.4)%
Samotlorneftegaz (Western Siberia)	1.58	1.49	6.0%	6.09	6.04	0.8%
Projects of the Vankor group (Eastern Siberia)**	1.44	1.41	2.1%	5.65	6.16	(8.3)%
RN-Yuganskneftegaz (Western Siberia)	1.25	1.23	1.6%	4.84	4.83	0.2%
Varyeganneftegaz (Western Siberia)	1.02	0.98	4.1%	4.07	4.09	(0.5)%
RN-Purneftegaz (Western Siberia)	0.93	0.97	(4.1)%	3.93	4.30	(8.6)%
Zohr project (Egypt)***	1.20	1.02	17.6%	3.89	4.12	(5.6)%
Offshore projects (Far East)**, ***	0.78	0.45	73.3%	2.66	2.32	14.7%
RN-Nyaganneftegaz (Western Siberia)	0.38	0.36	5.6%	1.71	2.16	(20.8)%
RN-Krasnodarneftegaz (Southern Russia)	0.40	0.37	8.1%	1.58	1.81	(12.7)%
Verkhnechonskneftegaz (Eastern Siberia)	0.33	0.32	3.1%	1.32	1.25	5.6%
Orenburgneft (Ural-Volga)	0.30	0.27	11.1%	1.19	1.18	0.8%
Kharampurneftegaz (Western Siberia)	0.24	0.23	4.3%	0.95	0.94	1.1%
Tomskneft (Western Siberia)	0.22	0.20	10.0%	0.85	0.94	(9.6)%
Rosneft Vietnam B.V. (Vietnam)	0.11	0.14	(21.4)%	0.60	0.78	(23.1)%
Samaraneftegaz (Ural-Volga)	0.13	0.11	18.2%	0.47	0.51	(7.8)%
Bashneft-Dobycha (Ural-Volga)**	0.09	0.08	12.5%	0.40	0.50	(20.0)%
RN-Uvatneftegaz (Western Siberia)	0.07	0.07	–	0.29	0.29	–
RN-Sakhalinmorneftegaz (Far East)	0.05	0.03	66.7%	0.28	0.40	(30.0)%
RN-Severnaya Neft (Timan-Pechora)	0.03	0.01	>100.0%	0.11	0.16	(31.3)%
Other	0.45	0.27	66.7%	1.28	1.12	14.3%
Total gas production by fully and proportionately consolidated enterprises	14.80	13.80	7.2%	58.19	61.94	(6.1)%
Purgaz (Western Siberia)	0.96	0.98	(2.0)%	3.83	4.28	(10.5)%
Slavneft (Western and Eastern Siberia)	0.04	0.04	–	0.28	0.48	(41.7)%
Other	0.28	0.14	100.0%	0.53	0.25	>100%
Total share in production of associates and JV	1.28	1.16	10.3%	4.64	5.01	(7.4)%
Total gas production	16.08	14.96	7.5%	62.83	66.95	(6.2)%
Natural gas	7.74	7.36	5.2%	30.26	32.77	(7.7)%
Associated gas	8.34	7.60	9.7%	32.57	34.18	(4.7)%
Daily gas production (mcm per day)	174.8	162.6	7.5%	171.7	183.4	(6.4)%

* Production volume equals extracted volume minus flared volume and gas used for NGL production. Gross gas production amounted to 18.8 bcm and 17.9 bcm for the fourth and for the third quarter of 2020, respectively; 74.3 bcm and 77.2 bcm for 2020 and 2019, respectively.

** Including gas injection to maintain reservoir pressure.

*** Net of royalty and government share.

Gas production for the fourth quarter of 2020 was 16.08 bcm, an increase of 7.5% compared with the third quarter of 2020, is mainly due to the planned preventive repairs carried out in the third quarter of 2020, the seasonal increase in demand in the autumn-winter period, as well as due to the increase in the oil production quota from August 2020 under the OPEC+ Agreement.

Gas production for the year 2020 amounted to 62.83 bcm, a decrease of 6.2% compared with previous year. The main indicators of decreased dynamics were decrease in gas demand against the background of the COVID-19 pandemic and a reduction in associated petroleum gas production due to restrictions on oil production in accordance with the new OPEC+ Agreement.

Financial indicators

Equity share in financial results of upstream associates and joint ventures

The equity share in financial results of upstream associates and joint ventures was RUB 23 billion and RUB 64 billion in 2020 and 2019, respectively. The decrease is mainly due to lower oil prices and reduced demand because of the impact of COVID-19.

Upstream production and operating expenses

Upstream production and operating expenses include materials and supplies, equipment maintenance and repairs, wages and salaries, activities to enhance oil and gas recovery, procurement of fuel and lubricants, electricity and other costs of Rosneft consolidated exploration and production units.

In the fourth quarter of 2020 compared with the third quarter of 2020 upstream operating expenses decreased by 1.0% to RUB 86.5 billion. Upstream operating expenses per boe decreased by 3.9% in RUB terms to 197 RUB/boe (2.6 USD/boe, decrease by 7.1% in USD terms) mainly due the implementation of the cost optimization program, including reducing volume of maintenance and repairs in the context of production restrictions under the new OPEC+ Agreement.

Upstream production and operating expenses decreased in 2020 by 9.0% (annual indicator changed slightly if compared to 2019 and amounted to 200 RUB/boe) driven by the implementation of measures to optimize the cost of electricity, transport, maintenance and repair of ground infrastructure facilities in the context of production restrictions under the new OPEC+ Agreement.

Exploration Expenses¹

Exploration expenses mainly relate to exploratory drilling, seismic and other geological and geophysical works. Exploratory drilling costs are generally capitalized, if commercial reserves of crude oil and gas are discovered or expensed in the current period in the event of unsuccessful exploration results.

Exploration expenses in the fourth quarter of 2020 and third quarter of 2020 were RUB 4 billion and RUB 5 billion, respectively. In 2020 and 2019, exploration expenses amounted to RUB 15 billion and RUB 11 billion, respectively.

Expenses associated with COVID -19

The Company incurred additional expenses associated with COVID-19 of RUB 11 billion in 2020 (incl: RUB 9 billion in Upstream). These expenses are mainly associated with production downtime and costs of implementing quarantine measures, including payments for staff observation, support of additional medical facilities, disinfection of premises, purchase of additional materials and protective equipment for operating personnel.

¹ Net of intercompany turnover of RUB 2 billion and RUB 2 billion in the fourth and third quarters of 2020, respectively. In 2020 and 2019 intercompany turnover was RUB 7 billion and RUB 7 billion, respectively.

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Mineral extraction tax (MET) and Excess profit tax

MET

The following table sets actual mineral extraction tax rates for the periods analysed:

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
	(thousand RUB, except %)					
Average enacted mineral extraction tax rate (per tonne)*	10.01	9.41	6.4%	8.72	13.04	(33.1)%
Actual mineral extraction tax expense per tonne of oil produced	7.67	7.20	6.5%	6.70	10.20	(34.3)%
Actual mineral extraction tax expense per tonne of oil equivalent produced**	6.18	5.86	5.5%	5.44	8.33	(34.7)%
	(RUB, except %)					
Actual gas extraction tax rate per thousand cubic meters	548	546	0.4%	537	573	(6.3)%
Actual extraction tax rate on gas condensate per tonne***	5,581	5,394	3.5%	5,123	5,475	(6.4)%

*Percentage is calculated based on the unrounded data.

**Including consolidated oil and gas volumes.

***The main volumes of condensate assessed at the MET rate for gas condensate are extracted at the fields of Rospan, rates, for which are set in the table.

The actual MET rate is lower than the average enacted tax rate for the periods analysed because of tax incentives and application of excess profit tax starting from the first quarter of 2019, according to which a lower MET rate is applied compared to generally enacted rates. Tax incentives are established in accordance with the tax law in the form of reduced rates and tax deductions (See Attachment 2).

Excess profit tax

Excess profit tax is enacted since January 1, 2019 and is used at certain Company's fields. The amount of excess profit tax is determined as the difference between estimated revenue and production, preparation and transportation costs by applying a rate of 50%. In 2020 and 2019, excess profit tax expense amounted to RUB 90 billion and RUB 96 billion, respectively.

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Downstream Operating Results

The segment includes Group entities that provide services for oil and gas processing, petrochemical production in Russia and abroad, joint ventures, sales units of oil, gas and petroleum products to counterparties in Russia and abroad. The segment includes revenue generated from the sale of oil, gas, petrochemical products and petroleum products to third parties, and all operating costs associated with processing, trading and logistics.

The results are set in the table below:

	For 3 months ended			For 12 months ended December 31,		
	December 31, 2020	September 30, 2020	% change	2020	2019	% change
Operational results, mln tonne						
Crude oil processing at refineries	25.80	25.46	1.3%	103.98	110.23	(5.7)%
<i>Processing at Company's own refineries in Russia</i>	21.05	20.58	2.3%	85.72	92.56	(7.4)%
<i>Processing at Company's own refineries outside Russia</i>	2.75	2.94	(6.5)%	10.97	10.01	9.6%
<i>Processing at Associates' refineries¹</i>	2.00	1.94	3.1%	7.29	7.66	(4.8)%
Financial results, RUB billion						
EBITDA	(27)	36	–	47	181	(74.0)%
Capital expenditures of refineries ²	17	9	88.9%	44	46	(4.3)%
Operating expenses of processing in Russia	39.5	34.4	14.8%	136.8	134.3 ³	1.9%
Operating expenses of processing outside Russia	11.4	8.8	29.5%	34.0	23.0	47.8%
Indicators per tonne of the output, RUB per tonne⁴						
Capital expenditure of refineries	714	383	86.4%	455	448	1.6%
Operating expenses for processing in Russia	1,876	1,672	12.2%	1,596	1,451	10.0%
Operating expenses for processing outside Russia ^{5,6}	3,309	2,993	10.6%	3,099	2,498	24.1%

¹Excluding processing at Nayara.

²Refer to "Capital expenditures".

³Adjusted for intra-group purchases of raw materials.

⁴Calculated from unrounded data.

⁵In 2019, one-off positive effect of cost adjustment relating to year 2018 of RUB 2 billion (USD 28.6 million) is excluded.

⁶One-off effect of accrual of pension obligations of RUB 2.3 billion is excluded in the fourth quarter of 2020.

Downstream EBITDA

	For 3 months ended			For 12 months ended December 31,		
	December 31, 2020	September 30, 2020	% change	2020	2019	% change
	RUB billion			RUB billion		
Revenues and equity share in profits of associates and joint ventures	1,538	1,455	5.7%	5,821	8,641	(32.6)%
<i>Including equity share in profits of associates and joint ventures</i>	5	8	(37.5)%	25	32	(21.9)%
Expenses net of depreciation including	1,570	1,443	8.8%	5,753	8,468	(32.1)%
Operating expenses of processing in Russia	40	34	14.8%	137	134	1.9%
Operating expenses of processing outside Russia, cost of additives	24	19	26.3%	76	49	55.1%
Operating expenses of retail entities	12.4	11.0	12.7%	43.0	39.8	8.0%
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	1,096	994	10.3%	3,857	6,344	(39.2)%
Administrative expenses	21	10	>100%	37	86	(57.0)%
<i>including allowance for expected credit losses</i>	9.5	0.6	>100%	(6.0)	40.4	–
Pipeline tariffs and transportation costs	148	137	8.0%	655	728	(10.0)%
Taxes other than income tax	148	165	(10.3)%	614	294	>100%
Export customs duty	81	73	11.0%	334	793	(57.9)%
Expenses associated with COVID-19	1	0.30	>100%	1	–	–
EBITDA Downstream	(31)	12	–	69	173	(60.1)%
<i>Effect of intragroup inventory and others</i>	4	24	(83.3)%	(22)	8	–
Adjusted EBITDA	(27)	36	–	47	181	(74.0)%

Operating indicators

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: the Tuapse refinery on the Black Sea coast in the South of Russia, the Komsomolsk refinery in the Russian Far East, the Achinsk and Angarsk refineries in Eastern Siberia, the Kuibyshevsk, Novokuibyshevsk and Syzran refineries in the Samara region, the Saratov and Ryazan refineries in the European part of Russia, Bashneft refineries and others. Rosneft also processes crude oil in Belarus and in Germany.

The following table sets forth Rosneft's crude oil processing and petroleum product output:

	For 3 months ended		%	For 12 months ended December 31,		%
	December 31, 2020	September 30, 2020		2020	2019	
	mln of tonnes			mln of tonnes		
Crude oil processing at refineries in Russia*	23.05	22.52	2.4%	93.01	100.10	(7.1)%
Crude oil processing at refineries outside Russia including crude oil processing in Germany**	2.75	2.94	(6.5)%	10.97	10.13	8.3%
including crude oil processing in Belarus	2.75	2.94	(6.5)%	10.97	10.01	9.6%
	–	–	–	–	0.12	(100.0)%
Total Group crude oil processing	25.80	25.46	1.3%	103.98	110.23	(5.7)%
Petroleum product output:						
High octane gasoline	3.35	3.68	(9.0)%	13.25	15.09	(12.2)%
Low octane gasoline	0.01	0.02	(50.0)%	0.05	0.04	25.0%
Naphtha	1.37	1.25	9.6%	5.67	5.62	0.9%
Diesel	7.49	7.33	2.2%	30.51	32.63	(6.5)%
Fuel oil	5.71	5.10	12.0%	22.17	23.96	(7.5)%
Jet fuel	0.51	0.71	(28.2)%	2.61	3.35	(22.1)%
Petrochemicals	0.41	0.29	41.4%	1.52	1.54	(1.3)%
Other	3.40	3.38	0.6%	14.23	14.55	(2.2)%
Product output at Rosneft's refineries in Russia	22.25	21.76	2.3%	90.01	96.78	(7.0)%
Product output at refineries outside Russia	2.87	3.06	(6.2)%	11.40	10.68	6.7%
including crude oil output in Germany	2.87	3.06	(6.2)%	11.40	10.57	7.9%
including product output in Belarus	–	–	–	–	0.11	(100.0)%
Total Group product output	25.12	24.82	1.2%	101.41	107.46	(5.6)%

*Including processing at YANOS refinery.

**Excluding additives received and other raw materials for processing.

The increase of 2.4% to 23.05 mln tonnes, in production at the Company's own refineries in Russia in the fourth quarter 2020 as compared to the third quarter of 2020 was driven by increased production capacities in the context of growing demand for petroleum products.

In 2020 Rosneft's total refinery throughput in Russia amounted to 93.01 mln tonnes, decreasing by 7.1% if compared to 2019 (100.10 mln tonnes), due to optimization of refinery utilization driven by the reduced demand for petroleum products in terms of the COVID-19 pandemic.

Increase in processing by 9.6% at German refineries in 2020 in comparison with previous year is mainly due to a reduction of processing at the PCK Raffinerie GmbH refinery in 2019 due to the presence of organochlorine compounds in the oil supplied via the Druzhba pipeline, as well as due to stop turnarounds at the PCK Raffinerie GmbH refinery in the same period of 2019.

The decrease in refining volume at German refineries in the fourth quarter compared to the third quarter of 2020 was due to the introduction of a second lockdown in Germany due to the COVID-19 pandemic and the subsequent decline in demand for petroleum products.

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Financial indicators

Revenues and equity share in profits of associates and joint ventures

Increase in revenues in the fourth quarter of 2020 compared with the third quarter of 2020 is mainly due to positive crude oil price impact (crude oil price up by 3.5%) and higher volumes of international sales of crude oil and petroleum products in the context of a recovery in demand after partial removal of restrictions caused by COVID-19. Decrease in revenues by 33.6% in 2020 compared with the same period of 2019 is mainly due to the downturn of crude oil price and decrease in demand.

The table below presents revenues from sales of crude oil, gas, petroleum, petrochemical products, and other revenues in billions of RUB^{*,**}:

	For 3 months ended					For 12 months ended December 31,				
	December 31, 2020		September 30, 2020		% change	2020		2019		% change
	% of revenue		% of revenue			% of revenue		% of revenue		
RUB billion, except %										
Crude oil										
International Sales to non-CIS	517	34.0%	487	34.0%	6.2%	2,054	35.6%	3,899	44.8%	(47.3)%
Europe and other directions	238	15.7%	233	16.3%	2.1%	900	15.6%	1,747	20.0%	(48.5)%
Asia	279	18.3%	254	17.7%	9.8%	1,154	20.0%	2,152	24.8%	(46.4)%
International sales to CIS	48	3.2%	38	2.6%	26.3%	107	1.9%	206	2.4%	(48.1)%
Domestic sales	26	1.7%	25	1.7%	4.0%	88	1.5%	129	1.5%	(31.8)%
Total crude oil	591	38.9%	550	38.3%	7.5%	2,249	39.0%	4,234	48.7%	(46.9)%
Gas	69	4.5%	55	3.8%	25.5%	240	4.2%	259	3.0%	(7.3)%
Petroleum products										
International Sales to non-CIS	425	27.9%	359	25.0%	18.4%	1,564	27.3%	2,128	24.5%	(26.5)%
Europe and other directions	337	22.1%	290	20.2%	16.2%	1,237	21.6%	1,626	18.7%	(23.9)%
Asia	88	5.8%	69	4.8%	27.5%	327	5.7%	502	5.8%	(34.9)%
International Sales to CIS	23	1.5%	19	1.3%	21.1%	81	1.4%	127	1.5%	(36.2)%
Domestic sales	345	22.7%	390	27.1%	(11.5)%	1,373	23.8%	1,566	18.0%	(12.3)%
Sales of bunker fuel to end-users	12	0.8%	13	0.9%	(7.7)%	48	0.8%	76	0.9%	(36.8)%
Total petroleum products	805	52.9%	781	54.3%	3.1%	3,066	53.3%	3,897	44.9%	(21.3)%
Petrochemical products	21	1.4%	15	1.0%	40.0%	73	1.3%	100	1.2%	(27.0)%
International sales	8	0.5%	6	0.4%	33.3%	29	0.5%	47	0.6%	(38.3)%
Domestic sales	13	0.9%	9	0.6%	44.4%	44	0.8%	53	0.6%	(17.0)%
Sales of petroleum products and petrochemicals	826	54.3%	796	55.3%	3.8%	3,139	54.6%	3,997	46.1%	(21.5)%
Support services and other revenues	18	1.2%	19	1.3%	(5.3)%	77	1.3%	86	1.0%	(10.5)%
Equity share in profits of associates and joint ventures	17	1.1%	19	1.3%	(10.5)%	52	0.9%	100	1.2%	(48.0)%
Total revenues and equity share in profits of associates and joint ventures	1,521	100.0%	1,439	100.0%	5.7%	5,757	100.0%	8,676	100.0%	(33.6)%

* Under IFRS consolidated financial statements.

** The difference between percentages presented in the above table and other sections is caused by rounding.

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Sales Volumes

The table below analyses crude oil, gas, petroleum and petrochemical product sales volumes:

	For 3 months ended					For 12 months ended December 31,				
	December 31, 2020		September 30, 2020		% change	2020		2019		% change
	mln bbl	% of total volume	mln bbl	% of total volume		mln bbl	% of total volume	mln bbl	% of total volume	
Crude oil										
International Sales to non-CIS	176.2	45.1%	174.1	45.7%	1.2%	807.8	48.6%	1,041.7	52.2%	(22.5)%
Europe and other directions	77.0	19.7%	77.8	20.4%	(1.0)%	349.5	21.0%	451.6	22.6%	(22.6)%
Asia	99.2	25.4%	96.3	25.3%	3.0%	458.3	27.6%	590.1	29.6%	(22.3)%
International Sales to CIS	17.7	4.6%	14.1	3.7%	25.5%	46.6	2.8%	64.4	3.2%	(27.6)%
Domestic	8.9	2.3%	9.6	2.5%	(7.3)%	38.5	2.3%	41.5	2.1%	(7.2)%
Total crude oil	202.8	52.0%	197.8	51.9%	2.5%	892.9	53.7%	1,147.6	57.5%	(22.2)%
	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	23.8	45.1%	23.5	45.7%	1.2%	109.1	48.6%	140.7	52.2%	(22.5)%
Europe and other directions	10.4	19.7%	10.5	20.4%	(1.0)%	47.2	21.0%	61.0	22.6%	(22.6)%
Asia	13.4	25.4%	13.0	25.3%	3.0%	61.9	27.6%	79.7	29.6%	(22.3)%
International Sales to CIS	2.4	4.6%	1.9	3.7%	25.5%	6.3	2.8%	8.7	3.2%	(27.6)%
Domestic sales	1.2	2.3%	1.3	2.5%	(7.3)%	5.2	2.3%	5.6	2.1%	(7.2)%
Total crude oil	27.4	52.0%	26.7	51.9%	2.5%	120.6	53.7%	155.0	57.5%	(22.2)%
Petroleum products										
International Sales to non-CIS	14.2	27.0%	12.5	24.3%	13.6%	58.7	26.2%	64.1	23.7%	(8.4)%
Europe and other directions	10.7	20.4%	9.6	18.7%	11.5%	43.8	19.6%	47.5	17.5%	(7.8)%
Asia	3.5	6.6%	2.9	5.6%	20.7%	14.9	6.6%	16.6	6.2%	(10.2)%
International Sales to CIS	0.8	1.5%	0.8	1.6%	5.4%*	3.5	1.6%	3.7	1.4%	(5.4)%
Domestic sales	9.2	17.5%	10.3	20.0%	(10.7)%	37.2	16.6%	41.4	15.4%	(10.1)%
Sales of bunker fuel to end-users	0.5	0.9%	0.5	1.0%	(5.2)%*	1.9	0.8%	2.8	1.0%	(32.1)%
Total petroleum products	24.7	46.9%	24.1	46.9%	2.5%	101.3	45.2%	112.0	41.5%	(9.6)%
Petrochemical products	0.6	1.1%	0.6	1.2%	24.8%*	2.4	1.1%	2.6	1.0%	(7.7)%
International sales	0.2	0.3%	0.2	0.4%	36.7%*	0.8	0.4%	1.0	0.4%	(20.0)%
Domestic sales	0.4	0.8%	0.4	0.8%	19.3%*	1.6	0.7%	1.6	0.6%	(0.7)%*
Total crude oil and products, LNG	52.7	100.0%	51.4	100.0%	2.5%	224.3	100.0%	269.6	100.0%	(16.8)%
	bcm		bcm			bcm		bcm		
Gas sales volumes	15.28		13.18		15.9%	56.43		61.77		(8.6)%

* Calculated from unrounded figures.

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Average Sales Prices

The following table sets forth Rosneft's average export and domestic prices of crude oil, gas, petroleum products and petrochemical products (the average sales prices may differ from official market prices provided by specialized agencies due to different quality of products and sales terms)*:

	For 3 months ended				% change	For 12 months ended December 31,				% change
	December 31, 2020		September 30, 2020			2020		2019		
	th.RUB/ barrel	th.RUB/ tonne	th.RUB/ barrel	th.RUB/ tonne		th.RUB/ barrel	th.RUB/ tonne	th.RUB/ barrel	th.RUB/ tonne	
Average prices on foreign markets										
Crude oil, non-CIS	3.20	23.7	3.07	22.7	4.4%	2.73	20.2	3.86	28.6	(29.4)%
Europe and other directions**	3.09	22.9	2.99	22.1	3.6%	2.57	19.1	3.87	28.6	(33.2)%
Asia**	3.30	24.4	3.14	23.2	5.2%	2.87	21.2	3.85	28.5	(25.6)%
Crude oil, CIS	2.74	20.3	2.57	19.0	6.8%	2.29	16.9	3.19	23.6	(28.4)%
Petroleum products, non-CIS		29.8		28.9	3.1%		26.6		33.3	(20.1)%
Europe and other directions		31.2		30.4	2.6%		28.2		34.3	(17.8)%
Asia		25.5		23.9	6.7%		22.0		30.5	(27.9)%
Petroleum products, CIS		27.4		24.4	12.3%		22.9		33.9	(32.4)%
Petrochemical products		38.1		36.8	3.5%		35.9		44.4	(19.1)%
Average domestic prices										
Crude oil	2.80	20.8	2.62	19.4	7.2%	2.28	16.9	3.11	23.0	(26.5)%
Petroleum products		37.4		37.8	(1.1)%		36.9		37.9	(2.6)%
Gas (th. RUB/th. cubic meter)***		3.74		3.46	8.1%		3.55		3.52	0.9%
Petrochemical products		33.3		26.0	28.1%		28.0		33.3	(15.9)%
Sales of bunker fuel to end-users		25.3		25.6	(1.2)%		26.2		27.0	(3.0)%

*Average price is calculated from unrounded figures.

**Price excludes the effect of prepayments offsetting under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 35 billion in the fourth quarter and RUB 32 billion in the third quarter of 2020, RUB 121 billion in 2020 and RUB 151 billion in 2019).

***Including gas sales outside the Russian Federation average gas prices were 4.48 th. RUB/th. cubic meter in the fourth quarter of 2020 and 4.23 th. RUB/th. cubic meter in the third quarter of 2020, 4.25 th. RUB/th. cubic meter in 2020 and 4.19 th. RUB/th. cubic meter in 2019.

International Crude Oil Sales to non-CIS

Revenue increase in international crude oil sales to non-CIS countries in the fourth quarter of 2020 compared to the third quarter of 2020 was due to the upturn in average sales price of 4.4% (positive impact on revenues of RUB 22 billion) and the increase in sales volume of 1.2% (positive impact of RUB 9 billion).

Revenue decrease in international crude oil sales to non-CIS countries in 2020 compared with 2019 was due to the decrease in sales volume of 22.5% (negative impact of RUB 897 billion) and the average sales price downturn of 29.4% (negative impact of RUB 895 billion).

International Crude Oil Sales to CIS

Revenue increase in international crude oil sales to CIS countries in the fourth quarter of 2020 compared to the third quarter of 2020 was due to the increase in sales volume of 25.5% (positive impact of RUB 8 billion) and the upturn in average sales price of 6.8% (positive impact of RUB 2 billion).

Revenue decrease in international crude oil sales to CIS countries in 2020 compared with 2019 was due to the decrease in sales volume of 27.6% (negative impact of RUB 57 billion) and the average sales price downturn by 28.4% (negative impact of RUB 42 billion).

Domestic Sales of Crude Oil

Revenue increase in domestic sales of crude oil in the fourth quarter of 2020 compared with the third quarter of 2020 was due to the upturn in average sales price of 7.2% (positive impact of RUB 2 billion) which was partially offset by the sales volume decrease of 7.3% (negative impact of RUB 1 billion).

Revenue decrease in domestic sales of crude oil in 2020 compared with 2019 was due to the downturn in average sales price of 26.5% (negative impact of RUB 32 billion) and the sales volume decrease of 7.2% (negative impact of RUB 9 billion).

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International Petroleum Product Sales to Non-CIS

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in the fourth and third quarters of 2020*:

	For 3 months ended						% change		
	December 31, 2020			September 30, 2020			RUB billion	mln of tonnes	Average price th.RUB/tonne
	RUB billion	mln of tonnes	Average price th.RUB/tonne	RUB billion	mln of tonnes	Average price th.RUB/tonne			
High octane gasoline	5	0.1	32.7	3	0.2	32.5	66.7%	(50.0)%	0.6%
Naphtha	37	1.2	30.0	32	1.2	27.8	15.6%	–	7.9%
Diesel (Gasoil)	84	3.2	26.3	66	2.7	24.3	27.3%	18.5%	8.2%
Fuel oil	139	6.7	20.9	100	5.2	18.7	39.0%	28.8%	11.8%
Other	5	0.2	–	3	0.2	–	–	–	–
Petroleum products exported to non-CIS	270	11.4	23.7	204	9.5	21.5	32.4%	20.0%	10.2%
Petroleum products sold from German refineries	155	2.8	54.4	155	3.0	52.4	–	(6.7)%	3.8%
Total petroleum products sold to non-CIS	425	14.2	29.8	359	12.5	28.9	18.4%	13.6%	3.1%

*Average price is calculated from unrounded figures.

Revenue increase in international sales of petroleum products to non-CIS countries in the fourth quarter of 2020 compared to the third quarter of 2020 was due to the sales volume increase of 13.6% (positive impact of RUB 52 billion) and the upturn in average sales price of 3.1% (positive impact of RUB 15 billion).

The table below sets forth Rosneft's revenues, volume and average price per tonne of petroleum products sold to non-CIS countries in 2020 and 2019*:

	For 12 months ended December 31,						% change		
	2020			2019			RUB billion	million of tonnes	Average price th.RUB/tonne
	RUB billion	million of tonnes	Average price th.RUB/tonne	RUB billion	million of tonnes	Average price th.RUB/tonne			
High octane gasoline	15	0.5	30.4	42	1.1	39.5	(64.3)%	(54.5)%	(23.0)%
Naphtha	130	5.3	24.6	168	5.3	31.9	(22.6)%	–	(22.9)%
Diesel (Gasoil)	318	13.3	24.0	482	13.6	35.7	(34.0)%	(2.2)%	(32.8)%
Fuel oil	444	25.8	17.2	595	26.2	23.0	(25.4)%	(1.5)%	(25.2)%
Other	23	1.1	–	21	0.7	–	–	–	–
Petroleum products exported to non-CIS	930	46.0	20.2	1,308	46.9	28.1	(28.9)%	(1.9)%	(28.1)%
Petroleum products sold from German refineries	556	11.0	50.4	496	9.5	52.5	12.1%	15.8%	(4.0)%
Petroleum product purchased and sold outside Russia	78	1.7	46.9	324	7.7	42.0	(75.9)%	(77.9)%	11.7%
Total petroleum products sold from German refineries and purchased outside Russia	634	12.7	49.9	820	17.2	47.7	(22.7)%	(26.2)%	4.6%
Total petroleum products sold to non-CIS	1,564	58.7	26.6	2,128	64.1	33.3	(26.5)%	(8.4)%	(20.1)%

*Average price is calculated based on the unrounded figures.

Revenue decrease in international sales of petroleum products to non-CIS countries in 2020 compared with 2019 was due to the average price downturn of 20.1% (negative impact of RUB 395 billion) and the sales volume decrease of 8.4% (negative impact of RUB 178 billion).

International Petroleum Product Sales to CIS

Revenue increase in international sales of petroleum products to CIS countries in the fourth quarter of 2020 compared with the third quarter of 2020 was due to the average price upturn of 12.3% (positive impact of RUB 3 billion) and the sales volume increase of 5.4% (positive impact of RUB 1 billion).

Revenue decrease in international sales of petroleum products to CIS countries in 2020 compared with 2019 was due to the average price downturn of 32.4% (negative impact of RUB 39 billion) and the sales volume decrease of 5.4% (negative impact of RUB 7 billion).

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Domestic Sales of Petroleum Products

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russian regions in the fourth and third quarters of 2020*:

	For 3 months ended						% change		
	December 31, 2020			September 30, 2020					
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne
High octane gasoline	152	3.3	45.6	167	3.5	47.5	(9.0)%	(5.7)%	(4.0)%
Diesel (Gasoil)	147	3.4	43.0	167	3.9	42.1	(12.0)%	(12.8)%	2.1%
Fuel oil	10	0.9	12.6	7	0.5	11.1	42.9%	80.0%	13.5%
Jet fuel	17	0.5	32.0	23	0.8	31.0	(26.1)%	(37.5)%	3.2%
Other	19	1.1	–	26	1.6	–	–	–	–
Total	345	9.2	37.4	390	10.3	37.8	(11.5)%	(10.7)%	(1.1)%

*Average price is calculated from unrounded figures.

Revenue decrease in sales of petroleum products on the domestic market in the fourth quarter of 2020 compared with the third quarter of 2020 was due to the decrease in sales volume of 10.7% (negative impact of RUB 41 billion) and the downturn in average sales price of 1.1% (negative impact of RUB 4 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russian regions in 2020 and 2019*:

	For 12 months ended December 31,						% change		
	2020			2019					
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne
High octane gasoline	581	12.7	45.6	632	14.5	43.7	(8.1)%	(12.4)%	4.3%
Diesel (Gasoil)	598	13.9	42.8	668	15.4	43.3	(10.5)%	(9.7)%	(1.2)%
Fuel oil	31	2.9	10.9	45	3.3	14.0	(31.1)%	(12.1)%	(22.1)%
Jet fuel	86	2.6	33.0	138	3.3	41.4	(37.7)%	(21.2)%	(20.3)%
Other	77	5.1	–	83	4.9	–	–	–	–
Total	1,373	37.2	36.9	1,566	41.4	37.9	(12.3)%	(10.1)%	(2.6)%

*Average price is calculated from unrounded figures.

Revenue decrease in sales of petroleum products on the domestic market in 2020 compared with 2019 was due to the decrease in sales volume of 10.1% (negative impact of RUB 156 billion) and the downturn in average sales price of 2.6% (negative impact of RUB 37 billion).

Sales of bunker fuel

The Company sells bunker fuel (fuel oil, low-viscosity marine fuel, diesel fuel and others) in the seaports (the Far East, the North, the North West and the South of the European part of Russia) and river ports (the Volga-Don basin and in the rivers of Siberia) of the Russian Federation and in the ports outside the Russian Federation.

Revenues from sales of bunker fuel decreased in the fourth quarter of 2020 compared with the third quarter of 2020 due to the decrease in sales volume of 5.2% (negative impact of RUB 1 billion). Revenues from sales of bunker fuel decreased in 2020 compared with 2019 due to the downturn in sales volume of 32.1% (negative impact of RUB 26 billion) and the average sales price downturn of 3.0% (negative impact of RUB 2 billion).

Petrochemical Products Sales

Revenues from international sales of petrochemical products increased in the fourth quarter of 2020 compared with the third quarter of 2020 due to the increase in sales volume of 36.7% (positive impact of RUB 2 billion). Revenues from international sales of petrochemical products decreased in 2020 compared with 2019 due to the average sales price downturn of 19.1% (negative impact of RUB 9 billion) and the decrease in sales volume of 20.0% (negative impact of RUB 9 billion).

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Revenues from domestic sales of petrochemical products increased in the fourth quarter of 2020 compared with the third quarter of 2020 due to the average sales price upturn of 28.1% (positive impact of RUB 3 billion) and the increase in sales volume of 19.3% (positive impact of RUB 1 billion). Revenues from domestic sales of petrochemical products decreased in 2020 compared with 2019 due to the average sales price downturn of 15.9% (negative impact of RUB 8 billion) and the decrease in sales volume of 0.7% (negative impact of RUB 1 billion).

Gas Sales

The table below sets forth revenues, volumes and average price of gas sales by Rosneft*:

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
Revenue	RUB billion			RUB billion		
In the Russian Federation	52.5	41.3	27.1%	184.5	200.4	(7.9)%
Outside the Russian Federation	16.3	14.1	15.6%	55.3	58.4	(5.3)%
Total	68.8	55.4	24.2%	239.8	258.8	(7.3)%
Sales volumes	bcm			bcm		
In the Russian Federation	13.98	12.03	16.2%	51.98	56.92	(8.7)%
Outside the Russian Federation	1.30	1.15	13.0%	4.45	4.85	(8.2)%
Total	15.28	13.18	15.9%	56.43	61.77	(8.6)%
Average price	th. RUB/th. of cubic meters			th. RUB/th. of cubic meters		
In the Russian Federation	3.74	3.46	8.1%	3.55	3.52	0.9%
Outside the Russian Federation	12.55	12.23	2.6%	12.43	12.03	3.3%
Average price of the Company	4.48	4.23	5.9%	4.25	4.19	1.4%

*Average price is calculated from unrounded figures.

The increase in gas sales revenue in the fourth quarter of 2020 compared with the third quarter of 2020 is due to a seasonal increase in domestic sales volumes as well as by an increase in production and sales volumes of gas from Zohr project in Egypt.

The decrease in gas sales revenue in 2020 compared with 2019 is driven by a decrease in gas demand caused by COVID-19, warm weather conditions, as well as due to reduced production of associated gas due to the crude oil production cuts under the new OPEC+ Agreement.

Support Services and Other Revenues

Rosneft owns service entities that render drilling, construction, repairs and other services mainly to the entities within the Group. Revenues from services rendered to third parties are included in the consolidated statement of profit or loss.

The following table sets forth Rosneft's other revenues for the periods analysed:

	For 3 months ended				% change	For 12 months ended December 31,				% change
	December 31, 2020		September 30, 2020			2020		2019		
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
	billion RUB, except %									
Drilling services	0.1	0.6%	0.4	2.2%	(75.0)%	1.5	2.0%	3.0	3.5%	(50.0)%
Sales of materials	6.5	35.9%	7.8	42.2%	(16.7)%	26.2	34.1%	27.7	32.3%	(5.4)%
Repairs and maintenance services	0.5	2.8%	0.7	3.8%	(28.6)%	2.8	3.6%	3.8	4.4%	(26.3)%
Rent services	1.5	8.3%	1.3	7.0%	15.4%	5.3	6.9%	5.4	6.3%	(1.9)%
Transport services	2.2	12.2%	3.2	17.3%	(31.3)%	15.5	20.2%	18.8	21.9%	(17.6)%
Electric power sales and transmission	3.4	18.8%	2.0	10.8%	70.0%	11.3	14.7%	11.7	13.7%	(3.4)%
Other revenues	3.9	21.4%	3.1	16.7%	25.8%	14.3	18.5%	15.3	17.9%	(6.5)%
Total	18.1	100.0%	18.5	100.0%	(2.2)%	76.9	100.0%	85.7	100.0%	(10.3)%

Financial result of associates and joint ventures

Net financial result (profits) of downstream associates and joint ventures amounts to RUB 5 billion and RUB 8 billion in the fourth and third quarters of 2020, respectively. Net financial result (profits) of downstream associates and joint ventures was RUB 25 billion and RUB 32 billion in 2020 and 2019, respectively.

Downstream production and operating costs

Downstream operating expenses include¹:

	For 3 months ended		% change	For 12 months ended		% change
	December 31, 2020	September 30, 2020		December 31, 2020	December 31, 2019	
	billion RUB, except %					
Operating expenses at refineries in Russia	39.5	34.4	14.8%	136.8	134.3 ²	1.9%
Operating expenses at refineries outside Russia	11.4	8.8	29.5%	34.0	23.0	47.8%
Additives and materials for processing at refineries outside Russia	13.0	9.6	35.4%	42.4	25.6	65.6%
Operating expenses of retail entities	12.4	11.0	12.7%	43.0	39.8	8.0%
Downstream operating expenses	76.3	63.8	19.6%	256.2	222.7	15.0%

¹The difference between percentages presented in the above table and other sections is a result of rounding.

²Adjusted for intra-group purchases of raw materials.

Operating expenses of refineries and retail entities in the fourth quarter of 2020 compared with the third quarter of 2020 increased by 19.6% to RUB 76.3 billion. Higher operating expenses are mainly driven by seasonal repairs and energy consumption.

The increase of 15.0% in the operating expenses of refineries and retail entities in 2020 compared with 2019, was mainly caused by the growth of tariffs of natural monopolies and indexation of wages. Additives and materials expenses for processing at refineries outside Russia increased due to changes in fuel requirements of European Union (the reduction of greenhouse gas emissions of 6% since 2020 compared to 4%) and RUB depreciation against EUR of 13.7% in addition to the increased production in 2020.

Management’s discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Operating expenses of Company’s refineries

The table below shows operating expenses at Rosneft’s refineries:

	For 3 months ended		% change	For 12 months ended		% change
	December 31, 2020	September 30, 2020		December 31, 2020	2019	
Operating expenses at refineries in Russia (RUB billion)	39.5	34.4	14.8%	136.8	134.3	1.9%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,940	1,726	12.4%	1,648	1,499	9.9%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,876	1,672	12.2%	1,596	1,451	10.0%
Operating expenses at refineries outside Russia (RUB billion)¹	11.4	8.8	29.5%	34.0	25.0²	36.0%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	3,171	2,876	10.3%	2,982	2,365	26.1%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	3,309	2,993	10.6%	3,099	2,498	24.1%
Total operating expenses at Rosneft’s refineries (RUB billion)	50.9	43.2	17.8%	170.8	159.3	7.2%

¹Refineries outside Russia also procured the additives and materials for processing: in the fourth quarter of 2020 – RUB 13.0 billion, in the third quarter of 2020 – RUB 9.6 billion, in 2020 – RUB 42.4 billion; in 2019 – RUB 25.6 billion.

²Excluding positive one-off effect of cost adjustment of RUB 2 billion related to 2018.

Operating expenses of Rosneft’s refineries in Russia in the fourth quarter of 2020 compared with the third quarter of 2020 increased by 14.8% to RUB 39.5 billion mainly due to higher scheduled turnarounds.

Operating expenses of Rosneft’s refineries in Russia in 2020 compared with 2019 increased by 1.9%. In 2020 operating expenses per tonne grew by 10.0% due to optimization of refinery throughput to the current demand for petroleum products.

Operating expenses of Rosneft’s refineries outside Russia were RUB 11.4 billion in the fourth quarter of 2020. Excluding effect of accruals of pension liabilities of RUB 2.3 billion (EUR 25.4 million) operating expenses reached RUB 9.1 billion. The increase of 3.4% compared with the third quarter of 2020 was mainly driven by higher turnarounds and RUB depreciation against EUR of 5.6%. Growth of operating expenses year to year is mainly due to RUB depreciation against EUR of 13.7% and higher production.

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Cost of Purchased Oil, Gas, Petroleum Products, Goods for Retail and Refining Costs

The following table shows Rosneft's crude oil, gas and petroleum products procurement costs and volumes, and third-party refining costs*:

	For 3 months ended		% change	For 12 months ended		% change
	December 31, 2020	September 30, 2020		December 31, 2020	December 31, 2019	
Crude oil and gas procurement						
Cost of crude oil and gas procured (RUB billion)**	147	128	14.8%	527	1,205	(56.3)%
<i>including Domestic market</i>	67	55	21.8%	244	413	(40.9)%
<i>International market</i>	80	73	9.6%	283	792	(64.3)%
Volume of crude oil procured (millions of barrels)	48.5	47.6	1.9%	244.8	383.6	(36.2)%
<i>including Domestic market</i>	20.9	20.2	3.5%	102.6	125.5	(18.2)%
<i>International market</i>	27.6	27.4	0.7%	142.2	258.1	(44.9)%
Volume of gas procured (bcm)	4.42	1.59	>100%	10.43	11.88	(12.2)%
Petroleum products procurement						
Cost of petroleum products procured (RUB billion)***	15	14	7.1%	118	314	(62.4)%
Volume of petroleum products procured (millions of tonnes)	0.37	0.41	(9.8)%	3.06	8.74	(65.0)%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil, gas and petroleum products under processing agreements (RUB billion)	7.4	8.2	(9.8)%	30.1	31.2	(3.5)%
Volumes of crude oil and petroleum products produced under processing agreements (millions of tonnes)	2.2	2.2	–	7.9	8.1	(2.5)%
Volumes of gas produced under processing agreements (bcm)	2.3	2.5	(8.0)%	10.1	11.3	(10.6)%
Cost of purchase of goods for retail****	4.0	4.7	(14.9)%	16.2	16.1	0.6%
Cost of products procured for blending on retail entities (RUB billion)	9.6	9.5	1.1%	36.4	43.1	(15.5)%
<i>Including intercompany purchases (RUB billion)</i>	9.6	9.5	1.1%	36.4	43.1	(15.5)%
Total cost of procured oil, gas and petroleum products, goods for retail and refining costs (RUB billion)	173	155	11.6%	691	1,566	(55.9)%

* Cost of purchases under IFRS consolidated financial statements (net of intercompany turnover).

** Including costs of Upstream segment in the amount of RUB 7 billion in the fourth quarter of 2020, RUB 0 billion in the third quarter of 2020; RUB 13 billion in 2020 and RUB 22 billion in 2019.

*** Average procurement price of petroleum products purchased from third parties may be higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

**** Reclassification of the cost of goods for retail from "operating expenses" was carried out in the third quarter 2019. Previous periods have been revised considering this effect.

Management’s discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Crude oil procurement

Rosneft purchases crude oil primarily from its associates to process at its own refineries or export.

The structure of crude oil purchases is set in the table below:

	For 3 months ended		% change	For 12 months ended		% change
	December 31, 2020	September 30, 2020		December 31, 2020	2019	
	mln barrels			mln barrels		
International market	27.6	27.4	0.7%	142.2	258.1	(44.9)%
Udmurteft	4.1	4.2	(2.4)%	19.1	29.2	(34.6)%
Slavneft	6.3	6.4	(1.6)%	38.4	52.8	(27.3)%
Messoyahaneftgaz	5.2	5.1	2.0%	20.5	20.1	2.0%
Others	5.3	4.5	17.8%	24.6	23.4	5.1%
Total	48.5	47.6	1.9%	244.8	383.6	(36.2)%

In the fourth quarter of 2020 volumes of the crude oil procured outside the Russian Federation amounted to 27.6 mln barrels, which is 0.7% higher compared to 27.4 mln barrels procured in the third quarter of 2020 due to higher demand. Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are presented on a net basis in the “Transportation Costs and Other Commercial Expenses” line of the consolidated statement of profit or loss.

The volume of swaps was 1.8 mln barrels in the fourth quarter of 2020 and 2.3 mln barrels in the third quarter of 2020, respectively, and 16.9 mln barrels and 39.7 mln barrels in 2020 and 2019, respectively.

Petroleum products procurement

Petroleum products from third parties are primarily procured to cover current needs of Rosneft’s retail subsidiaries. Procurement of petroleum products is exposed to seasonal fluctuations in volumes and mix. Procurement prices may vary significantly depending on regional markets. Petroleum products outside Russia are procured primarily for sale on the international markets.

The table below sets forth Rosneft’s costs, volumes and average prices per tonne of petroleum products procured from third parties in the fourth and third quarters of 2020:

	For 3 months ended						% change		
	December 31, 2020			September 30, 2020			RUB billion	mln tonnes	th. RUB/tonne
	RUB billion	mln tonnes	th. RUB/tonne*	RUB billion	mln tonnes	th. RUB/tonne*			
<i>Petroleum products procurement in Russia</i>	8	0.19		7	0.21		14.3%	(9.5)%	
High octane gasoline	3	0.08	42.7	3	0.06	46.5	–	33.3%	(8.2)%
Diesel	4	0.09	35.2	3	0.06	46.1	33.3%	50.0%	(23.6)%
Others	1	0.02		1	0.09		–	(77.8)%	
<i>Petroleum products and petrochemicals procured outside Russia</i>	7	0.18	32.3	7	0.20	27.0	–	(10.0)%	18.9%
Total	15	0.37		14	0.41		7.1%	(9.8)%	

* Calculated based on unrounded data.

Management’s discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

The table below sets forth Rosneft’s costs, volumes and average prices per tonne of petroleum products procured from third parties in 2020 and 2019*, respectively:

	For 12 months ended December 31,						% change		
	2020			2019			RUB billion	mln tonnes	th. RUB/tonne
	RUB billion	mln tonnes	th. RUB/tonne*	RUB billion	mln tonnes	th. RUB/tonne*			
<i>Petroleum products procurement in Russia</i>	26	0.71		28	0.82		(7.1)%	(13.4)%	
High octane gasoline	10	0.23	44.4	9	0.27	37.6	11.1%	(14.8)%	18.1%
Diesel	13	0.28	42.3	14	0.31	39.1	(7.1)%	(9.7)%	8.2%
Others	3	0.20		5	0.24		(40.0)%	(16.7)%	
<i>Petroleum products and petrochemicals procured outside Russia</i>	92	2.35	36.2	286	7.92	36.1	(67.8)%	(70.3)%	0.3%
Total	118	3.06		314	8.74		(62.4)%	(65.0)%	

*Calculated based on unrounded data.

Average purchase prices may be different from average sale prices depending on different regional structure of purchases and mix structure of the petroleum products.

Crude oil and gas processing, petroleum products processing

Associated petroleum gas sales to PJSC “Sibur” and purchases of dry stripped gas from PJSC “Sibur” are presented on a net basis in the Company’s financial statements in processing costs in the amount of RUB 3.3 billion in the fourth quarter of 2020, RUB 4.1 RUB in the third quarter of 2020; and RUB 14.3 billion and RUB 14.9 billion in 2020 and 2019, respectively.

Transportation Costs and Other Commercial Expenses

Transportation costs are costs incurred by Rosneft to transport crude oil for refining and to end customers and to deliver petroleum products from refineries to end customers (these may include pipeline tariffs and railroad tariffs, handling costs, port fees, sea freight and other costs) and also costs to transport gas via gas pipeline system.

The increase in transportation costs by 7.9% in the fourth quarter of 2020 compared with the third quarter of 2020 was mainly due higher seasonal costs (a reduction in volumes using river navigation), as well as an increase in the volume of oil and petroleum products for export.

The table below sets forth the comparison of costs per tonne of crude oil and petroleum products transported by pipeline, railroad and mixed transportation and gas transportation costs via gas pipeline system in the fourth and in the third quarters of 2020:

	For3 monthsended						% Changes		
	December 31, 2020			September 30, 2020			Volume	Cost	Cost per tonne*
	Volume, mln tonnes	Cost, bln RUB	Cost per tonne, th.RUB/*	Volume, mln tonnes	Cost, bln RUB	Cost per tonne, th.RUB/*			
CRUDE OIL									
International sales									
Pipeline	25.2	56.7	2.25	24.8	55.4	2.23	1.6%	2.3%	0.7%
Railroad and mixed	0.6	1.2	2.24	0.5	1.1	2.40	20.0%	9.1%	(6.7)%
Pipeline and FCA	0.4	–	–	0.4	–	–	–	–	–
Transportation to refineries									
Pipeline**	23.3	25.2	1.09	22.9	23.7	1.03	1.7%	6.3%	5.5%
Railroad and mixed	0.7	0.9	1.31	0.7	0.9	1.29	–	–	1.6%
PETROLEUM PRODUCTS									
International sales									
Pipeline	1.4	3.6	2.57	1.1	2.9	2.64	27.3%	24.1%	(2.5)%
Railroad and mixed	11.9	35.9	3.02	10.5	29.5	2.81	13.3%	21.7%	7.5%
Pipeline and FCA	2.3	–	–	2.0	–	–	15.0%	–	–
GAS									
Pipeline***	bcm		RUB/m3	bcm		RUB/m3			
	8.1	9.3	1.15	7.8	9.6	1.23	3.8%	(7.0)%	(10.4)%
Other transportation expenses****									
		17.1			15.8			8.2%	
Total	65.8	150		62.9	139		4.6%	7.9%	

* Calculated based on unrounded data.

** Including crude oil purchased on international market, which was delivered to the German refineries.

*** Part of gas volumes was dispatched on terms under which Rosneft does not bear transportation expenses.

**** Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling station.

Crude oil pipeline transportation cost per tonne of international sales in the fourth quarter of 2020 did not change significantly if compared with the third quarter of 2020 and amounted to RUB 2.25 thousand per tonne.

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries increased by 1.6% in the fourth quarter of 2020 compared with the third quarter of 2020 that was caused by change in structure of transportation routes.

The increase in railroad and mixed transportation per tonne of petroleum products international sales of 7.5% in the fourth quarter of 2020 compared with the third quarter of 2020 was mainly due to change of transportation structure.

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The table below sets forth comparison for costs per tonne of crude oil and petroleum products transported by pipeline, railway and mixed transportation and gas transportation costs via gas pipeline system in 2020 and 2019, respectively:

	For 12 months ended						% Changes		
	2020			2019			Volume	Cost	Cost per tonne*
	Volume, mln tonnes	Cost, bln RUB	Cost per tonne, th.RUB/t*	Volume, mln tonnes	Cost, bln RUB	Cost per tonne, th.RUB/t*			
CRUDE OIL									
<u>International sales</u>									
Pipeline	101.2	233.0	2.30	119.5	270.7	2.27	(15.3)%	(13.9)%	1.6%
Railroad and mixed	1.9	5.2	2.81	2.2	8.0	3.64	(13.6)%	(35.0)%	(22.8)%
Pipeline and FCA	1.5	–	–	13.5	–	–	(88.9)%	–	–
<u>Transportation to refineries</u>									
Pipeline**	95.0	96.5	0.88	101.4	82.9	0.82	(6.3)%	16.4%	7.1%
Railroad and mixed	3.2	4.8	1.36	9.0	25.3	2.81	(64.4)%	(81.0)%	(5.0)%
PETROLEUM PRODUCTS									
<u>International sales</u>									
Pipeline	6.0	15.6	2.60	6.7	16.5	2.46	(10.4)%	(5.5)%	5.6%
Railroad and mixed	44.7	147.4	3.30	45.1	140.2	3.11	(0.9)%	5.1%	6.1%
Pipeline and FCA	9.2	–	–	8.5	–	–	8.2%	–	–
GAS									
	bcm		RUB/m3	bcm		RUB/m3			
Pipeline***	32.2	36.7	1.14	36.2	41.9	1.16	(11.0)%	(12.4)%	(1.5)%
Freight and other commercial expenses									
	15.4	48.7		25	73.8		(38.4)%	(34.0)%	
Other transportation expenses****									
		73.9			73.7			0.2%	
Total	278.1	662		330.9	733		(16.0)%	(9.7)%	

* Calculated based on unrounded data.

** Including crude oil purchased on international market, which was delivered to German refineries.

*** Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses.

**** Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling stations.

Decrease in transportation costs in 2020 compared with 2019 was due to reduced demand and change of delivery basis.

Excise Taxes

Excise tax in the fourth quarter of 2020 was RUB 141 billion (including excise tax related to processing outside Russia in the amount of RUB 64 billion) compared with excise tax of RUB 158 billion in the third quarter of 2020 mainly due to a change in the “reverse excise tax” because of the rise in the world prices for gasoline and diesel fuel.

In 2020 the excise tax increased to RUB 583 billion in comparison with 2019 (RUB 260 billion) due to a change in the “reverse excise tax”, which starting from the first quarter of 2020 became an accrued excise tax because of the decline in the world prices for gasoline and diesel fuel, and due to higher excise rates.

Export Customs Duties

Export customs duties include crude oil and petroleum products export customs duties. Export customs duty rates are presented above under “Macroeconomic Factors Affecting the Results of Operations – MET, Excess Profit Tax, Export Duties and Excise Taxes” and more information on export duty taxation is provided further in the Attachment 2 “Taxation”.

The following table sets forth Rosneft’s export customs duties for the periods analyzed:

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
	RUB billion, except %					
Export customs duty for crude oil	53	51	3.9%	252	583	(56.8)%
Export customs duty for petroleum products	28	22	27.3%	112	210	(46.7)%
Effect of export customs duty benefit of 2019	–	–	–	(30) ¹	–	–
Total export customs duty	81	73	11.0%	334	793	(57.9)%

¹The one-off effect of applying the benefit related to 2019 is associated with the exemption from payment of export customs duties for export deliveries of oil produced in fields where the excess profit tax regime is in effect since 2019, due to the adoption of Federal law No. 24-FZ of 18.02.2020.

Export customs duty increased in the fourth quarter of 2020 compared with the third quarter of 2020 due to higher enacted export customs duty rates driven by the increase in the average Urals price, RUB depreciation and higher oil products exports.

Export customs duty (without one-off effect of customs duty benefit) decrease in 2020 compared with 2019 was mainly caused by lower export customs duty rates driven by lower Urals price and the completion of the tax manoeuvre.

The following table sets forth certain information about the export customs duty on crude oil:

	For 3 months ended		% change ¹	For 12 months ended December 31,		% change ¹
	December 31, 2020	September 30, 2020		2020	2019	
	th. RUB per tonne, except %					
Enacted export customs duty on crude oil	3.30	3.25	1.5%	3.27	6.07	(46.1)%
Actual customs duty on crude oil exports	2.59	2.46	5.5%	2.43	5.47	(55.6)%

¹Estimated from unrounded data

The deviation of average actual export customs duty from the enacted one is caused by irregular monthly export volume due to differing export customs duty rates, and by application of tariff exemptions and special formulas of calculation of the export customs duty rates (“preferential” rates) according to provisions of Art. 3.1 and Art. 35 of the Act of the Russian Federation “On the customs tariff”.

Operating results of segment “Corporate and others”

Segment includes the Group entities that provide corporate services and holdings’ expenses.

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
Financial results, RUB billion						
EBITDA	(10)	(11)	9.1%	(42)	(58)	27.6%
Capital expenditures ¹	12	5	>100%	26	14	85.7%

¹Refer to section “Capital expenditures”.

Separate indicators of the consolidated financial statements

Costs and Expenses

General and Administrative Expenses

General and administrative expenses include wages, salaries and social benefits (except for wages and social benefits of technical staff of production and refining entities), banking commissions, third-party fees for professional services, insurance expenses (except for insurance of oil and gas production and refining entities), maintenance of social infrastructure, lease expenses, changes in loss allowance for expected credit losses and other general expenses.

General and administrative expenses, net of the allowance for expected credit losses, were RUB 36.1 billion in the fourth quarter of 2020 and RUB 31.5 billion in the third quarter of 2020.

In 2020 general and administrative expenses, net of the allowance for expected credit losses, decreased by 9.3% to RUB 142.0 billion, if compared to 2019 (RUB 156.5 billion).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization include depreciation of crude oil and gas producing assets and other production and corporate assets.

In the fourth quarter of 2020 DDA amounted to RUB 162 billion increased by 1.3% (increase is mainly related to oil equipment) if compared with the third quarter of 2020 (DDA was RUB 160 billion).

In 2020 DDA amounted to RUB 663 billion decreased by 3.5% if compared with 2019 (DDA was RUB 687 billion). Reduction is driven by reduced crude oil production in terms of new OPEC+ Agreement effective from May 2020.

Taxes Other than Income Tax

Taxes other than income tax include the mineral extraction tax, excess profit tax, the excise tax, the property tax and other taxes. The basis for calculation of mineral extraction and excess profit taxes is set in the section "Taxation" in the Attachment 2.

The following table sets forth Rosneft's taxes other than income tax for the periods:

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2020	September 30, 2020		2020	2019	
Mineral extraction tax	358	330	8.5%	1,315	2,185	(39.8)%
Excess profit tax*	26	28	(7.1)%	90	96	(6.3)%
Excise tax	141	158	(10.8)%	583	260	>100%
including accrued excise tax	134	139	(3.6)%	503	444	13.3%
including "reverse excise tax"	7	19	(63.2)%	80	(184)	–
Insurance contributions	20	19	5.3%	85	75	13.3%
Property tax	9	11	(18.2)%	40	40	–
Other taxes, interest, penalties and other payments to budget	1	3	(66.7)%	8	10	(20.0)%
Total taxes other than income tax	555	549	1.1%	2,121	2,666	(20.4)%

* Enacted starting from January 2019.

Taxes other than income tax in 2020 compared to 2019 decreased by 20.4%. The decrease in mineral extraction tax was compensated by higher excise tax due to a change in the "reverse excise tax", which starting from the first quarter of 2020 became an accrued excise tax because of the decline in the world prices for gasoline and diesel fuel.

Finance Income and Expenses

In the fourth quarter of 2020, net finance expenses were RUB 36 billion compared with RUB 31 billion in the third quarter of 2020. In 2020 and 2019 net finance expenses were RUB 125 billion and RUB 84 billion, respectively. The changes were caused mainly by the re-measurement of other financial assets in accordance with IFRS 9 *Financial Instruments* and fair value re-measurement of derivative financial instruments.

Other Income and Expenses

In the fourth quarter of 2020, other income amounted to RUB 529 billion compared with RUB 1 billion in the third quarter of 2020. In 2020 and 2019 other income was RUB 533 billion and RUB 11 billion, respectively. In the fourth quarter of 2020 there was the recognition of income from acquisition of assets of Taimyrneftegas Group (RUB 504 billion).

Other expenses include assets impairment, effect of fixed assets disposal in the course of operating activities and other expenses. In the fourth quarter of 2020 other expenses were RUB 370 billion compared with RUB 26 billion for the third quarter of 2020. The assets impairment in exploration and production segment and refinery segment of RUB 329 billion was recognized in the consolidated profit or loss statement of the fourth quarter 2020. In the third quarter, there was the recognition of assets impairment of RUB 15 billion.

In 2020 and 2019, other expenses were RUB 463 billion and RUB 156 billion, respectively, including the assets impairment in exploration and production segment and refinery segment of RUB 371 billion in 2020. The impairment of assets in the first quarter of 2019 was partially reversed in the fourth quarter of 2019.

Foreign Exchange Differences

Foreign exchange effects are mostly attributable to monthly revaluation of assets and liabilities denominated in foreign currency at the exchange rate at the end of the period.

Income from foreign exchange effects was RUB 64 billion in the fourth quarter of 2020 compared with the loss of RUB 161 billion in the third quarter of 2020, respectively. In 2020 loss from foreign exchange effects was RUB 163 billion, and in 2019 profit from foreign exchange effects was RUB 64 billion, respectively. Sharp increase in foreign exchange loss in 2020 resulted from the revaluation of foreign currency assets and liabilities because of an increase in foreign exchange rate at the reporting date.

Capitalized exchange differences resulting from foreign currency borrowings used for capital construction projects and the acquisition of property, plants and equipment were RUB 31 billion and RUB 17 billion in 2020 and 2019, respectively.

Income Tax

The following table sets forth the Company’s effective income tax rate under IFRS for the periods analysed:

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
Effective rate of income tax (IFRS)	19.0%*	13.8%	22.2%*	19.3%

*Adjusted for one-off effect of the recognition of income from acquisition of assets of Taimyrneftegas Group.

The Company applies the provisions of IAS 12 “Income taxes” to determine income tax in the consolidated profit or loss statement. The effective income tax rate for reported periods differs from the statutory rate of 20% because of differences in recognition of expenses and income for IFRS and tax purposes and due to application of tax relief.

Net Income/(Loss)

In the fourth quarter of 2020, net income was RUB 329 billion (RUB 324 billion of income attributable to Rosneft shareholders) in comparison with loss of RUB 50 billion (RUB 64 billion of loss attributable to Rosneft shareholders) in the third quarter of 2020.

In 2020 net income amounted to RUB 181 billion (RUB 147 billion of income attributable to Rosneft shareholders). In 2019, net income amounted to RUB 802¹ billion (RUB 705 billion attributable to Rosneft shareholders). Decrease in net income in 2020 was mainly driven by lower operating income due to prices volatility, reduced demand impacted by COVID-19 and due to negative impact of non-monetary factors.

¹Net income is restated for the effect of finalized purchase price allocation of 2019 acquisitions.

Liquidity and Capital Resources

Cash Flows

The principal items of the statement of cash flows for the periods analysed are as follows:

	For 3 months ended		%	For 12 months ended		%
	December 31, 2020	September 30, 2020		December 31, 2020	2019	
	RUB billion			RUB billion		
Net cash provided by operating activities	1,120	242	>100%	1,745	1,110	57.2%
Net cash used in investing activities	(1,055)	(274)	>100%	(1,694)	(729)	>100%
Net cash provided by/(used in) financing activities	484	87	>100%	530	(957)	–

Net cash provided by operating activities

Net cash provided by operating activity for the analysed periods is presented in the table below:

	For 3 months ended		%	For 12 months ended		%
	December 31, 2020	September 30, 2020		December 31, 2020	2019	
	RUB billion			RUB billion		
Net cash provided by operating activity	1,120	242	>100%	1,745	1,110	57.2%
<i>Offset of prepayments received under long term supply contracts at average ex.rate</i>	129	126	2.4%	448	319	40.4%
<i>Offset of other financial liabilities</i>	44	42	4.8%	160	172	(7.0)%
<i>Interest expense for prepayments under long term oil and petroleum products supply contracts¹</i>	13	8	62.5%	42	70	(40.0)%
<i>Proceeds under the long term oil and oil products supply contracts</i>	(1,004)	–	–	(1,004)	–	–
<i>Financing of future deliveries under the long term oil and oil products supply contracts</i>	–	–	–	12	67	(82.1)%
<i>Net (increase)/decrease in assets and liabilities of subsidiary bank</i>	(13)	(70)	(81.4)%	(193)	57	–
Adjusted net cash provided by operating activity²	289	348	(17.0)%	1,210	1,795	(32.6)%

¹Free cash flow estimation includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 11 billion and interests paid of RUB 2 billion in the fourth quarter of 2020, offsetting of RUB 7 billion and interests paid of RUB 1 billion in the third quarter of 2020; offsetting of RUB 28 billion and interests paid of RUB 14 billion in 2020; offsetting of RUB 62 billion and interests paid of RUB 8 billion in 2019.

²Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity.

Net cash used in investing activity

In the fourth quarter of 2020 the Company's cash flows from investing activity mainly referred to the acquisition of the Taimyrneftegas Group.

Increase in net cash used in the investing activity in 2020 is mainly due to the acquisition of the Taimyrneftegas Group and other short-term financial assets.

Net cash provided by/(used in) financing activities

The increase in cash provided by financing activities in of 2020 compared to 2019 is mainly due to proceeds from sale of non-controlling share in subsidiary of RUB 644 billion.

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Capital Expenditures

The table below sets forth Rosneft's capital expenditures by operating segments and license acquisition costs:

	For 3 months ended		% change	For 12 months ended		% change
	December 31, 2020	September 30, 2020		December 31, 2020	2019	
	RUB billion			RUB billion		
RN-Yuganskneftegaz	42	41	2.4%	161	170	(5.3)%
Samotlorneftegaz	20	16	25.0%	67	66	1.5%
Vankor projects	11	15	(26.7)%	56	62	(9.7)%
Bashneft-Dobycha	9	8	12.5%	28	22	27.3%
Orenburgneft	5	6	(16.7)%	26	29	(10.3)%
RN-Uvatneftegaz	6	6	–	25	24	4.2%
RN-Nyaganneftegaz	5	6	(16.7)%	23	23	–
Vostsibneftegaz	6	6	–	23	27	(14.8)%
Bashneft-Polyus	5	6	(16.7)%	22	21	4.8%
RN-Purneftegaz*	6	6	–	22	22	–
Samaraneftegaz	3	6	(50.0)%	20	28	(28.6)%
Varyoganneftegaz	4	6	(33.3)%	19	19	–
Verkhnechonskneftegaz	4	6	(33.3)%	18	18	–
Taas-Yuryakh Neftegazodobycha	2	5	(60.0)%	17	19	(10.5)%
Kondaneft	4	4	–	16	30	(46.7)%
Rospan International	3	4	(25.0)%	16	26	(38.5)%
Upstream projects (Zohr)	4	2	100.0%	15	57	(73.7)%
Tyumenneftegaz	3	3	–	14	15	(6.7)%
Kharampurneftegaz	4	2	100.0%	11	13	(15.4)%
Upstream projects (Sakhalin-1)	2	2	–	9	13	(30.8)%
Sorovskneft	2	2	–	8	7	14.3%
Vostok Oil project	6	2	>100%	8	0	–
RN-Severnaya Neft	1	1	–	7	12	(41.7)%
Tomskneft VNK	1	2	(50.0)%	7	9	(22.2)%
Sibneftegaz	1	1	–	4	6	(33.3)%
Other	28	21	33.3%	67	43	55.8%
Government grants	(2)	0	–	(3)	(8)	(62.5)%
Total upstream segment	185	185	–	706	773	(8.7)%
Novokuibyshevsk refinery	2	1	100.0%	6	6	–
Bashneft refineries	2	1	100.0%	5	7	(28.6)%
Angarsk refinery	0	1	(100.0)%	2	5	(60.0)%
Achinsk refinery	0	1	(100.0)%	2	4	(50.0)%
Syzran refinery	1	1	–	3	3	–
Komsomolsk refinery	1	1	–	3	5	(40.0)%
Tuapse refinery	3	1	>100%	5	4	25.0%
Kuibyshev refinery	1	0	–	2	3	(33.3)%
Ryazan refinery	1	0	–	2	3	(33.3)%
Saratov refinery	0	0	–	1	1	–
Other refineries	6	2	>100%	13	11	18.2%
Marketing Business Units and others	2	3	(33.3)%	9	15	(40.0)%
Total downstream segment	19	12	58.3%	53	67	(20.9)%
Total other activities	12	5	>100%	26	14	85.7%
Total capital expenditures	216	202	6.9%	785	854	(8.1)%
Acquisition of licenses	1	–	–	4	11	(63.6)%

*Including Sevkomneftegaz.

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

In the fourth quarter of 2020, capital expenditures amounted to RUB 216 billion (increase of 6.9%) compared with RUB 202 billion in the third quarter of 2020, including Upstream capital expenditures of RUB 185 billion.

Capital expenditures in 2020 amounted to RUB 785 billion. The decrease of 8.1% in 2020 if compared with 2019 was due to optimization of the production drilling driven by negative market impact and reduction of crude oil production according to new OPEC+ Agreement reached in April 2020.

Capital expenditures of other activities are mainly related to scheduled purchases of IT equipment, vessels, transport and other equipment assets.

The license acquisition costs of RUB 4 billion in 2020 referred to the acquisition of new licenses for research, exploration and production mainly at Orenburg region, Khanty-Mansiysk and Yamal-Nenets autonomous regions and Samara region.

Financial liabilities and liquid funds

Financial liabilities and liquid funds detailed by currencies are set in the table below*:

As of the date	<i>currency in bln</i>											
	December 31, 2020				September 30, 2020				December 31, 2019			
	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)
Financial liabilities	(24.2)	(2,485)	(3.7)	(1.0)	(24.8)	(2,513)	(4.1)	(1.1)	(26.5)	(1,893)	(4.3)	(0.7)
Liquid funds**	13.6	599	1.2	2.5	4.9	536	0.3	3.6	5.2	447	0.5	3.0
Net financial liabilities	(10.6)	(1,886)	(2.5)	1.5	(19.9)	(1,977)	(3.8)	2.5	(21.3)	(1,446)	(3.8)	2.3

*Calculated based on unrounded data

**Include cash and cash equivalents, short-term financial assets and part of bank deposits

The level of financial assets and liquid funds, which generate additional yield to fulfil the Company's commitments, remained at the point which strongly secured the Company's high financial stability.

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Key consolidated financial highlights (in RUB terms)

Rosneft monitors and evaluates its activities on an ongoing basis. Key financial ratios are set forth below:

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
EBITDA margin	23.2%	24.7%	20.4%	24.0%
Net income margin attributable to Rosneft shareholders	21.3%	(4.4)%	2.6%	8.1%
Current ratio	0.95	0.72	0.95	0.87
			RUB/bbl	
EBITDA/bbl ¹	993	1,012	808	1,259
Upstream capital expenditures/bbl	529	540	493	485
Upstream operating expenses/bbl	247	255	249	246
Free cash flow/bbl ²	209	426	297	590
			RUB/boe	
EBITDA/boe ¹	789	813	648	1,018
Upstream capital expenditures/boe	421	433	395	392
Upstream operating expenses/boe	197	205	200	199
Free cash flow/boe	166	342	238	478

¹The effect of income from associates and joint ventures is excluded for calculation

²Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity

The Company considers EBITDA/bbl, Upstream operating expenses/bbl, Upstream operating expenses/boe and the related indicators as important measures of its operating performance. In addition, these measures are frequently used by financial analysts, investors and other interested parties in the evaluation of oil and gas companies. These measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of the Company's operating results as reported under IFRS.

The following tables set forth relevant numbers relating to these measures for the periods and as of the dates indicated:

Upstream Measures*

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
Liquids production (mln bbl)	349.5	342.9	1,431.9	1,592.9
Hydrocarbon production (mln boe)	439.7	426.9	1,786.3	1,970.1

¹Excluding share in production of associates and joint ventures.

Calculation of EBITDA

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
			RUB billion	
Revenues and equity share in profits of associates and joint ventures	1,521	1,439	5,757	8,676
Effect of prepayments offsetting	46	44	157	113
Costs and expenses	(1,371)	(1,280)	(5,379)	(7,371)
Depreciation, depletion and amortization	162	160	663	687
EBITDA	358	363	1,198	2,105
<i>Expenses associated with COVID-19</i>	6	3	11	–
EBITDA adjusted	364	366	1,209	2,105

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Calculation of Free Cash Flow

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
	RUB billion			
Operating cash flow	1,120	242	1,745	1,110
Capital expenditures	(216)	(202)	(785)	(854)
Offset of prepayments under long-term supply agreements*	129	126	448	319
Proceeds under the long term oil and oil products supply contracts	(1,004)	–	(1,004)	–
Offset of other financial liabilities	44	42	160	172
Interest expense on prepayments under long-term supply agreements ¹	13	8	42	70
Financing of future deliveries	–	–	12	67
Net (increase)/decrease in assets and liabilities of subsidiary bank ²	(13)	(70)	(193)	57
Free cash flow (RUB equivalent)	73	146	425	941

*Based on average exchange rates during the reporting periods (monthly basis).

¹Free cash flow estimation includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 11 billion and interests paid of RUB 2 billion in the fourth quarter of 2020; offsetting of RUB 7 billion and interests paid of RUB 1 billion in the third quarter of 2020; offsetting of RUB 28 billion and interests paid of RUB 14 billion in 2020 and offsetting of RUB 62 billion and interests paid of RUB 8 billion in 2019.

²Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity.

Calculation of EBITDA Margin

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
	RUB billion (except %)			
EBITDA¹	364	366	1,209	2,105
Revenues and equity share in profits of associates and joint ventures	1,521	1,439	5,757	8,676
Effect of prepayments offsetting	46	44	157	113
Adjusted revenues	1,567	1,483	5,914	8,789
EBITDA margin	23.2%	24.7%	20.4%	24.0%

¹EBITDA adjusted for costs associated with COVID-19 in 2020

Calculation of Net Income Margin attributable to Rosneft shareholders

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
	RUB billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	324	(64)	147	705
Revenues and equity share in profits of associates and joint ventures	1,521	1,439	5,757	8,676
Net income margin	21.3%	(4.4)%	2.6%	8.1%

Calculation of Current ratio

As of the date	December 31, 2020	September 30, 2020	December 31, 2019
	RUB billion (except ratios)		
Current assets	2,922	2,020	2,396
Current liabilities	3,092	2,820	2,755
Current ratio	0.95	0.72	0.87

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Calculation of Return on Average Capital Employed (ROACE)

	For 12 months ended December 31,	
	2020	2019
	(RUB billion, except %)	
Revenue and equity share in profits of associates and joint ventures	5,757	8,676
Total costs and expenses	(5,379)	(7,371)
Effect of prepayments offsetting	157	113
Effect of expenses associated with COVID-19	11	–
Income tax expense	19	(192)
Return used for the calculation of ROACE	565	1,226
Average capital employed	8,232	7,831
ROACE	6.9%	15.7%

Calculation of Return on Average Equity (ROAE)

	For 12 months ended December 31,	
	2020	2019
	(RUB billion, except %)	
Net income attributable to Rosneft shareholders	147	705
Average equity, including non-controlling interests	4,976	4,900
ROAE	3.0%	14.3%

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Consolidated financial highlights (in USD terms)

Consolidated statement of profit or loss

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
	USD billion*			
Total revenues and equity share in profits of associates and joint ventures	20.6	20.1	83.1	135.8
Costs and expenses				
Production and operating expenses	2.5	2.3	10.5	11.1
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	2.3	2.1	9.9	24.2
General and administrative expenses	0.7	0.4	1.8	3.1
Transportation costs and other commercial expenses	2.0	1.9	9.3	11.3
Exploration expenses	–	0.1	0.2	0.2
Depreciation, depletion and amortization	2.2	2.1	9.3	10.6
Taxes other than income tax	7.3	7.4	29.7	41.1
Export customs duty	1.1	1.0	4.7	12.3
Total costs and expenses	18.1	17.3	75.4	113.9
Operating income	2.5	2.8	7.7	21.9
Finance income	0.3	0.3	1.3	2.2
Finance expenses	(0.8)	(0.7)	(3.0)	(3.5)
Other income	7.1	0.1	7.2	0.2
Other expenses	(5.0)	(0.4)	(6.3)	(2.4)
Foreign exchange differences	0.4	(2.8)	(4.4)	(0.8)
Cash flow hedges reclassified to profit or loss	–	–	–	(2.2)
(Loss)/Income before income tax	4.5	(0.7)	2.5	15.4
Income tax benefit/(expense)	(0.1)	0.1	0.2	(3.0)
Net (loss)/income	4.4	(0.6)	2.7	12.4
Net (loss)/income attributable to Rosneft shareholders	4.3	(0.8)	2.2	10.9

* Calculated using average monthly USD exchange rates based on the Central Bank of Russia data for the reporting period (Attachment 4).

Key consolidated financial highlights (in USD terms)

Key financial ratios in USD equivalent for the periods indicated are set forth below:

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
EBITDA margin	23.3%	24.9%	20.7%	23.9%
Net income margin attributable to Rosneft shareholders	20.9%	(4.0)%	2.6%	8.0%
Current ratio	0.95	0.72	0.95	0.87
	USD/bbl*			
EBITDA/bbl	13.2	14.0	11.5	19.5
Upstream capital expenditures/bbl	7.0	7.3	6.8	7.5
Upstream operating expenses/bbl	3.2	3.5	3.5	3.8
Free cash flow/bbl	2.4	5.7	4.3	9.1
	USD/boe			
EBITDA/boe	10.5	11.2	9.2	15.7
Upstream capital expenditures/boe	5.5	5.9	5.5	6.1
Upstream operating expenses/boe	2.6	2.8	2.8	3.1
Free cash flow/boe	1.9	4.6	3.4	7.4

* Calculated from unrounded data.

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2020 and the twelve months of 2020.

Calculation of Free Cash Flow

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
	USD billion			
Operating cash flow	14.9	3.3	24.2	17.1
Capital expenditures	(2.8)	(2.7)	(10.8)	(13.2)
Proceeds under long-term oil and petroleum products supply agreements	(13.5)	–	(13.5)	–
Offset of prepayments under long-term supply agreements	1.7	1.7	6.2	5.0
Offset of other financial liabilities	0.5	0.6	2.2	2.7
Interest expense on prepayments under long-term supply contracts	0.2	0.1	0.6	1.1
Financing of future deliveries	–	–	0.2	1.0
Net (increase)/decrease in assets and liabilities of subsidiary bank	(0.2)	(1.0)	(2.9)	0.8
Free cash flow	0.8	2.0	6.2	14.5

Calculation of EBITDA Margin

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
	USD billion (except %)			
Revenues and equity share in profits of associates and joint ventures	20.6	20.1	83.1	135.8
Operating expenses	(18.1)	(17.3)	(75.4)	(113.9)
Depreciation, depletion and amortization	2.2	2.1	9.3	10.6
EBITDA	4.7	4.9	17.0	32.5
<i>Expenses associated with COVID-19</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>–</i>
EBITDA adjusted	4.8	5.0	17.2	32.5
Revenues and equity share in profits of associates and joint ventures	20.6	20.1	83.1	135.8
EBITDA margin	23.3%	24.9%	20.7%	23.9%

Calculation of Net Income Margin

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2020	September 30, 2020	2020	2019
	USD billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	4.3	(0.8)	2.2	10.9
Revenues and equity share in profits of associates and joint ventures	20.6	20.1	83.1	135.8
Net income margin	20.9%	(4.0)%	2.6%	8.0%

Calculation of Current ratio

As of the date	December 31, 2020	September 30, 2020	December 31, 2019
	USD billion (except ratios)		
Current assets	39.6	25.3	38.7
Current liabilities	41.9	35.4	44.5
Current ratio	0.95	0.72	0.87

Attachment 1: Risks and opportunities associated with climate change

The Company identifies and evaluates risks and opportunities, including those related to climate change, on an annual basis. In April 2020, the Board of Directors approved the expansion of the tasks and functions of the Strategic Planning Committee and renamed the Strategy and Sustainable Development Committee. The functions of the Strategy and Sustainable Development Committee, in particular, include analysing risks and opportunities for Rosneft related to climate change and environmental issues (including water management) and communicating relevant information to the Board of Directors of Rosneft.

Since 2009, the Company has been implementing the Rosneft energy saving Program, which aims to reduce energy consumption and improve economic, environmental and production indicators. At the moment, the Company's business development is focused on the world's best practices in combating climate change and is aimed at:

- increasing production of natural gas, the use of which in comparison with other types of fuels can significantly reduce greenhouse emissions;
- implementation of projects for the development of oil refineries(refineries), increasing the production of popular products, raw materials for petrochemicals;
- reducing emissions and improving efficiency at production facilities (in particular by reducing the APG combustion rate to less than 5 % in accordance with the target set by the Government of the Russian Federation as part of the implementation of the Investment gas program.);
- creation and production of new products that allow consumers to reduce emissions and improve fuel efficiency.

In 2017, in order to further improve the effectiveness of activities in the field of industrial safety, labour protection and the environment, a Committee was formed on the industrial safety, labour protection and environment, within which a carbon management subcommittee was subsequently created to help achieve goals to face climate change.

Rosneft develops various forecast scenarios for global energy development, taking into account the risks and opportunities associated with climate change, which in general, allow to conclude that the Company's business model remains stable throughout the forecast period (until 2050) and meets future challenges.

The decree of the Russian Government in June 2020 approved the "Energy strategy of Russia for the period up to 2035", which includes goals to reduce the negative impact of the fuel and energy complex on the environment and their adaptation to climate change, with the result that the Russian Federation will make a significant contribution to the transition to low-carbon development of the world economy, international efforts to preserve the environment and combat climate change.

On December 17, 2020 The Board of Directors considered the "Plan for carbon Management of Rosneft until 2035", prepared taking into account the provisions of the "Energy Strategy of the Russian Federation for the period up to 2035".

The plan provides for the prevention of direct and indirect greenhouse gas emissions of 20 million tons of CO₂-eq., reducing the intensity of direct and indirect emissions in oil production by 30%, achieving methane emissions below 0.25% and zero routine combustion of associated petroleum gas.

International assessment of Rosneft activity in the field of sustainable development

In December 2018, the Board of Directors confirmed that commitment to the 17 UN sustainable development goals is part of the Company's strategy and approved the public position: "Rosneft: contribution to the implementation of the UN sustainable development goals". In its activities, the Company is committed to the highest principles of sustainable development, which is confirmed by the positive assessment of the world community. Since 2007, Rosneft has published a report on sustainable development in accordance with the international standards of the Global reporting Initiative (GRI). Since 2010, the Company has been a member of the UN Global compact, and in June 2019, it joined the "Guidelines for reducing methane emissions".

In December 2020, the analytical division of the London Stock Exchange FTSE Russell confirmed Rosneft's entry into the FTSE4Good Index Series of international stock indices with high indicators in the field of sustainable development.

In 2020, Rosneft became one of the leaders among global oil and gas companies in a number of international ESG ratings, including Bloomberg and Refinitiv.

Attachment 2: Taxation

Mineral Extraction Tax (MET)

MET rate calculation for crude oil

The rate of mineral extraction tax (MET) for crude oil is tied to the Urals price in the international market and is calculated in USD per barrel of crude oil produced using average exchange rate established by the Central Bank of Russia for the respective month.

Starting from 2019 the mineral extraction tax rate was calculated as follows:

$$919 \times K_p - 559 \times K_p \times K_{rel} + K_k + K_{man} \times S_{vn} \text{ and } K_{abdt}, \text{ where}$$

919 – the base tax rate in RUB per tonne;

K_p – the coefficient characterizing the dynamics of world oil prices equal to $(P - 15) \times \text{Exchange rate} / 261$, where “P” is the average Urals price per barrel in USD and “Exchange rate” is the average RUB/USD exchange rate established by the Central Bank of Russia in the respective month;

K_{rel} – the reduction coefficient, defined as the difference between 1 and the result of multiplication of the coefficients characterizing the degree of depletion of a particular field (from 01.01.2021, the use of this coefficient is canceled), a specific hydrocarbon deposit, the amount of reserves of a particular field, the degree of complexity of production, region of production and oil properties;

K_k – the additional term, increasing MET rate, in the amount of RUB 428 RUB (starting from January 01, 2019).

$K_{man} \times S_{vn} \text{ and } K_{abdt}$ have been added to the formula for calculating MET rate for oil in connection with the introduction of “reverse excise duty”.

Starting from 01.01.2021, the use of the S_{vn} coefficient, which characterizes the production of ultra-viscous oil, is canceled.

For the fields that pay excess profit tax, the MET rate is calculated as follows: $(P - 15) \times 7.3 \times 0.5 \times “K” \times “Exchange rate” - “Export duty” \times “Exchange rate”$,

Where:

“P” – Urals price (see above);

“Export duty” – export customs duty rate on crude oil in USD per tonne;

“K” – the coefficient characterizing the period of time elapsed from the date of the start of commercial oil production at the field (further “grace period”)¹:

Groups	“K”	Note
1,2	0.4	prior to the expiration of the first 5 years of commercial production
	0.6	the 6 th year of commercial production
	0.8	the 7 th year of commercial production
	1.0	from the 8 th year of commercial production
3	1.0	Not applicable
4	0.5	before the end of the 1 st year of commercial production
	0.75	the 2 nd year of commercial production
	1.0	from the 3 rd year of commercial production
5*	0	before the end of the 11 years of commercial production
	0.2	12 th year of commercial production
	0.4	13 th year of commercial production
	0.6	14 th year of commercial production
	0.8	15 th year of commercial production
	1.0	from the 16 th year of commercial production

*entered into force on 01.04.2020 in accordance with Federal law No. 65-FZ of 18.03.2020. From 01.01.2021, the period of application of the “K”- coefficient in the amount of 0 is extended until the expiration of 15 consecutive calendar years immediately following the year of the beginning of commercial oil production in this subsurface area (in each subsequent year, respectively, $K=0.2$, $K=0.4$, $K=0.6$, $K=0.8$, then $K=1$).

¹ From 01.01.2021 lower values of K-coefficient are cancelled for certain categories of subsoil areas that have been switched to the Excess Profit Tax (“K” is set at equal to 1, for license block, for which as 01.01.2021 conditions to determine $K=1$), while for certain categories license blocks higher values of “K”-coefficient are set for the period 2021-2023 gg. (inclusive).

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In 2020, the Company applied various tax incentives for production and special tax treatment for MET on crude oil:

MET incentives for production in 2020	Applicable to the Company
Reduced rate due to the P=0	Oil fields of bazhenov, abalak, khadum, domanic formations. Oil fields with high-viscosity crude oil (in-situ viscosity more than 10 000 mPa·s). Tax incentive is cancelled from 01.01.2021.
MET reduced by “Dm” coefficient, which characterizes crude oil production at a particular oil field	Oil fields located: <ul style="list-style-type: none"> • In Irkutsk region, the Republic of Sakha (Yakutia) and Krasnoyarsk Territory which is applicable for the first 25 million tonnes of production • On the territory of the Nenets Autonomous district, Yamalo-Nenets Autonomous district – for the first 15 million tonnes of production • Okhotsk sea fields subject to zero mineral extraction tax rate which is applicable for the first 30 million tonnes of production Oil fields with reserve depletion rate of over 80%. Tax incentive is cancelled from 01.01.2021. Oil fields with the volume of initial recoverable reserves being less than 5 million tonnes. Oil fields with high-viscosity crude oil (in-situ viscosity more than 200 mPa·s and less than 10 000 mPa·s). Tax incentive is cancelled from 01.01.2021. Oil fields with permeability less than $2 \times 10^{-3} \mu\text{m}^2$ and deposits of the Tyumen suite.
Tax deduction	At fields located entirely within the boundaries of the Nizhnevartovsk region of KHMAO – Yugra, the initial recoverable oil reserves of which amount to 450 million tonnes or more as of January 1, 2016 (the amount of the deduction is determined in aggregate for the specified fields and amounts to RUB 2,917 million for the tax period (calendar month)). Oil production at fields with export duty exemptions under “general” tax regime. The deduction is aimed at compensating the loss of economic effect from the granted export duty benefits in connection with the completion of the tax maneuver (due to which the duties are gradually reduced to zero by 2024). From 01.01.2021, the application of the MET tax deduction for oil production, for which special formulas for calculating the rates of export customs duties were applied, is canceled.
Tax deduction in connection with the creation of infrastructure facilities*	When extracting oil from subsurface areas that meet the requirements set out in clause 2 of article 343.5 of the tax code of the Russian Federation. The tax deduction is provided in the amount of actually paid expenses (including the listed advances) for the creation of road transport, engineering, and energy infrastructure necessary for the development of subsoil plots of the 5th group in excess profit tax, and may not exceed the maximum coefficient P_{vancor} calculated in accordance with paragraphs 7 and 8 of article 343.5 of the tax code of the Russian Federation. The right to deduction arises in tax periods in which Urals exceeds the base oil price set by the tax code of the Russian Federation (USD 42.45 per barrel in 2020), USD 25 per barrel-from 01.01.2021 for the entire period of the tax deduction).
Special tax regime for offshore projects in the Russian Federation	The offshore projects are categorized into one of four groups depending on its complexity and special MET rates for each project group ranging from 5% to 30% of hydrocarbon prices are applied.
Special tax regime exempting the Company from paying mineral extraction tax.	Exploration projects in the Sakhalin-1 PSA.

* entered into force on 01.04.2020 in accordance with Federal law No. 65-FZ of 18.03.2020

From 01.01.2021, the list of MET incentives is supplemented, in particular:

- when producing oil in subsurface areas located simultaneously within the boundaries of the Surgut and Khanty-Mansiysk districts of the KhMAO-Yugra, licenses for the use of which were issued before 01.01.2018 and the initial recoverable oil reserves of each of which amount to 1,000 million tons or more as of 01.01.2018 in the amount of RUB 3,830 million/month until the accumulated amount of deduction in the amount of RUB 460 billion. The deduction is applied at the conclusion of the agreement on oil production with the Ministry of Finance of the Russian Federation and Ministry of natural resources and the value of Urals over the underlying price of oil for the purposes of the budget of the Russian Federation (article 96.6 BK RF) in the period of application of the deduction. In addition, the amount of the deduction may not exceed the size of the conditional additional revenues from the use of the deduction is defined as the amount of mineral extraction tax and export duties, with additional production resulting from the application of the deduction (the difference between the actual output and the base (in the absence of a deduction), fixed in agreement mining.
- in respect of oil extracted from the subsoil areas referred to item 3.1 of article 333.45 Tax Code (3rd group of Excess Profit Tax), the degree of depletion of oil reserves are greater than or equal to 0.8, in the amount of 20% of tax calculated in respect of such oil for the tax period (subject to the Excess Profit Tax in respect of the relevant subsoil):
 - from 01.01.2021- located entirely or partially in the Sea of Okhotsk;
 - from 01.01.2024 - for other subsurface areas, the degree of depletion of oil reserves of which is greater than or equal to 0.8 (the degree of depletion of oil reserves of the subsurface area is

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determined as of January 1 of the year preceding the year of the tax period according to the state balance of mineral reserves).

MET rate calculation for natural gas and gas condensate

The production of gas condensate is mainly subject to MET rate for crude oil because the purification of gas condensate is compounded in the crude oil production. Gas condensate mineral extraction tax rate is applied in case of separate purification of gas condensate.

In line with the formula the base rate for gas condensate is RUB 42 per 1 tonne and for natural gas – RUB 35 per 1 th. cubic meters. The base rates are multiplied by a basic rate of standard fuel unit and reduced coefficient which estimates the difficulty level of natural gas and (or) gas condensate production. Starting from January 1, 2017 the tax rate for mineral extraction gas condensate is adjusted by the multiplying coefficient 6.5. Starting from 2019 the mineral extraction tax rate increased by the amount of reduction in export customs duties on crude oil multiplied by 0.75.

Reducing coefficient in 2020	Applicable to the Company
0.5	License areas: Rospan and also at fields of Krasnodar regions
0.64	License areas: a number of fields of Sibneftegaz, and also at Nenets Autonomous District, the Chechen republic and Krasnodar region
0.1	License areas: Irkutsk region, Krasnoyarsk region and the region of Far East
0.21	License areas: Turon deposits reserves of the Kharampurskoye field
0.5-1	Fields with reserve depletion rate of over 70%.

Excess profit tax (Tax on additional income from hydrocarbons production)

Since January 1, 2019, the tax on additional income from production of hydrocarbons was enacted. The tax is charged at the rate of 50% of the hydrocarbons production income calculated as the difference between the estimated revenue and costs (losses). The new tax regime requires paying the MET but at a reduced rate and paying export duties with exemption from their payment for a certain period for Greenfields in Eastern Siberia and other new regions of oil production (groups 1-2).

New tax regime is applicable to the following groups of oil fields:

Groups	Geographic location	Depletion as of 01.01.17
Greenfields of Eastern Siberia and other new regions of oil production		
1	The Republic of Sakha, Irkutsk region, NAO, KHMAO, the Caspian Sea, The Yamal-Nenets Autonomous district, Krasnoyarsk region	Not exceeding 5%
2		Deposits specified in the Note 8 to the Common Customs Tariff as of 01.01.2018.
Brownfields of Western Siberia		
3	KHMAO, YANAO, Komi Republic, Tyumen region	From 20% to 80% or from 10% to 80% provided that on 01.01.2011 worked out >1%. List of fields is determined by the Law.
Greenfields of Western Siberia		
4	KHMAO, YANAO, Komi Republic, Tyumen region	Not exceeding 5%. List of fields is determined by the Law.
Greenfields in Arctic zone		
5*	North in the Krasnoyarsk territory, the Republic of Sakha (Yakutia), the Chukotka Autonomous district	Not exceeding 0.1% as of January 1, 2019

* entered into force on 01.04.2020 in accordance with Federal law No. 65-FZ of 18.03.2020

Starting from 2021, new subgroups will be added to Group 3:

- subsurface areas with a historical degree of depletion (when determining which the initial recoverable oil reserves are determined according to the state balance of reserves data on 01.01.2006, and if oil reserves are delivered to the state balance of reserves after 01.01.2006 – on January 1 of the year following the year in which oil reserves were first delivered to the state balance of reserves) equal to or exceeding 0.8;
- subsurface areas located entirely or partially within the boundaries of the North Caucasus Federal District, the Sakhalin Region (except for offshore fields and fields partially located within the boundaries of internal sea waters and /or the territorial sea of the Russian Federation).

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Starting from 2021, Group 4 additionally includes all subsurface areas located north of 65° s. completely within the borders of the Komi Republic (meeting the criteria established by the Tax Code of the Russian Federation for group 4), as well as six subsurface areas in the Orenburg and Samara regions (the geographical coordinates of the sites are specified in the Tax Code of the Russian Federation).

Excise tax

Petroleum products producers are taxpayers of an excise on petroleum products in the territory of the Russian Federation. Besides, the tax is paid by legal entities when importing excise goods into the territory of the Russian Federation.

The Company as an owner of raw materials applies excises deductions for particular types of petroleum products in the cases provided by the legislation, as well as "reverse excise" mechanism (deduction of the accrued excise tax with an increasing coefficient) for oil raw material.

Starting from January 1 2019 new excisable goods (oil raw material and dark bunker fuel) and new operations subject to excise taxation were introduced, with the possibility of applying the mechanism of "reverse excise" (deduction of the accrued excise tax with an increasing coefficient):

- for oil raw material (for the organizations-owners of crude oil raw material processed in the Russian Federation which received special certificate from the tax authorities);
- dark bunker fuel (when using fuel for bunkering (refuelling) of vessels and (or) machinery and constructions located in the internal sea waters and continental shelf of the Russian Federation, etc.).

From April 1, 2020 "dark bunker fuel" was excluded from the list of excisable goods, at the same time the concept of medium distillates was changed, as a result of which dark bunker fuel and a number of other dark oil products are recognized as medium distillates for the purposes of excise taxation. The definition of middle distillates from 01.01.2021 also clarifies that, in particular, leads to exclusion from the middle distillate range of dark petroleum products (in particular, tar, fuel oil).

The law sets the procedure of application of "reverse excise tax" on oil raw material, including:

- arrangements for obtaining a special certificate, required for the application of "reverse excise";
- the approach for calculating the excise rate on oil raw material (based on market oil prices, forex rates, the number and types of oil products, increased regional coefficients for certain subjects of Russian Federation);
- the approach for calculating the "damping component" of the excise deduction aimed at reducing the effect of macroeconomic fluctuations on the domestic market of motor fuels.

Export Customs Duty

Export Customs Duty on Crude Oil

The rate of export customs duty on crude oil is tied to the Urals price in the international market and is denominated in USD per tonne.

The table below sets forth the calculation of the ordinary export customs duty for crude oil:

<i>Urals price (USD per tonne)</i>	<i>Export customs duty (USD per tonne)</i>
Below and including 109.5 (15 USD per barrel)	Export customs duty is not levied
From 109.5 to 146 including (15 to 20 USD per barrel)	35% of the difference between the average Urals price in USD per tonne and USD 109.5
From 146 to 182.5 including (20 to 25 USD per barrel)	USD 12.78 plus 45% of the difference between the average Urals price in USD per tonne and USD 146
From 182.5 (25 USD per barrel)	USD 29.2 plus 30% of the difference between the average Urals price in USD per tonne and USD 182.5

The export customs duty changes every month and the duty for the next month is based on the average Urals price denominated in USD for crude oil for the period from the 15th day of the previous month to the 14th day (inclusive) of the current month and are applied starting from the 1st day of the month, following the monitoring period.

The export custom duties, calculated for the sequent month, are reported through the official informational resources not later than 4 days before the enforcement.

Since January 1, 2019, Federal law # 305-FZ of 03.08.2018 "on amendments to article 3.1 of the Law of the Russian Federation" on customs tariff" has added an addition to the formula for calculating export duty on oil: since January 2019, the duty rate is calculated as the product of the marginal rate (the calculation formula is given above) and a correction coefficient that reflects a gradual reduction in the export duty rate until it is reset in 2024. The value of the correction coefficient for 2020 is 0.667

At the same time, from January 1, 2019, the Government of the Russian Federation is entitled to impose "protective" duties on crude oil (in an amount not exceeding the level of $29.2 + 45\% \times (\text{the price of "Urals" (USD /t) - 182.5) \text{ USD/t}$) if there is a significant change in oil prices and the price of oil is higher than USD182.5 per tonne. "Barrier" duties are applied for six consecutive calendar months, starting from the calendar month following the calendar month in which a significant change in oil prices is recorded in accordance with the procedure established by law

By the Federal law N 268-FZ, dated December 31, 2013, introducing a special tax regime in respect of the projects on the continental shelf of the Russian Federation a full exemption of hydrocarbons produced at offshore fields from the export customs duties is provided. Mainly thus exemption relates to the fields which commercial production starting from January 1, 2016. Such an exemption is set for various terms depending on complexity of a field development project.

The law names the Vostochno-Messoyakhskoye field (the total volume of oil that can be exported from 01.01.2019 using a "preferential" rate is 32.08 mln tons), the Srednebotuobinskoye field (32.742 mln tons) and the kuyumbinskoye field (76.433 mln tons).

It is possible to use the application of the "preferential" rate only when exporting crude oil before 31.12.2020. From 01.01.2021, Federal Law No. 325-FZ of 15.10.2020 " On Amendments to Article 3.1 of the Law of the Russian Federation "On Customs Tariff" excludes the possibility of the Government of the Russian Federation establishing special formulas for calculating export customs duty rates.

According to the Federal law of 19.07.2018 № 201-FZ "On amendments to articles 3.1 and 35 of the Law of the Russian Federation "On customs tariff", the export of oil produced in the subsoil areas that have passed on excess profit tax from production of hydrocarbons (1,2 group), since January 1, 2019 is exempt from payment of export customs duties before the expiration of 7 years of industrial production, after the expiration of the exemption - standard duty rates. Federal law No. 24-FZ of 18.02.2020 "On amendments to article 35 of The law of the Russian Federation "On customs tariff" clarified the procedure for applying this exemption, according to which persons who are not tax payers of excess profit tax in the relevant subsoil area can export oil with an exemption from payment of export customs duty if there is a corresponding written confirmation of the organization – taxpayer of excess profit tax. The provisions of Federal law No. 24-FZ of 18.02.2020 apply to legal relations that have arisen since 01.05.2019.

Federal Law No. 433-FZ of 22.12.2020 "On Amendments to the Federal Law" On Customs Regulation in the Russian Federation and on Amendments to Certain Legislative Acts of the Russian Federation "and Certain Legislative Acts of the Russian Federation" also introduced an exemption from payment of export customs duties in respect of crude oil produced in subsurface areas that have passed to the Excess Profit Tax on the grounds specified in 5.1 of Article 333.45 of the Tax Code of the Russian Federation (Group 5).

Export customs duty on crude oil export to countries that are members of Eurasian Economic Agreement

In accordance with the Eurasian Economic Agreement dated May 29, 2014 and effective from January 1, 2015 export duties are not payable on crude oil export to countries-participants of Eurasian Economic Agreement. Meanwhile, the Eurasian Economic Agreement enables some export limits on oil and oil products.

Export duties are not payable on crude oil exports to countries that are members of Eurasian Economic Agreement. At the same time quotes for tax-free sale of crude oil and petroleum products are set. In accordance with agreement with Armenia and the Kyrgyz republic all supplies above the quotes are subject for the duties.

In accordance with agreement between the Governments of Russian Federation and the Kazakhstan Republic on trade and economic cooperation in crude oil and petroleum products supplies dated December 9, 2010 the export ban was set for a specified list of petroleum products exported from Russian Federation to the Kazakhstan Republic.

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The Protocol on amendments to the Agreement between the Government of the Russian Federation and the Government of the Republic of Belarus on measures to regulate trade and economic cooperation in the export of oil and oil products dated January 12, 2007 introduced quotas for duty-free export of oil and oil products to the Republic of Belarus and a ban on export in excess of the established quotas from November 1, 2018.

Export Customs Duty on Petroleum Products

Export customs duty on petroleum products except liquefied petroleum gas (LPG) is set every month as the marginal export customs duty rate on crude oil multiplied by the estimated ratio depending on the type of petroleum product.

Export customs duty on LPG is based on the average price of LPG at Poland board (DAF Brest) denominated in USD per tonne for the period from the 15th day of the previous month to the 14th day (inclusive) of the current month.

Marginal export customs duties for petroleum products are set as a percentage of the marginal export customs duty for crude oil as listed in table below:

Type of petroleum product	Marginal export customs duty (% of the marginal export customs duty for crude oil) for the period
	Since January 1, 2017
Light and middle distillates (excluding: naphtha and gasoline), benzene, toluene, xylenes, lubricants, diesel	30
Naphtha	55
Gasoline	30
Fuel oil, bitumen oil, other dark oil products	100

In 2020 and 2019, marginal export customs duties are set for estimation of customs duty, depending on the type of oil product.

By the Federal law of 03.08.2018 № 305-FZ “On amendments to article 3.1 of the law of the Russian Federation “On customs tariff” the Government of the Russian Federation additionally to the right to impose “protective” duties on crude oil (in an amount not exceeding the level of $29.2 + 45\% \times (\text{the price of “Urals”})/t$) – USD 182.5/t with a significant change in oil prices and the price of oil above USD 182.5 per tonne has the right to impose “protective” duties to the oil products.

When applying the “protective” duty on crude oil, the rates of export duties on petroleum products may be set by the Government of the Russian Federation in the amount of 60% of the duty on crude oil.

Attachment 3: EBITDA by segment

	<i>For 3 months ended December 31, 2020</i>				
	Exploration and Production	Refining and distribution	Corporate segment	Intersegment	Consolidated P&L
Total revenues and equity share in profits of associates and joint ventures	896	1,538	71	(984)	1,521
Total costs and expenses	546	1,566	81	(984)	1,209
Effect of prepayments offsetting	46	–	–	–	46
EBITDA	396	(28)	(10)	–	358
<i>Expenses associated with COVID-19</i>	5	1	–	–	6
EBITDA adjusted	401	(27)	(10)	–	364

	<i>For 3 months ended September 30, 2020</i>				
	Exploration and Production	Refining and distribution	Corporate segment	Intersegment	Consolidated P&L
Total revenues and equity share in profits of associates and joint ventures	805	1,455	53	(874)	1,439
Total costs and expenses	510	1,419	65	(874)	1,120
Effect of prepayments offsetting	44	–	–	–	44
EBITDA	339	36	(12)	–	363
<i>Expenses associated with COVID-19</i>	2	–	1	–	3
EBITDA adjusted	341	36	(11)	–	366

	<i>For 12 months ended December 31, 2020</i>				
	Exploration and Production	Refining and distribution	Corporate segment	Intersegment	Consolidated P&L
Total revenues and equity share in profits of associates and joint ventures	3,057	5,821	230	(3,351)	5,757
Total costs and expenses	2,019	5,775	273	(3,351)	4,716
Effect of prepayments offsetting	157	–	–	–	157
EBITDA	1,195	46	(43)	–	1,198
<i>Expenses associated with COVID-19</i>	9	1	1	–	11
EBITDA adjusted	1,204	47	(42)	–	1,209

	<i>For 12 months ended December 31, 2019</i>				
	Exploration and Production	Refining and distribution	Corporate segment	Intersegment	Consolidated P&L
Total revenues and equity share in profits of associates and joint ventures	4,781	8,641	172	(4,918)	8,676
Total costs and expenses	2,912	8,460	230	(4,918)	6,684
Effect of prepayments offsetting	113	–	–	–	113
EBITDA	1,982	181	(58)	–	2,105

Attachment 4: Average monthly RUB/USD exchange rates, calculated using the Bank of Russia data

	2020	2019
	RUB/USD	
January	61.78	67.35
February	63.88	65.86
March	73.32	65.15
April	75.23	64.62
May	72.62	64.82
June	69.22	64.23
July	71.29	63.20
August	73.80	65.53
September	75.66	64.99
October	77.59	64.36
November	77.05	63.87
December	74.06	62.94