



Rosneft Oil Company
Report on payments to governments
for the year ended December 31, 2019

Rosneft Oil Company

Report on payments to governments

| Contents | | Page |
|-----------------|---|-------------|
| 1. | Introduction | 3 |
| 2. | Reporting principles | 4 |
| 3. | Summary Report | 6 |
| 4. | Reporting by Project and by type of Payment, and by Government and by type of Payment | 7 |
| | Amounts paid in the Russian Federation by Project and by type of Payment | 7 |
| | Amounts paid in foreign jurisdictions by Project and by type of Payment | 9 |
| | Amounts paid by Government and by type of Payment | 10 |

Rosneft Oil Company

Report on payments to governments

1. Introduction

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

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

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

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

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

Rosneft Oil Company

Report on payments to governments

2. Reporting principles

Definitions

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

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

The payment types included in this Report:

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

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

Regarding taxes paid in the Russian Federation the Report includes Income Tax, Mineral extraction tax and Tax on additional income from production of hydrocarbons.

In accordance with the Federal Law No. 199-FZ On Amending Parts One and Two of the Tax Code of the Russian Federation enacted on July 19, 2018 the tax on additional income from production of hydrocarbons was introduced for a number of oil fields starting from January 1, 2019. At the same time the mineral extraction tax for these oil fields is charged at a reduced rate. Several Company's oil fields have implemented the new tax regime starting from January 1, 2019.

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

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

Dividends: dividends, other than dividends paid to a government as an ordinary shareholder unless they are paid in lieu of a production entitlement or royalty. For the year ended December 31, 2019, there were no reportable Dividend payments to Governments.

Signature, Discovery and Production Bonuses: bonuses paid for and in consideration of signature, discovery, production, awards, grants and transfers of extraction rights; bonuses related to achievement or failure to achieve certain production levels or targets, and the discovery of additional mineral reserves or deposits.

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

Infrastructure improvements: payments for local infrastructure development, including the improvement of infrastructure, except where the infrastructure is exclusively used for operational purposes. For the year ended December 31, 2019, there were no reportable Infrastructure improvements payments to Governments.

Rosneft Oil Company

Report on payments to governments

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

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

Reporting currency

All amounts presented in the Report are stated in Russian rubles. Payments made to Governments in foreign currencies (currencies other than the Russian ruble) were translated into the equivalent ruble amount using a weighted average of the relevant exchange rates during the reporting period. The currency of hyperinflationary economies was converted into Russian rubles using the most reliable available information about the exchange rate on dates as close as possible to the payment date.

In-kind payments

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

Operatorship

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

Rosneft Oil Company
Report on payments to governments
(in millions of Russian rubles)

3. Summary Report

| Country | Total amount of payments | Taxes | Royalties | Bonuses | Licence and other fees |
|--------------------|--------------------------|------------------|----------------|--------------|------------------------|
| Russian Federation | 2 968 206 | 2 380 488 | 571 603 | - | 16 115 |
| Venezuela* | 5 843 | 39 | - | 5 804 | - |
| Iraq | 1 027 | 33 | - | - | 994 |
| Vietnam** | 202 | - | - | - | 202 |
| Brazil | 56 | - | - | - | 56 |
| Norway | 8 | - | - | - | 8 |
| Total | 2 975 342 | 2 380 560 | 571 603 | 5 804 | 17 375 |

* – On April 30, 2020, the Company (Rosneft Oil Company and its subsidiaries) closed a previously announced transaction to transfer all assets in Venezuela to a company 100% owned by the Government of the Russian Federation, including interests in Petromonagas, Petroperija, Boqueron, Petromiranda and Petrovictoria exploration and production entities, as well as in oilfield services companies, commercial and trading operations. The Company's operations in Venezuela have been completely discontinued.

** – The Government also has a production share of 0.12 mmbbl of gas condensate and 1.89 bcm of gas. Monetary value of these volumes is 480 millions of Russian rubles and 13 211 millions of Russian rubles respectively. The presented valuation was made by Rosneft for the purposes of this Report only.

Rosneft Oil Company
Report on payments to governments
(in millions of Russian rubles)

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

Amounts paid in the Russian Federation by Project and by type of Payment

| Payments per project | Total amount of payments | Taxes | Royalties | Bonuses | Licence and other fees |
|---------------------------------------|--------------------------|------------------|----------------|---------|------------------------|
| Russian Federation: | 2 968 206 | 2 380 488 | 571 603 | - | 16 115 |
| Yuganskneftegaz | 786 145 | 784 353 | - | - | 1 792 |
| Rosneft* | 590 859 | 18 629 | 572 244 | - | (14) |
| Vankorneft | 230 826 | 224 199 | - | - | 6 627 |
| Samotlorneftegaz | 224 653 | 224 232 | - | - | 421 |
| Bashneft | 186 265 | 186 150 | (641) | - | 756 |
| Orenburgneft | 154 973 | 153 403 | - | - | 1 570 |
| Samaraneftegaz | 143 073 | 142 044 | - | - | 1 029 |
| Uvatneftegaz | 120 732 | 120 446 | - | - | 286 |
| Verkhnechonskneftegaz | 111 841 | 110 998 | - | - | 843 |
| Nyaganneftegaz | 84 033 | 83 838 | - | - | 195 |
| Varyeganneftegaz | 78 067 | 77 884 | - | - | 183 |
| Purneftegaz | 45 784 | 45 275 | - | - | 509 |
| Taas-Yuryakh (Sakha Yakutia) | 34 980 | 34 881 | - | - | 99 |
| Severnaya Neft (Timan Pechora) | 24 781 | 24 533 | - | - | 248 |
| Vostsibneftegaz (Krasnoyarsky Region) | 22 415 | 22 336 | - | - | 79 |
| Kondaneft | 21 181 | 21 076 | - | - | 105 |

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

Rosneft Oil Company
Report on payments to governments
(in millions of Russian rubles)

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

| Payments per project | Total amount of payments | Taxes | Royalties | Bonuses | Licence and other fees |
|--|--------------------------|--------|-----------|---------|------------------------|
| Sakhalin-1** | 18 359 | 18 359 | - | - | - |
| Kharampurneftegaz | 14 418 | 14 405 | - | - | 13 |
| Rospan (Yamalo-Nenetsky Autonomous District) | 14 255 | 14 247 | - | - | 8 |
| Oil and Gas operations in Sakhalin | 13 537 | 13 511 | - | - | 26 |
| Sorovskneft (Bashneft) | 12 753 | 12 444 | - | - | 309 |
| Stavropolneftegaz | 9 084 | 9 080 | - | - | 4 |
| Krasnodarneftegaz | 8 635 | 8 330 | - | - | 305 |
| Sibneftegaz (Yamalo-Nenetsky Autonomous District) | 7 518 | 7 483 | - | - | 35 |
| Tyumenneftegaz (Yamalo-Nenetsky Autonomous District) | 4 567 | 4 561 | - | - | 6 |
| Oil and Gas operations in Northern Caucasia | 3 129 | 3 126 | - | - | 3 |
| Tomskneft*** | 672 | 669 | - | - | 3 |
| Kynsko-Chaselskoe neftegaz (Yamalo-Nenetsky Autonomous District) | 613 | 35 | - | - | 578 |
| RN-Exploration (Black sea) | 84 | 83 | - | - | 1 |
| Offshore Kara Sea project | 43 | 19 | - | - | 24 |
| Shelf Arctic | 30 | - | - | - | 30 |
| Offshore Okhotsk Sea project | 13 | 5 | - | - | 8 |
| Offshore Laptev Sea project | 13 | - | - | - | 13 |
| Offshore Chukchi Sea project | 9 | - | - | - | 9 |
| Shelf Dalniy Vostok | 7 | 7 | - | - | - |
| Endyrneftegas | 7 | - | - | - | 7 |
| Offshore Black Sea project | (148) | (153) | - | - | 5 |

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

*** – Payments made by Rosneft Oil Company in respect of licences operated by JSC «Tomskneft» VNK.

Rosneft Oil Company
Report on payments to governments
(in millions of Russian rubles)

Amounts paid in foreign jurisdictions by Project and by type of Payment

| Payments per project | Total amount of payments | Taxes | Royalties | Bonuses | Licence and other fees |
|---------------------------------|--------------------------|-------|-----------|---------|------------------------|
| Venezuela: Patao and Mejillones | 5 843 | 39 | - | 5 804 | - |
| Iraq:Block12 | 670 | 33 | - | - | 637 |
| Iraq (Kurdistan): Block 11 | 104 | - | - | - | 104 |
| Iraq (Kurdistan): Block 8 | 64 | - | - | - | 64 |
| Iraq (Kurdistan): Block 9 | 63 | - | - | - | 63 |
| Iraq (Kurdistan): Block 10 | 63 | - | - | - | 63 |
| Iraq (Kurdistan): Block 13 | 63 | - | - | - | 63 |
| Vietnam: Block 06.1* | 176 | - | - | - | 176 |
| Vietnam: Block 05-3/11 | 26 | - | - | - | 26 |
| Brazil: Solimoes | 56 | - | - | - | 56 |
| Norway: RN Nordic Oil | 8 | - | - | - | 8 |

* – The Government also has a production share of 0.12 mmbbl of gas condensate and 1.89 bcm of gas. Monetary value of these volumes is 480 millions of Russian rubles and 13 211 millions of Russian rubles respectively. The presented valuation was made by Rosneft for the purposes of this Report only.

Rosneft Oil Company
Report on payments to governments
(in millions of Russian rubles)

Amounts paid by Government and by type of Payment

| Payments per government | Total amount of payments | Taxes | Royalties | Bonuses | Licence and other fees |
|--|--------------------------|------------------|----------------|--------------|------------------------|
| Russian Federation: | 2 968 206 | 2 380 488 | 571 603 | - | 16 115 |
| Treasury of the Russian Federation | 2 968 206 | 2 380 488 | 571 603 | - | 16 115 |
| Venezuela: | 5 843 | 39 | - | 5 804 | - |
| Venezuela's national development bank (BANDES) | 5 804 | - | - | 5 804 | - |
| State treasury | 39 | 39 | - | - | - |
| Iraq: | 1 027 | 33 | - | - | 994 |
| Basra Oil Company | 637 | - | - | - | 637 |
| Ministry of Natural Resources - Kurdistan Regional Government | 357 | - | - | - | 357 |
| General Commission for Taxes | 33 | 33 | - | - | - |
| Vietnam: | 202 | - | - | - | 202 |
| PetroVietnam | 202 | - | - | - | 202 |
| Brazil: | 56 | - | - | - | 56 |
| National Agency of Petroleum, Natural Gas and Biofuels | 51 | - | - | - | 51 |
| State Fund for Land use regulation | 4 | - | - | - | 4 |
| Brazilian Institute of the Environment and Renewable Natural Resources | 1 | - | - | - | 1 |
| Norway: | 8 | - | - | - | 8 |
| Oil directorate | 8 | - | - | - | 8 |

* – PetroVietnam (as representative of the Government of Vietnam) also has a production share of 0.12 mmbbl of gas condensate and 1.89 bcm of gas. Monetary value of these volumes is 480 millions of Russian rubles and 13 211 millions of Russian rubles respectively. The presented valuation was made by Rosneft for the purposes of this Report only.

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