



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED
DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 AND 2018**

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2019 and the twelve months of 2019

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, 2019 and 2018, and September 30, 2019 (the "Consolidated Financial Statements"). 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 "Rosspan International") to barrels a 7.404 ratio is used. To convert Rosspan 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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Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2019 and the twelve months of 2019

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 42 billion boe per SEC classification and 47 billion boe per PRMS classification as of December 31, 2019 and amounted to 41 billion boe per SEC classification and 47 billion boe per PRMS classification as of December 31, 2018.

For the fourth quarter of 2019 and for the year 2019 the liquid hydrocarbons production of the Company amounted to 58.0 mln tonnes and 230.2 mln tonnes, respectively. The production of natural and associated gas for the fourth quarter of 2019 and for the year 2019 was 17.22 bcm and 66.95 bcm, respectively.

For the fourth quarter of 2019 and for the year 2019, the Company's total crude oil processing amounted to 28.33 mln tonnes and 110.23 mln tonnes at the refineries in Russia and abroad, respectively. 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, 2019	September 30, 2019		2019	2018	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	2,224	2,240	(0.7)%	8,676	8,238	5.3%
EBITDA	488	554	(11.9)%	2,105	2,081	1.2%
Net income attributable to Rosneft shareholders	158	225	(29.8)%	708	549	29.0%
Capital expenditures	220	198	11.1%	854	936	(8.8)%
Free cash flow*	271	281	(3.6)%	884	1,133	(22.0)%
Operational results						
Hydrocarbon production (th. boe per day)	5,814	5,740	1.3%	5,791	5,795	(0.1)%
Liquids production (th. barrels per day)	4,674	4,661	0.3%	4,674	4,673	–
Gas production (th. boe per day)	1,140	1,079	5.7%	1,117	1,122	(0.4)%
Crude oil processing at refineries in Russia (th. tonnes per day)	277	296	(6.4)%	274	283	(3.2)%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	24.72	26.31	(6.0)%	96.78	99.73	(3.0)%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	2.99	2.99	–	10.68	11.93	(10.5)%

*Free 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 12 billion and interests paid of RUB 2 billion in the fourth quarter of 2019; offsetting of RUB 14 billion and interests paid of RUB 2 billion in the third quarter of 2019; offsetting of RUB 62 billion and interests paid of RUB 8 billion in the twelve months of 2019 and offsetting of RUB 85 billion and interests paid of RUB 6 billion in the twelve months of 2018.

For reference only: Financial highlights in USD terms

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2019	September 30, 2019		2019	2018	
Financial results, USD billion*						
Revenues and equity share in profits of associates and joint ventures	35.2	35.1	0.3%	135.8	133.7	1.6%
EBITDA	7.7	8.5	(9.4)%	32.5	33.1	(1.8)%
Net income attributable to Rosneft shareholders	2.4	3.6	(33.3)%	10.9	8.9	22.5%
Capital expenditures	3.5	3.0	16.7%	13.2	15.0	(12.0)%
Free cash flow	4.3	4.4	(2.3)%	13.7	17.9	(23.5)%

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

Macroeconomic factors affecting results of operations

Main factors affecting Rosneft's results of operations are:

- Changes in crude oil, gas and petroleum products prices;
- USD/RUB and EUR/RUB exchange rates and inflation;
- Compliance with the new restrictions on crude oil production under the Agreement reached by OPEC countries and major non-OPEC oil producing countries (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, 2019	September 30, 2019		2019	2018	
World market	(USD per barrel)			(USD per barrel)		
Brent	63.3	61.9	2.1%	64.3	71.1	(9.5)%
Urals (average Med and NWE)	61.5	61.3	0.4%	63.4	69.8	(9.1)%
Urals (FOB Primorsk)	59.8	59.9	(0.2)%	62.1	68.5	(9.3)%
Urals (FOB Novorossiysk)	60.3	60.9	(0.9)%	62.6	68.6	(8.8)%
Dubai	62.1	61.2	1.5%	63.5	69.5	(8.5)%
	(USD per tonne)			(USD per tonne)		
Naphtha (av. FOB/CIF Med)	498	464	7.3%	488	588	(17.0)%
Naphtha (av. FOB Rotterdam/CIF NWE)	518	475	9.2%	503	600	(16.1)%
Naphtha (CFR Japan)	540	494	9.3%	523	615	(15.0)%
Fuel oil (av. FOB/CIF Med)	231	325	(28.9)%	330	397	(17.0)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	224	328	(31.6)%	327	391	(16.3)%
High sulphur fuel oil 180 cst (FOB Singapore)	276	394	(30.1)%	372	424	(12.3)%
Gasoil (av. FOB/CIF Med)	576	575	–	581	630	(7.8)%
Gasoil (av. FOB Rotterdam/CIF NWE)	576	574	0.4%	583	628	(7.3)%
Gasoil (FOB Singapore)	551	559	(1.5)%	563	616	(8.6)%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent	4.03	4.00	0.8%	4.16	4.46	(6.6)%
Urals (average Med and NWE)	3.92	3.96	(1.0)%	4.11	4.38	(6.2)%
Urals (FOB Primorsk)	3.81	3.87	(1.5)%	4.02	4.29	(6.3)%
Urals (FOB Novorossiysk)	3.84	3.93	(2.2)%	4.05	4.30	(5.9)%
Dubai	3.96	3.95	0.2%	4.11	4.36	(5.6)%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	31.7	29.9	5.9%	31.6	36.9	(14.3)%
Naphtha (av. FOB Rotterdam/CIF NWE)	33.0	30.6	7.8%	32.6	37.6	(13.3)%
Naphtha (CFR Japan)	34.4	31.9	7.9%	33.9	38.6	(12.2)%
Fuel oil (av. FOB/CIF Med)	14.7	21.0	(29.9)%	21.3	24.9	(14.3)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	14.3	21.2	(32.5)%	21.2	24.5	(13.6)%
High sulphur fuel oil 180 cst (FOB Singapore)	17.6	25.5	(31.0)%	24.1	26.6	(9.5)%
Gasoil (av. FOB/CIF Med)	36.7	37.2	(1.3)%	37.6	39.5	(4.8)%
Gasoil (av. FOB Rotterdam/CIF NWE)	36.7	37.1	(0.9)%	37.7	39.4	(4.3)%
Gasoil (FOB Singapore)	35.1	36.1	(2.8)%	36.4	38.6	(5.6)%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)		
Crude oil	19.6	19.5	0.6%	20.5	20.2	1.4%
Fuel oil	8.2	13.6	(39.7)%	12.9	14.0	(8.2)%
Summer diesel	38.1	40.1	(5.1)%	39.4	39.3	0.2%
Winter diesel	46.3	42.9	8.1%	43.0	42.7	0.7%
Jet fuel	40.8	38.6	5.7%	38.5	38.3	0.6%
High octane gasoline	38.8	39.9	(2.7)%	38.1	39.9	(4.5)%

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 3.1% in the twelve months of 2019 compared to the same period of 2018.

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 intended for subsequent implementation to all consumer groups is 1.4% effecting from July 2019. The indexation in 2018 amounted to 3.4% (since July – in regard to consumer price, since August 21 – in regard to producer price).

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, 2019	September 30, 2019	2019	2018
Producer price index (PPI) y-o-y	(5.6)%	(0.6)%	2.9%	4.3%
Average RUB/USD exchange rate for the period*	63.72	64.57	64.74	62.71
RUB/USD exchange rate at the end of the period	61.91	64.42	61.91	69.47
Average RUB/EUR exchange rate for the period	70.54	71.83	72.50	73.95
RUB/EUR exchange rate at the end of the period	69.34	70.32	69.34	79.46

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, 2019	September 30, 2019		2019	2018	
Mineral extraction tax						
Crude oil (RUB per tonne)	12,636	12,405	1.9%	13,038	12,468	4.6%
Export customs duty for crude oil						
Crude oil (USD per tonne)	88.7	95.1	(6.7)%	93.8	128.5	(27.0)%
Crude oil (RUB per tonne)	5,649	6,136	(7.9)%	6,068	8,094	(25.0)%
Crude oil (RUB per barrel)	763	829	(7.9)%	820	1,093	(25.0)%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	1,691	1,838	(8.0)%	1,818	2,426	(25.1)%
Naphtha (RUB per tonne)	3,103	3,370	(7.9)%	3,333	4,449	(25.1)%
Light and middle distillates (RUB per tonne)	1,691	1,838	(8.0)%	1,818	2,426	(25.1)%
Liquid fuels (fuel oil) (RUB per tonne)	5,649	6,136	(7.9)%	6,068	8,094	(25.0)%

*Calculated based on unrounded data.

Tax on additional income from production of hydrocarbons ("**excess profit tax**") is put into effect starting from January 2019. The amount of excess profit tax is determined as the difference between estimated revenues and production and transportation costs by applying rate of 50%.

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

Excise duties (RUB per tonne)	Since June 1 through December 31, 2018	Since January 1 through December 31, 2019	Since January 1 through December 31, 2020
High octane gasoline			
High octane gasoline non-compliant with euro-5	13,100	13,100	13,100
High octane gasoline euro-5	8,213	12,314	12,752
Naphtha	13,100	13,912	14,720
Diesel	5,665	8,541	8,835
Jet fuel	2,800	2,800	2,800
Lubricants	5,400	5,400	5,616
Benzol, paraxylene, ortoxylyene	2,800	2,929	3,058
Middle distillates	6,665	9,241	9,535

The Company's tax burden on revenues was 52.7% in 2019, most part relates to mineral extraction tax, excess profit tax and the export customs duty accounted (for approximately 84% in the twelve months of 2019).

The share of fiscal withdrawals in the Company's financial result (operating income before fiscal payments) amounted to 78% for the twelve months of 2019.

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 "AK "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, 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%.

Starting from January 1, 2019 Transneft tariffs for oil pipeline transportation increased by 3.87%.

Starting from February 1, 2019 transit tariffs through the territory of the Republic of Belarus increased by 7.6%.

Recent changes in railroad transportation tariffs

Starting from January 1, 2020 railroad transportation tariffs increased by 3.5%. Starting from January 1, 2019 railroad transportation tariffs increased by 3.5%.

Consolidated statement of profit or loss for the three months ended December 31, 2019 and September 30, 2019 and for the twelve months ended December 31, 2019 and 2018, respectively.

in RUB billions

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2019	September 30, 2019		2019	2018	
Revenues and equity share in profits of associates and joint ventures						
Oil, gas, petroleum products and petrochemicals sales	2,177	2,197	(0.9)%	8,490	8,076	5.1%
Support services and other revenues	22	20	10.0%	86	80	7.5%
Equity share in profits of associates and joint ventures	25	23	8.7%	100	82	22.0%
Total revenues and equity share in profits of associates and joint ventures	2,224	2,240	(0.7)%	8,676	8,238	5.3%
Costs and expenses						
Production and operating expenses	193	217	(11.1)%	715	626	14.2%
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	444	376	18.1%	1,566	1,115	40.4%
General and administrative expenses	57	32	78.1%	200	167	19.8%
Transportation costs and other commercial expenses	202	207	(2.4)%	733	638	14.9%
Exploration expenses	4	3	33.3%	11	11	–
Depreciation, depletion and amortization	177	172	2.9%	687	635	8.2%
Taxes other than income tax	666	669	(0.4)%	2,666	2,701	(1.3)%
Export customs duty	194	208	(6.7)%	793	1,061	(25.3)%
Total costs and expenses	1,937	1,884	2.8%	7,371	6,954	6.0%
Operating income	287	356	(19.4)%	1,305	1,284	1.6%
Finance income	30	36	(16.7)%	143	122	17.2%
Finance expenses	(51)	(56)	(8.9)%	(227)	(290)	(21.7)%
Other income	4	3	33.3%	11	49	(77.6)%
Other expenses	(18)	(14)	28.6%	(153)	(294)	(48.0)%
Foreign exchange differences	23	11	>100%	64	107	(40.2)%
Cash flow hedges reclassified to profit or loss	(37)	(36)	2.8%	(146)	(146)	–
Income before income tax	238	300	(20.7)%	997	832	19.8%
Income tax expense	(59)	(50)	18.0%	(192)	(183)	4.9%
Net income	179	250	(28.4)%	805	649	24.0%
Net income attributable to						
- Rosneft shareholders	158	225	(29.8)%	708	549	29.0%
- non-controlling interests	21	25	(16.0)%	97	100	(3.0)%

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, Brazil, Vietnam, Venezuela, Iraqi Kurdistan, Egypt and also 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, 2019	September 30, 2019		2019	2018	
Operational results						
Hydrocarbon production (th. boe per day)	5,814	5,740	1.3%	5,791	5,795	(0.1)%
Liquids production (th. barrels per day)	4,674	4,661	0.3%	4,674	4,673	–
Gas production (th. boe per day)	1,140	1,079	5.7%	1,117	1,122	(0.4)%
Hydrocarbon production (mln boe)*	498.8	493.1	1.2%	1,970.1	1,964.3	0.3%
Hydrocarbon production (mln toe)	72.2	71.3	1.3%	285.3	285.5	(0.1)%
Financial results, RUB billions						
EBITDA	460	473	(2.7)%	1,982	1,978	0.2%
Capital expenditures**	195	183	6.6%	773	840	(8.0)%
Upstream operating expenses	98.0	99.0	(1.0)%	391.8	381.2	2.8%
Indicators per boe						
EBITDA, RUB/boe*	908	925	(1.8)%	974	968	0.6%
Capital expenditures, RUB/boe	391	371	5.4%	392	428	(8.4)%
Upstream operating expenses, RUB/boe	196	201	(2.5)%	199	194	2.6%
Upstream operating expenses, USD/boe***	3.1	3.1	–	3.1	3.1	–

*Excluding effect of associates and joint ventures.

**Ref. to "Capital expenditures".

*** Calculated 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, 2019	September 30, 2019		2019	2018	
Revenues and equity share in profits of associates and joint ventures	1,156	1,152	0.3%	4,781	4,679	2.2%
<i>Including equity share in profits of associates and joint ventures</i>	7	17	(58.8)%	64	76	(15.8)%
Expenses net of depreciation	720	705	2.1%	2,912	2,863	1.7%
<i>including</i>						
Upstream operating expenses*	98	99	(1.0)%	392	381	2.8%
General and administrative expenses	18	15	20.0%	67	65	3.1%
Hydrocarbon procurement costs	5	3	66.7%	22	26	(15.4)%
Pipeline tariffs and transportation costs and other costs**	14	13	7.7%	46	38	21.1%
Exploration expenses	7	5	40.0%	18	16	12.5%
Taxes other than income tax	579	562	3.0%	2,372	2,341	1.3%
Effect of increase in stock of crude oil	(1)	8	–	(5)	(4)	25.0%
<i>Effect of prepayments offsetting</i>	24	26	(7.7)%	113	162	(30.2)%
EBITDA	460	473	(2.7)%	1,982	1,978	0.2%

*Percentage is calculated based on the unrounded data.

** Other costs include revision of ecological reserves of RUB 0.7 billion in the fourth quarter of 2019 and RUB 0.2 billion in the third quarter of 2019, RUB 1.6 billion and RUB 3.4 billion in the twelve months of 2019 and 2018, 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 Vietnam, Venezuela, Egypt and Iraqi Kurdistan.

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

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2019	September 30, 2019		2019	2018	
	(million of barrels)			(million of barrels)		
RN-Yuganskneftegaz (Western Siberia)	131.2	128.2	2.3%	514.9	519.8	(0.9)%
Samotlorneftegaz (Western Siberia)	36.5	36.3	0.6%	144.3	143.8	0.3%
Projects of the Vankor group (Eastern Siberia)	32.0	34.2	(6.4)%	134.5	159.0	(15.4)%
Bashneft-Dobycha (Ural-Volga)	30.5	30.4	0.3%	120.9	121.4	(0.4)%
Orenburgneft (Ural-Volga)	26.8	26.9	(0.4)%	107.5	110.4	(2.6)%
Samaraneftegaz (Ural-Volga)	24.0	24.0	–	93.4	89.7	4.1%
RN-Uvatneftegaz (Western Siberia)	19.3	19.6	(1.5)%	76.6	78.3	(2.2)%
Verkhnechonskneftegaz (Eastern Siberia)	14.6	14.6	–	57.9	61.0	(5.1)%
RN-Nyaganneftegaz (Western Siberia)	13.0	12.9	0.8%	51.0	43.3	17.8%
Varyeganneftegaz (Western Siberia)	11.6	11.8	(1.7)%	46.6	44.1	5.7%
Tomskneft (Western Siberia)	7.5	7.5	–	30.3	32.4	(6.5)%
Vostsibneftegaz (Eastern Siberia)	6.8	7.8	(12.8)%	30.0	17.1	75.4%
Taas-Yuryakh (Far East)	7.9	7.7	2.6%	29.4	21.5	36.7%
RN-Purneftegaz (Western Siberia)	6.7	6.6	1.5%	26.5	34.1	(22.3)%
Kondaneft (Western Siberia)	5.5	5.5	–	20.6	11.8	74.6%
RN-Severnaya Neft (Timan-Pechora)	4.6	5.0	(8.0)%	19.7	22.4	(12.1)%
Offshore projects (Far East)*	5.1	4.6	10.9%	19.4	19.6	(1.0)%
Rospan International (Western Siberia)	2.9	2.7	7.4%	11.4	11.6	(1.7)%
Sorovskneft (Western Siberia)	2.1	2.2	(4.5)%	9.3	11.0	(15.5)%
Kharampurneftegaz (Western Siberia)	2.0	2.2	(9.1)%	8.8	1.4	>100.0%
Bashneft-Polyus (Timan-Pechora)**	2.1	2.1	–	8.2	8.1	1.2%
Other	8.7	8.3	4.8%	31.7	25.8	22.9%
Liquids production by fully and proportionately consolidated enterprises	401.4	401.1	0.1%	1,592.9	1,587.6	0.3%
Slavneft (Western and Eastern Siberia)	12.9	13.4	(3.7)%	51.7	51.1	1.2%
Udmurtneft (Ural-Volga)	5.5	5.6	(1.8)%	21.8	22.3	(2.2)%
Messoyakhaneftegaz (Western Siberia)	5.5	5.3	3.8%	20.2	16.5	22.4%
Other	4.7	3.4	38.2%	19.4	28.1	(31.0)%
Total share in production of associates and JV	28.6	27.7	3.2%	113.1	118.0	(4.2)%
Total liquids production	430.0	428.8	0.3%	1,706.0	1,705.6	–
Daily liquids production (th. barrels per day)	4,674	4,661	0.3%	4,674	4,673	–

* Net of royalty and government share.

** Refers to 100% consolidated share in production.

For the fourth quarter of 2019, the average daily liquid hydrocarbons production amounted to 4.67 million barrels per day, having increased by 0.3% compared with the third quarter of 2019 mainly as a result of increased production at RN-Yuganskneftegaz fields and other assets.

For the twelve months of 2019 daily liquid hydrocarbons production amounted to 4.67 million barrels per day (230.2 mln tonnes), remaining at the level of the twelve months of 2018 in the context of OPEC+ Agreement renewal and temporary oil intake limitations by the Transneft pipeline system. The Company continues to actively develop new major projects (Yurubcheno-Tokhomskeye, Srednebotuobinskoye, Kondinskoye, Russkoye, East-Messoyakhskoye fields), as well as the development of brownfields.

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For the twelve months of 2019 development drilling footage amounted to 10.0 mln meters with in-house drilling share of at least 50%. The number of new wells commissioned exceeded 2.9 thousand units. Commissioning of new horizontal wells increased by 1%, while its share in the total well stock increased to 57%, increasing by 9 p.p. year-to-year. The number of newly commissioned horizontal wells with multistage hydro fracturing was 986 units, which represents 34% of the total new wells commissioned during the period.

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, 2019	September 30, 2019		2019	2018	
	bcm			bcm		
Sibneftegas (Western Siberia)	2.84	2.89	(1.7)%	11.37	11.96	(4.9)%
Rospan International (Western Siberia)	1.74	1.59	9.4%	6.67	6.63	0.6%
Projects of the Vankor group (Eastern Siberia)**	1.47	1.45	1.4%	6.16	7.25	(15.0)%
Samotlorneftegaz (Western Siberia)	1.59	1.42	12.0%	6.04	5.90	2.4%
RN-Yuganskneftegaz (Western Siberia)	1.28	1.23	4.1%	4.83	4.77	1.3%
RN-Purneftegaz (Western Siberia)	1.08	1.06	1.9%	4.30	5.39	(20.2)%
Zohr project (Egypt)***	1.04	1.09	(4.6)%	4.12	2.16	90.7%
Varyeganneftegaz (Western Siberia)	1.09	1.01	7.9%	4.09	4.06	0.7%
Offshore projects (Far East)***,***	0.80	0.42	90.5%	2.32	3.12	(25.6)%
RN-Nyaganneftegaz (Western Siberia)	0.57	0.53	7.5%	2.16	1.78	21.3%
RN-Krasnodarneftegaz (Southern Russia)	0.45	0.42	7.1%	1.81	1.99	(9.0)%
Verkhnechonskneftegaz (Eastern Siberia)	0.31	0.33	(6.1)%	1.25	0.87	43.7%
Orenburgneft (Ural-Volga)	0.29	0.29	–	1.18	1.38	(14.5)%
Kharampurneftegaz (Western Siberia)	0.25	0.24	4.2%	0.94	0.12	>100%
Tomskneft (Western Siberia)	0.25	0.21	19.0%	0.94	0.95	(1.1)%
Rosneft Vietnam B.V. (Vietnam)	0.17	0.20	(15.0)%	0.78	0.78	–
Samaraneftegaz (Ural-Volga)	0.13	0.13	–	0.51	0.52	(1.9)%
Bashneft-Dobycha (Ural-Volga)**	0.13	0.12	8.3%	0.50	0.50	–
RN-Sakhalinmorneftegaz (Far East)	0.11	0.09	22.2%	0.40	0.37	8.1%
RN-Uvatneftegaz (Western Siberia)	0.08	0.06	33.3%	0.29	0.30	(3.3)%
RN-Severnaya Neft (Timan-Pechora)	0.04	0.04	–	0.16	0.19	(15.8)%
Other	0.28	0.29	(3.4)%	1.12	0.86	30.2%
Total gas production by fully and proportionately consolidated enterprises	15.99	15.11	5.8%	61.94	61.85	0.1%
Purgaz (Western Siberia)	1.05	1.03	1.9%	4.28	4.72	(9.3)%
Slavneft (Western and Eastern Siberia)	0.12	0.12	–	0.48	0.47	2.1%
Other	0.06	0.04	50.0%	0.25	0.22	13.6%
Total share in production of associates and JV	1.23	1.19	3.4%	5.01	5.41	(7.4)%
Total gas production	17.22	16.30	5.6%	66.95	67.26	(0.5)%
Natural gas	8.22	8.07	1.9%	32.77	32.33	1.4%
Associated gas	9.00	8.23	9.4%	34.18	34.93	(2.1)%
Daily gas production (mcm per day)	187.2	177.2	5.6%	183.4	184.3	(0.5)%

*Production volume equals extracted volume minus flared volume and gas used for NGL production. Gross gas production amounted to 20.0 bcm for the fourth quarter of 2019 and 19.2 bcm for the third quarter of 2019; 77.2 bcm and 74.2 bcm for the twelve months of 2019 and 2018, respectively.

**Including gas injection to maintain reservoir pressure.

*** Net of royalty and government share.

Gas production for the fourth quarter of 2019 amounted to 17.22 bcm, increasing by 5.6% compared with the third quarter of 2019. The increase in gas production was mainly due to scheduled preventive repairs in the third quarter of 2019 both at own production facilities and at Sibur gas processing plants, as well as a seasonal increase in demand in the autumn-winter period.

Gas production for the twelve months of 2019 amounted to 66.95 bcm which corresponds to the level of 2018 (with minor deviations).

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 7 billion and RUB 17 billion in the fourth and third quarter of 2019, respectively.

The equity share in financial results of upstream associates and joint ventures in 2019 amounted to RUB 64 billion.

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 2019 compared with the third quarter of 2019 upstream operating expenses decreased by 1.0% to RUB 98.0 billion (a decrease of 2.5% per boe), against industrial producer price index (-5.6% comparing to the third quarter of 2019), partially offset by higher seasonal costs in the winter period.

Upstream production and operating expenses per boe increased in the twelve months of 2019 by 2.6% (199 RUB/boe) which is lower than the rate of industrial producer price index (2.9%) compared with the same period of 2018. Increased operating expenses were due to higher electricity tariffs, transport costs and wages expenses.

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 and third quarters of 2019 were RUB 4 billion and RUB 3 billion, respectively. In the twelve months of 2019 exploration expenses have not changed compared to the twelve month of 2018 and amounted to RUB 11 billion.

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, 2019	September 30, 2019		2019	2018	
	(thousand RUB, except %)					
Average enacted mineral extraction tax rate (per tonne)	12.64	12.41	1.9%	13.04	12.47	4.6%
Actual mineral extraction tax expense per tonne of oil produced	9.73	9.49	2.5%	10.20	10.44	(2.3)%
Actual mineral extraction tax expense per tonne of oil equivalent produced*	7.90	7.79	1.4%	8.33	8.50	(2.0)%
	(RUB, except %)					
Actual gas extraction tax rate per thousand cubic meters	575	575	–	573	551	4.0%
Actual extraction tax rate on gas condensate per tonne**	5,346	5,233	2.2%	5,475***	4,309	27.1%

*Including consolidated oil and gas volumes.

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

*** The actual MET rate on condensate for the twelve month of 2019 increased compared with the same period of 2018 which is mainly due to mineral extraction tax rate increase by the amount of reduction in export customs duties on crude oil multiplied by 0.75.

¹ Net of intercompany turnover of RUB 3 billion and RUB 2 billion in the fourth and third quarters of 2019, respectively. For the twelve months of 2019 and 2018 intercompany turnover was RUB 7 billion and RUB 5 billion, respectively.

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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 in 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%. For the fourth and third quarters of 2019 excess profit tax expense was RUB 31 billion and RUB 30 billion, respectively. For the twelve months of 2019 excess profit tax expense amounted to RUB 96 billion.

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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, 2019	September 30, 2019	% change	2019	2018	% change
Operational results, mln tonne						
Crude oil processing at refineries	28.33	30.07	(5.8)%	110.23	115.04	(4.2)%
<i>Processing at Company's own refineries in Russia</i>	23.49	25.19	(6.7)%	92.56	95.40	(3.0)%
<i>Processing at Company's own refineries outside Russia</i>	2.81	2.77	1.4%	10.01	11.53	(13.2)%
<i>Processing at Associates' refineries*</i>	2.03	2.11	(3.8)%	7.66	8.11	(5.5)%
Financial results, RUB billion						
EBITDA	53	67	(20.9)%	181	163	11.0%
Capital expenditures of refineries**	10	11	(9.1)%	46	55	(16.4)%
Operating expenses of processing in Russia	38.3	35.7	7.3%	138.2	130.0	6.3%
Operating expenses of processing outside Russia	6.1	5.8	5.2%	23.0	26.9	(14.5)%
Indicators per tonne of the output, RUB per tonne***						
Capital expenditure of refineries	380	393	(3.3)%	448	514	(12.8)%
Operating expenses for processing in Russia	1,630	1,417	15.0%	1,493	1,364	9.5%
Operating expenses for processing outside Russia****	2,171	2,094	3.7%	2,498	2,333	7.1%

*Excluding processing at Nayara.

**Refer to "Capital expenditures".

***Calculated from unrounded data.

****Excluding on-off effect of cost adjustment in the second quarter of 2019 relating to the year 2018 of RUB 2 billion (USD 28.6 million).

Downstream EBITDA

	For 3 months ended			For 12 months ended December 31,		
	December 31, 2019	September 30, 2019	% change	2019	2018	% change
	RUB billion			RUB billion		
Revenues and equity share in profits of associates and joint ventures	2,220	2,233	(0.6)%	8,641	8,255	4.7%
<i>Including equity share in profits of associates and joint ventures</i>	16	6	>100%	32	5	>100%
Expenses net of depreciation including	2,184	2,165	0.9%	8,468	8,086	4.7%
Operating expenses of processing in Russia	38	36	7.3%	138	130	6.3%
Operating expenses of processing outside Russia, cost of additives	14	15	(6.7)%	49	52	(5.8)%
Operating expenses of retail entities	11.5	9.7	18.6%	39.8	38.8	2.6%
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	1,619	1,581	2.4%	6,340	5,761	10.1%
Administrative expenses, including loss allowance for expected credit losses ¹	26	33	(21.2)%	86	47	83.0%
Pipeline tariffs and transportation costs	200	205	(2.4)%	728	635	14.6%
Taxes other than income tax	81	77	5.2%	294	361	(18.6)%
Export customs duty	194	208	(6.7)%	793	1,061	(25.3)%
EBITDA Downstream	36	68	(47.1)%	173	169	2.4%
<i>Effect of intragroup inventory and others</i>	17	(1)	–	8	(6)	–
EBITDA	53	67	(20.9)%	181	163	11.0%

¹Includes estimation of allowance for expected credit losses of RUB 40 bln in 2019 in accordance with IFRS 9.

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 volumes:

	For 3 months ended		%	For 12 months ended December 31,		%	
	December 31, 2019	September 30, 2019		2019	2018		change
	mln of tonnes			mln of tonnes			
Crude oil processing at refineries in Russia*	25.51	27.22	(6.3)%	100.10	103.34	(3.1)%	
Crude oil processing at refineries outside Russia	2.82	2.85	(1.1)%	10.13	11.70	(13.4)%	
<i>including crude oil processing in Germany**</i>	<i>2.81</i>	<i>2.77</i>	<i>1.4%</i>	<i>10.01</i>	<i>11.53</i>	<i>(13.2)%</i>	
<i>including crude oil processing in Belarus</i>	<i>0.01</i>	<i>0.08</i>	<i>(87.5)%</i>	<i>0.12</i>	<i>0.17</i>	<i>(29.4)%</i>	
Total Group crude oil processing	28.33	30.07	(5.8)%	110.23	115.04	(4.2)%	
Petroleum product output:							
High octane gasoline	3.60	4.02	(10.4)%	15.09	14.99	0.7%	
Low octane gasoline	0.01	0.01	–	0.04	0.09	(55.6)%	
Naphtha	1.58	1.57	0.6%	5.62	6.40	(12.2)%	
Diesel	8.23	8.82	(6.7)%	32.63	34.07	(4.2)%	
Fuel oil	6.49	6.28	3.3%	23.96	23.99	(0.1)%	
Jet fuel	0.72	1.01	(28.7)%	3.35	3.56	(5.9)%	
Petrochemicals	0.42	0.30	40.0%	1.54	1.57	(1.9)%	
Other	3.67	4.30	(14.7)%	14.55	15.06	(3.4)%	
Product output at Rosneft's refineries in Russia	24.72	26.31	(6.0)%	96.78	99.73	(3.0)%	
Product output at refineries outside Russia	2.99	2.99	–	10.68	11.93	(10.5)%	
<i>including crude oil output in Germany</i>	<i>2.98</i>	<i>2.92</i>	<i>2.1%</i>	<i>10.57</i>	<i>11.80</i>	<i>(10.4)%</i>	
<i>including product output in Belarus</i>	<i>0.01</i>	<i>0.07</i>	<i>(85.7)%</i>	<i>0.11</i>	<i>0.13</i>	<i>(15.4)%</i>	
Total Group product output	27.71	29.30	(5.4)%	107.46	111.66	(3.8)%	

*Including processing at YANOS refinery.

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

Rosneft's total refinery throughput in Russia in the fourth quarter of 2019 amounted to 25.51 mln tonnes, decreasing by 6.3% comparing to the third quarter of 2019. The decrease is caused by scheduled turnarounds and optimization of production capacities.

Reduction of processing by 13.2% for the twelve months of 2019 in comparison with the same period of 2018 was mainly due to production decrease in PCK Raffinerie GmbH in the context of limitation of oil intake by the pipeline system in May-June 2019, due to scheduled turnarounds at PCK Raffinerie GmbH in March-April 2019, and due to incomplete production capacity at Bayernoil Raffineriegesellschaft GmbH caused by an incident in September 2018.

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Financial indicators

Revenues and equity share in profits of associates and joint ventures

Decrease in revenues in RUB terms in the fourth quarter of 2019 compared with the third quarter of 2019 is mainly due to lower sales price of petroleum products driven by expectations from the introduction of new IMO requirements and oil price decrease (1.0% in RUB terms compared with the third quarter of 2019).

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

	For 3 months ended					For 12 months ended December 31,				
	December 31, 2019		September 30, 2019		% change	2019		2018		% change
	% of revenue	% of revenue	% of revenue	% of revenue		% of revenue	% of revenue			
RUB billion, except %										
Crude oil										
International Sales to non-CIS	996	44.7%	953	42.5%	4.5%	3,899	44.8%	3,419	41.5%	14.0%
Europe and other directions	398	17.8%	439	19.6%	(9.3)%	1,747	20.0%	1,673	20.3%	4.4%
Asia	598	26.9%	514	22.9%	16.3%	2,152	24.8%	1,746	21.2%	23.3%
International sales to CIS	52	2.3%	53	2.4%	(1.9)%	206	2.4%	203	2.5%	1.5%
Domestic sales	33	1.5%	34	1.5%	(2.9)%	129	1.5%	123	1.5%	4.9%
Total crude oil	1,081	48.5%	1,040	46.4%	3.9%	4,234	48.7%	3,745	45.5%	13.1%
Gas	68	3.1%	61	2.7%	11.5%	259	3.0%	234	2.8%	10.7%
Petroleum products										
International Sales to non-CIS	564	25.5%	584	26.1%	(3.4)%	2,128	24.5%	2,272	27.6%	(6.3)%
Europe and other directions	419	19.0%	450	20.1%	(6.9)%	1,626	18.7%	1,700	20.7%	(4.4)%
Asia	145	6.5%	134	6.0%	8.2%	502	5.8%	572	6.9%	(12.2)%
International Sales to CIS	30	1.3%	27	1.2%	11.1%	127	1.5%	151	1.8%	(15.9)%
Domestic sales	396	17.8%	436	19.5%	(9.2)%	1,566	18.0%	1,489	18.1%	5.2%
Sales of bunker fuel to end-users	12	0.5%	23	1.0%	(47.8)%	76	0.9%	85	1.0%	(10.6)%
Total petroleum products	1,002	45.1%	1,070	47.8%	(6.4)%	3,897	44.9%	3,997	48.5%	(2.5)%
Petrochemical products	26	1.2%	26	1.2%	–	100	1.2%	100	1.2%	–
International sales	12	0.6%	16	0.8%	(25.0)%	47	0.6%	41	0.5%	14.6%
Domestic sales	14	0.6%	10	0.4%	40.0%	53	0.6%	59	0.7%	(10.2)%
Sales of petroleum products petrochemicals	1,028	46.3%	1,096	49.0%	(6.2)%	3,997	46.1%	4,097	49.7%	(2.4)%
Support services and other revenues	22	1.0%	20	0.9%	10.0%	86	1.0%	80	1.0%	7.5%
Equity share in profits of associates and joint ventures	25	1.1%	23	1.0%	8.7%	100	1.2%	82	1.0%	22.0%
Total revenues and equity share in profits of associates and joint ventures	2,224	100.0%	2,240	100.0%	(0.7)%	8,676	100.0%	8,238	100.0%	5.3%

*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, 2019		September 30, 2019		% change	2019		2018		% 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	280.6	52.7%	260.6	50.1%	7.7%	1,041.7	52.2%	851.4	46.9%	22.4%
Europe and other directions	108.1	20.2%	117.7	22.6%	(8.2)%	451.6	22.6%	413.1	22.7%	9.3%
Asia	172.5	32.5%	142.9	27.5%	20.7%	590.1	29.6%	438.3	24.2%	34.6%
International Sales to CIS	16.3	3.1%	17.7	3.4%	(7.9)%	64.4	3.2%	64.4	3.6%	–
Domestic	11.1	2.1%	11.1	2.1%	–	41.5	2.1%	40.0	2.2%	3.8%
Total crude oil	308.0	57.9%	289.4	55.6%	6.4%	1,147.6	57.5%	955.8	52.7%	20.1%
			mln tonnes					mln tonnes		
International Sales to non-CIS	37.9	52.7%	35.2	50.1%	7.7%	140.7	52.2%	115.0	46.9%	22.4%
Europe and other directions	14.6	20.2%	15.9	22.6%	(8.2)%	61.0	22.6%	55.8	22.7%	9.3%
Asia	23.3	32.5%	19.3	27.5%	20.7%	79.7	29.6%	59.2	24.2%	34.6%
International Sales to CIS	2.2	3.1%	2.4	3.4%	(7.9)%	8.7	3.2%	8.7	3.6%	–
Domestic sales	1.5	2.1%	1.5	2.1%	–	5.6	2.1%	5.4	2.2%	3.8%
Total crude oil	41.6	57.9%	39.1	55.6%	6.4%	155.0	57.5%	129.1	52.7%	20.1%
Petroleum products										
International Sales to non-CIS	18.0	25.1%	17.4	24.8%	3.4%	64.1	23.7%	66.0	26.9%	(2.9)%
Europe and other directions	13.1	18.3%	12.9	18.4%	1.6%	47.5	17.5%	49.0	20.0%	(3.1)%
Asia	4.9	6.8%	4.5	6.4%	8.9%	16.6	6.2%	17.0	6.9%	(2.4)%
International Sales to CIS	0.8	1.1%	0.9	1.3%	(11.1)%	3.7	1.4%	4.1	1.7%	(9.8)%
Domestic sales	10.3	14.3%	11.6	16.5%	(11.2)%	41.4	15.4%	39.9	16.3%	3.8%
Sales of bunker fuel to end-users	0.4	0.6%	0.8	1.1%	(50.0)%	2.8	1.0%	3.1	1.3%	(9.7)%
Total petroleum products	29.5	41.1%	30.7	43.7%	(3.9)%	112.0	41.5%	113.1	46.2%	(1.0)%
Petrochemical products	0.7	1.0%	0.5	0.7%	34.1%	2.6	1.0%	2.8	1.1%	(7.1)%
International sales	0.3	0.4%	0.2	0.3%	28.3%	1.0	0.4%	1.1	0.4%	(9.1)%
Domestic sales	0.4	0.6%	0.3	0.4%	33.3%	1.6	0.6%	1.7	0.7%	(5.9)%
Total crude oil and products, LNG	71.8	100.0%	70.3	100.0%	2.1%	269.6	100.0%	245.0	100.0%	10.0%
			bcm					bcm		
Gas sales volumes	16.05		14.34		11.9%	61.77		62.03		(0.4)%

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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					For 12 months ended December 31,				
	December 31, 2019		September 30, 2019		% change	2019		2018		% change
	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	3.63	26.9	3.78	28.0	(3.9)%	3.86	28.6	4.23	31.3	(8.6)%
Europe and other directions**	3.67	27.1	3.75	27.7	(2.2)%	3.87	28.6	4.08	30.2	(5.3)%
Asia**	3.61	26.7	3.82	28.3	(5.7)%	3.85	28.5	4.38	32.4	(12.0)%
Crude oil, CIS	3.12	23.1	3.02	22.4	3.1%	3.19	23.6	3.16	23.4	0.9%
Petroleum products, non-CIS		31.3		33.7	(7.1)%		33.3		34.7	(4.0)%
Europe and other directions		32.0		34.9	(8.3)%		34.3		35.0	(2.0)%
Asia		29.3		30.1	(2.7)%		30.5		34.0	(10.3)%
Petroleum products, CIS		33.5		31.5	6.3%		33.9		36.7	(7.6)%
Petrochemical products		42.0		43.6	(3.7)%		44.4		38.6	15.0%
Average domestic prices										
Crude oil	3.02	22.4	2.98	22.1	1.4%	3.11	23.0	3.06	22.6	1.8%
Petroleum products		38.6		37.8	2.1%		37.9		37.4	1.3%
Gas (th. RUB./th. cubic meter)***		3.60		3.46	4.0%		3.52		3.39	3.8%
Petrochemical products		31.8		35.4	(10.2)%		33.3		34.7	(4.0)%
Sales of bunker fuel to end-users		29.2		27.2	7.4%		27.0		27.3	(1.1)%

*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 38 billion and RUB 36 billion and in the fourth and third quarters of 2019, respectively; RUB 151 billion in the twelve months of 2019 and in the twelve months of 2018).

***Including gas sales outside the Russian Federation average gas prices were 4.21 th. RUB/th. cubic meter in the fourth quarter and 4.23 th. RUB/th. cubic meter in the third quarter of 2019; 4.19 th. RUB/th. cubic meter in the twelve months of 2019 and 3.77 th. RUB/th. cubic meter in the twelve months of 2018.

International Crude Oil Sales to non-CIS

Revenue increase in international crude oil sales to non-CIS countries in the fourth quarter of 2019 compared to the third quarter of 2019 was due to the upturn in sales volume of 7.7% (positive impact on revenues of RUB 82 billion) and was partially offset by the average sales price downturn by 3.9% (negative impact of RUB 41 billion).

Revenue growth of international crude oil sales to non-CIS countries in the twelve months of 2019 compared with the same period of 2018 was due to the increase in sales volume by 22.4% (positive impact of RUB 807 billion) and was partially offset by the average sales price downturn by 8.6% (negative impact of RUB 369 billion).

International Crude Oil Sales to CIS

Revenue decrease in international crude oil sales to CIS countries in the fourth quarter of 2019 compared to the third quarter of 2019 was due to the downturn in sales volume by 7.9% (negative impact of RUB 4 billion) and was partially offset by the increase in average sales price of 3.1% (positive impact of RUB 3 billion).

Revenue of international crude oil sales to CIS countries increased in the twelve months of 2019 compared with the same period of 2018 due to the growth in average sales price of 0.9% (positive impact of RUB 3 billion).

Domestic Sales of Crude Oil

Revenue decrease in domestic sales of crude oil in the fourth quarter of 2019 compared with the third quarter of 2019 amounted to RUB 1 billion.

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Revenue increase of domestic sales of crude oil in the twelve months of 2019 compared with the same period of 2018 was due to the upturn in sales volume by 3.8% (positive impact of RUB 5 billion) and the increase in average sales price of 1.8% (positive impact of RUB 1 billion).

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 2019*:

	For 3 months ended						% change		
	December 31, 2019			September 30, 2019			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	13	0.3	40.4	15	0.4	38.9	(13.3)%	(25.0)%	3.9%
Naphtha	50	1.6	32.7	49	1.5	31.6	2.0%	6.7%	3.5%
Diesel (Gasoil)	120	3.5	34.3	120	3.5	35.4	–	–	(3.1)%
Fuel oil	137	7.4	18.5	164	7.0	23.4	(16.5)%	5.7%	(20.9)%
Other	6	0.2	26.0	4	0.1	28.1	–	–	–
Petroleum products exported to non-CIS	326	13.0	25.2	352	12.5	28.2	(7.4)%	4.0%	(10.6)%
Petroleum products sold from German refineries	133	2.7	50.0	138	2.7	51.1	(3.6)%	–	(2.2)%
Petroleum products bought and sold outside Russia	105	2.3	45.7	94	2.2	43.9	10.4%**	4.5%	4.1%
Trading of petroleum products outside Russia	238	5.0	46.9	232	4.9	47.9	2.6%	2.0%	(2.1)%
Total	564	18.0	31.3	584	17.4	33.7	(3.4)%	3.4%	(7.1)%

* Average price is calculated from unrounded figures.

** % change is calculated from unrounded figures.

Revenue decrease in the international sales of petroleum products to non-CIS countries in the fourth quarter of 2019 compared to the third quarter of 2019 was due to the downturn in average sales price of 7.1% (negative impact of RUB 43 billion) and was partially offset by the sales volume growth of 3.4% (positive impact of RUB 23 billion).

The table below sets forth Rosneft's revenues, volume and average price per tonne of petroleum products sold to non-CIS countries in the twelve months of 2019 and 2018*:

	For 12 months ended December 31,						% change		
	2019			2018			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	42	1.1	39.5	30	0.7	42.1	40.0%	57.1%	(6.2)%
Naphtha	168	5.3	31.9	227	6.2	36.8	(26.0)%	(14.5)%	(13.3)%
Diesel (Gasoil)	482	13.6	35.7	587	16.0	37.8	(17.9)%	(15.0)%	(5.6)%
Fuel oil	595	26.2	23.0	652	25.2	25.9	(8.7)%	4.0%	(11.2)%
Other	21	0.7	27.2	27	0.8	35.7	–	–	–
Petroleum products exported to non-CIS	1,308	46.9	28.1	1,523	48.9	31.6	(14.1)%	(4.1)%	(11.1)%
Petroleum products sold from German refineries	496	9.5	52.5	537	10.7	50.1	(7.6)%	(11.2)%	4.8%
Petroleum product purchased and sold outside Russia	324	7.7	42.0	212	6.4	33.0	52.8%	20.3%	27.3%
Trading of petroleum products outside Russia	820	17.2	47.7	749	17.1	43.7	9.5%	0.6%	9.2%
Total	2,128	64.1	33.3	2,272	66.0	34.7	(6.3)%	(2.9)%	(4.0)%

* Average price is calculated based on the unrounded figures.

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Revenue decrease in sales of petroleum products to non-CIS countries in the twelve months of 2019 compared with the same period of 2018 was attributable to the average price downturn of 4.0% (negative impact of RUB 89 billion) and the sales volume decrease of 2.9% (negative impact of RUB 62 billion).

International Petroleum Product Sales to CIS

Revenue growth in international sales of petroleum products to CIS countries in the fourth quarter of 2019 compared with the third quarter of 2019 was due to the average price increase of 6.3% (positive impact of RUB 4 billion) and was partially offset by the sales volume downturn of 11.1% (negative impact of RUB 1 billion).

Revenue decrease in international sales of petroleum products to CIS countries in the twelve months of 2019 compared with the same period of 2018 was attributable to the sales volume decrease of 9.8% (negative impact of RUB 14 billion) and the average price downturn of 7.6% (negative impact of RUB 10 billion).

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 2019*:

	For 3 months ended						% change		
	December 31, 2019			September 30, 2019					
	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	158	3.5	45.3	173	3.9	44.3	(8.7)%	(10.3)%	2.3%
Diesel (Gasoil)	178	3.9	44.5	186	4.5	42.5	(4.3)%	(13.3)%	4.7%
Fuel oil	11	1.1	11.2	9	0.7	13.8	22.2%	57.1%	(18.8)%
Jet fuel	31	0.7	42.3	41	1.0	40.9	(24.4)%	(30.0)%	3.4%
Other	18	1.1	17.4	27	1.5	16.1	–	–	–
Total	396	10.3	38.6	436	11.6	37.8	(9.2)%	(11.2)%	2.1%

*Average price is calculated from unrounded figures.

Revenue decrease in sales of petroleum products on the domestic market in the fourth quarter of 2019 compared with the third quarter of 2019 was due to the downturn in sales volume of 11.2% (negative impact of RUB 49 billion) and was partially offset by the upturn in average sales price of 2.1% (positive impact of RUB 9 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russian regions in the twelve months of 2019 and 2018*:

	For 12 months ended December 31,						% change		
	2019			2018					
	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	632	14.5	43.7	620	14.2	43.7	1.9%	2.1%	–
Diesel (Gasoil)	668	15.4	43.3	593	14.1	42.0	12.6%	9.2%	3.1%
Fuel oil	45	3.3	14.0	46	3.1	15.0	(2.2)%	6.5%	(6.7)%
Jet fuel	138	3.3	41.4	149	3.5	42.5	(7.4)%	(5.7)%	(2.6)%
Other	83	4.9	17.1	81	5.0	16.3	2.5%	(2.0)%	4.9%
Total	1,566	41.4	37.9	1,489	39.9	37.4	5.2%	3.8%	1.3%

*Average price is calculated from unrounded figures.

Revenue increase from sales of petroleum products on the domestic market in the twelve months of 2019 compared with the same period of 2018 was due to the growth in sales volume of 3.8% (positive impact of RUB 56 billion) and the increase in average sales price of 1.3% (positive impact of RUB 21 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 in the fourth quarter of 2019 compared with the third quarter of 2019 decreased mainly due to the 50.0% decrease in sales volume (negative effect of RUB 12 billion) which was partially offset by the increase in average sales price of 7.4% (positive impact of RUB 1 billion).

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Revenues from sales of bunker fuel in the twelve months of 2019 compared with the same period of 2018 decreased due to the downturn of sales volume by 9.7% (negative impact of RUB 8 billion) and the decrease in average sales price by 1.1% (negative impact of RUB 1 billion).

The downturn in sales volume of bunker fuel was due to decreased demand for high-sulfur fuel oil caused by expectations from IMO restrictive requirements.

Petrochemical Products Sales

Revenues from international sales of petrochemical products in the fourth quarter of 2019 compared with the third quarter of 2019 decreased due to the downturn in average sales price of 3.7% (negative impact of RUB 5 billion) which was partially offset by the increase in sales volume by 28.3% (positive impact of RUB 1 billion). Revenues from international sales of petrochemical products in the twelve months of 2019 compared with the same period of 2018 increased due to the upturn in average sales price of 15.0% (positive impact of RUB 10 billion) which was partially offset by the sales volume decrease of 9.1% (negative impact of RUB 4 billion).

Revenues from domestic sales of petrochemical products in the fourth quarter of 2019 compared with the third quarter of 2019 increased due to the sales volume upturn of 33.3% (positive impact of RUB 5 billion) which was partially offset by the average sales price decrease of 10.2% (negative impact of RUB 1 billion). Revenues from domestic sales of petrochemical products in the twelve months of 2019 compared with the same period of 2018 decreased due to the sales volume downturn of 5.9% (negative impact of RUB 3 billion) and the decrease in average sales price of 4.0% (negative impact of RUB 3 billion).

Gas Sales

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

	For 3 months ended		%	For 12 months ended		%
	December 31, 2019	September 30, 2019		December 31, 2019	2018	
Revenue	RUB billion			RUB billion		
In the Russian Federation	53.4	45.2	18.1%	200.4	200.5	–
Outside the Russian Federation	14.1	15.6	(9.6)%	58.4	33.3	75.4%
Total	67.5	60.8	11.0%	258.8	233.8	10.7%
Sales volumes	Bcm			bcm		
In the Russian Federation	14.85	13.06	13.7%	56.92	59.13	(3.7)%
Outside the Russian Federation	1.20	1.28	(6.3)%	4.85	2.90	67.2%
Total	16.05	14.34	11.9%	61.77	62.03	(0.4)%
Average price	th. RUB/th. of cubic metres			th. RUB/th. of cubic metres		
In the Russian Federation	3.60	3.46	4.0%	3.52	3.39	3.8%
Outside the Russian Federation	11.77	12.08	(2.6)%	12.03	11.46	5.0%
Average price of the Company	4.21	4.23	(0.5)%	4.19	3.77	11.1%

*Average price is calculated from unrounded figures.

Gas sales in the Russian Federation in the fourth quarter of 2019 compared with the third quarter of 2019 increased mainly due to the sales volume growth by 13.7% and the average sales price upturn by 4.0%.

Gas sales in the Russian Federation in the twelve months of 2019 are the same as compared with the twelve months of 2018. Significant growth of gas revenues outside Russia was driven mainly by the gas production growth at Zohr project.

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 statements of profit or loss.

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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, 2019		September 30, 2019			2019		2018		
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
	billion RUB, except %									
Drilling services	0.7	3.3%	0.7	3.5%	–	3.0	3.5%	3.0	3.7%	–
Sales of materials	6.4	29.8%	5.6	28.1%	14.3%	27.7	32.3%	30.7	38.3%	(9.8)%
Repairs and maintenance services	1.0	4.7%	1.0	5.0%	–	3.8	4.4%	2.8	3.5%	35.7%
Rent services	1.5	7.0%	1.3	6.5%	15.4%	5.4	6.3%	5.3	6.6%	1.9%
Transport services	4.5	20.9%	4.9	24.6%	(8.2)%	18.8	21.9%	15.2	18.9%	23.7%
Electric power sales and transmission	3.5	16.3%	2.3	11.6%	52.2%	11.7	13.7%	10.8	13.4%	8.3%
Other revenues	3.9	18.0%	4.1	20.7%	(4.9)%	15.3	17.9%	12.5	15.6%	22.4%
Total	21.5	100.0%	19.9	100.0%	8.0%	85.7	100.0%	80.3	100.0%	6.7%

Financial result of associates and joint ventures

Net financial results (profits) of downstream associates and joint ventures amounts to RUB 32 billion and RU 5 billion for the twelve months of 2019 and 2018, respectively. An increase if compared to the year of 2018 is due to the income recognition related to Kurdistan and Nayara projects.

Downstream production and operating costs

Downstream operating expenses include*:

	For 3 months ended			% change	For 12 months ended December 31,		% change
	December 31, 2019		September 30, 2019		December 31,		
	2019		2019		2019		
	billion RUB, except %						
Operating expenses at refineries in Russia	38.3	35.7	7.3%	138.2	130.0	6.3%	
Operating expenses at refineries outside Russia	6.1	5.8	5.2%	23.0	26.9	(14.5)%	
Additives and materials for processing at refineries outside Russia	7.6	9.0	(15.6)%	25.6	25.3	1.2%	
Operating expenses of retail entities	11.5	9.7	18.6%	39.8	38.8	2.6%	
Downstream operating expenses	63.5	60.2	5.5%	226.6	221.0	2.5%	

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

Operating expenses of refineries and retail entities in the fourth quarter of 2019 compared with the third quarter of 2019 increased by 5.5%. Decrease in cost of additives and materials costs for processing at refineries outside Russia was due to growth of crude oil processing in the third quarter due to termination of limitation of oil intake by the pipeline system.

The increase in the operating expenses of refineries and retail entities in the twelve months of 2019 compared with the same period of 2018 was 2.5%. The increase in operating expenses at the refineries in Russia of 6.3% caused by growth of tariffs of natural monopolies and indexation of wages was compensated by decrease in expenses at the refineries outside Russia in the twelve months of 2019.

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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, 2019	September 30, 2019		December 31, 2019	2018	
Operating expenses at refineries in Russia (RUB billion)	38.3	35.7	7.3%	138.2	130.0	6.3%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,683	1,465	14.9%	1,542	1,410	9.4%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,630	1,417	15.0%	1,493	1,364	9.5%
Operating expenses at refineries outside Russia (RUB billion)*	6.1	5.8	5.2%	23.0	26.9	(14.5)%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,047	1,986	3.1%	2,365	2,280	3.7%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,171	2,094	3.7%	2,498	2,333	7.1%
Total operating expenses at Rosneft's refineries (RUB billion)	44.4	41.5	7.0%	161.2	156.9	2.7%

*Refineries outside Russia also procured the additives and materials for processing: in the fourth quarter – RUB 7.6 billion, in the third quarter of 2019 – RUB 9.0 billion, in the twelve months of 2019 – RUB 25.6 billion; in the twelve months of 2018 – RUB 25.3 billion.

Operating expenses of Rosneft's refineries in Russia in the fourth quarter of 2019 compared with the third quarter of 2019 increased by 7.3% to RUB 38.3 billion, mainly due to scheduled increase in turnarounds.

Operating expenses of Rosneft's refineries in Russia in the twelve months of 2019 compared with the same period of 2018 increased by 6.3% (an increase of 9.5% per tonne) because of higher tariffs of monopolies and indexation of wages.

Operating expenses of Rosneft's refineries outside Russia were RUB 6.1 billion in the fourth quarter of 2019. The increase of 5.2% of operating expenses of refineries outside Russia compared with RUB 5.8 billion in the third quarter of 2019 was driven by higher volumes of scheduled maintenance works in the fourth quarter of 2019.

The decrease of 14.5% in operating expenses of refineries outside Russia in the twelve months of 2019 compared to the same period of 2018 was due to one-off effect of cost revision in the second quarter of 2019 relating to year 2018 (of RUB 2 billion, USD 28.6 million). Excluding one-off effect operating expenses decreased by 7.1%. Lower expenses in 2019 were due to decreased maintenance works volumes and RUB appreciation of 2%.

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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 December 31,		% change
	December 31, 2019	September 30, 2019		2019	2018	
Crude oil and gas procurement						
Cost of crude oil and gas procured (RUB billion)**	328	282	16.3%	1 205	846	42.4%
<i>including Domestic market</i>	98	94	4.3%	413	395	4.6%
<i>International market</i>	230	188	22.3%	792	451	75.6%
Volume of crude oil procured (millions of barrels)	116.7	92.9	25.6%	383.6	232.9	64.7%
<i>including Domestic market</i>	31.5	28.7	9.8%	125.5	118.1	6.3%
<i>International market</i>	85.2	64.2	32.7%	258.1	114.8	>100%
Volume of gas procured (bcm)	3.06	2.43	25.9%	11.88	12.87	(7.7)%
Petroleum products procurement						
Cost of petroleum products procured (RUB billion)***	103	82	25.6%	314	225	39.6%
Volume of petroleum products procured (millions of tonnes)	2.70	2.54	6.3%	8.74	7.24	20.7%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil, gas and petroleum products under processing agreements (RUB billion)	8.5	8.1	4.9%	31.2	27.9	11.8%
Volumes of crude oil and petroleum products produced under processing agreements (millions of tonnes)	2.1	2.1	–	8.1	8.3	(2.4)%
Volumes of gas produced under processing agreements (bcm)	2.9	2.7	7.4%	11.3	10.4	8.7%
Cost of purchase of goods for retail****	4.1	4.5	(8.9)%	16.1	15.8	1.9%
Cost of products procured for blending on retail entities (RUB billion)	10.5	10.6	(0.9)%	43.1	34.8	23.9%
<i>Including intercompany purchases (RUB billion)</i>	<i>10.5</i>	<i>10.6</i>	<i>(0.9)%</i>	<i>43.1</i>	<i>34.8</i>	<i>23.9%</i>
Total cost of procured oil, gas and petroleum products, goods for retail and refining costs (RUB billion)	444	376	18.1%	1,566	1,115	40.4%

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

** Including costs of Upstream segment in the amount of RUB 5 billion in the fourth quarter of 2019, RUB 22 billion in the twelve months of 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 2019 and the twelve months of 2019

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, 2019	September 30, 2019		December 31, 2019	2018	
	mln barrels			mln barrels		
International market	85.2	64.2	32.7%	258.1	114.8	>100%
Udmurtneft	6.6	6.7	(1.5)%	29.2	24.8	17.7%
Slavneft	13.1	13.6	(3.7)%	52.8	51.1	3.3%
Messoyahaneftgaz	5.5	5.3	3.8%	20.1	16.4	22.6%
Lukoil-Reservnefteproduct	–	–	–	–	0.6	(100.0)%
Others	6.3	3.1	>100%	23.4	25.2	(7.1)%
Total	116.7	92.9	25.6%	383.6	232.9	64.7%

In the fourth quarter of 2019 volumes of the crude oil procured outside Russian Federation amounted to 85.2 mln barrels, which is 32.7% higher compared to 64.2 mln barrels procured in the third quarter of 2019. The increase was driven by the trading activity growth.

Rosneft performs oil swaps 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 “Pipeline tariffs and Transportation costs” line of the consolidated statement of profit or loss.

The volume of swaps was 9.2 mln barrels and 10.7 mln barrels in the fourth and third quarters of 2019 respectively; 39.7 mln barrels in the twelve month of 2019 and 34.6 mln barrels for the twelve months of 2018.

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 2019:

	For 3 months ended						% change		
	December 31, 2019			September 30, 2019			RUB billion	mln tonnes	th. RUB/tonne
	RUB billion	mln tonnes	th. RUB/tonne*	RUB billion	mln tonnes	th. RUB/tonne*			
Petroleum products procurement in Russia	9	0.26		7	0.24		28.6%	8.3%	
High octane gasoline	3	0.08	40.3	3	0.06	39.2	–	33.3%	2.8%
Diesel	5	0.09	36.9	3	0.08	34.7	66.7%	12.5%	6.3%
Others	1	0.09	36.5	1	0.10	37.5	–	(10.0)%	(2.7)%
Petroleum products and petrochemicals procured outside Russia	94	2.44	38.5	75	2.30	37.2	25.3%	6.1%	4.0%
Total	103	2.70		82	2.54		25.6%	6.3%	

* Calculated based on unrounded data.

Higher purchase costs of petroleum products procured outside Russia were driven by an increased trading activity within the framework of international projects.

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The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the twelve months of 2019 and 2018*, respectively:

	For 12 months ended December 31,						% change		
	2019			2018			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>	28	0.82		26	0.77		7.7%	6.5%	
High octane gasoline	9	0.27	37.6	9	0.27	35.1	–	–	7.1%
Diesel	14	0.31	39.1	13	0.31	40.9	7.7%	–	(4.4)%
Others	5	0.24	19.7	4	0.19	18.9	25.0%	26.3%	4.2%
<i>Petroleum products and petrochemicals procured outside Russia</i>	286	7.92	36.1	199	6.47	30.8	43.7%	22.4%	17.4%
Total	314	8.74		225	7.24		39.6%	20.7%	

* 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 4.2 billion in the fourth quarter of 2019 and RUB 3.8 billion in the third quarter of 2019, respectively; RUB 14.9 billion and RUB 15.3 billion in the twelve months of 2019 and 2018, 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 decrease in transportation costs by 2.4% in the fourth quarter of 2019 compared with the third quarter of 2019 was mainly caused by lower costs of transportation to refineries and decreased other selling expenses and freight costs.

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 third quarters of 2019:

	For 3 months ended								% change		
	December 31, 2019				September 30, 2019						
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t*	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t*	Volume	Cost	Cost per tonne*
CRUDE OIL											
International sales											
Pipeline	30.5	96.8%	69.3	2.27	31.0	96.8%	70.0	2.26	(1.6)%	(1.0)%	0.4%
Railroad and mixed	0.5	1.6%	1.9	3.80	0.5	1.6%	1.8	3.57	—	5.6%	6.4%
Pipeline and FCA	0.5	1.6%	—	—	0.5	1.6%	—	—	—	—	—
Transportation to refineries											
Pipeline**	27.3		24.7	0.90	27.8		25.3	0.91	(1.8)%	(2.4)%	(1.1)%
Railroad and mixed	1.2		2.6	2.17	2.2		5.5	2.49	(45.5)%	(52.7)%	(12.9)%
PETROLEUM PRODUCTS											
International sales											
Pipeline	1.5	11.1%	3.7	2.47	1.5	10.6%	3.4	2.32	—	8.8%	6.5%
Railroad and mixed	9.8	72.6%	37.5	3.83	10.3	72.5%	33.5	3.24	(4.9)%	11.9%	18.2%
Pipeline and FCA	2.2	16.3%	—	—	2.4	16.9%	—	—	(8.3)%	—	—
GAS											
Pipeline***	9.2		10.2	1.11	8.7		10.5	1.21	5.7%	(2.9)%	(8.3)%
Freight and other commercial expenses											
	14.8		35.6	—	10.3		38.3	—	45.1%	(7.0)%	—
Other transportation expenses****											
			16.0				19.0			(15.8)%	
Total	88.3		202		86.5		207		2.2%	(2.4)%	

* 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 increased insignificantly in the fourth quarter of 2019 to compare to third quarter of 2019 and amounted to RUB 2.27 thousand per tonne.

Crude oil pipeline transportation cost per tonne of supplies to refineries decreased by 1.1% in the fourth quarter of 2019 compared to the third quarter of 2019 that was caused by change in structure of transportation routes.

The increase in railroad and mixed transportation per tonne of petroleum products international sales by 18.2% in the fourth quarter of 2019 compared with the third quarter of 2019 was mainly due to change in structure of transportation structure.

In the twelve months of 2019 indexation of gas transportation tariffs was not carried out.

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2019 and the twelve months of 2019

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 the twelve months of 2019 and 2018:

	For 12 months ended December 31,								% change		
	2019				2018				Volume	Cost	Cost per tonne [§]
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t [*]	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t [*]			
CRUDE OIL											
<u>International sales</u>											
Pipeline	119.5	88.4%	270.7	2.27	112.8	91.2%	241.6	2.14	5.9%	12.0%	6.1%
Railroad and mixed	2.2	1.6%	8.0	3.64	1.9	1.5%	7.0	3.63	15.8%	14.3%	0.3%
Pipeline and FCA	13.5	10.0%	–	–	9.0	7.3%	–	–	50.0%	–	–
<u>Transportation to refineries</u>											
Pipeline ^{**}	101.4		82.9	0.82	104.4		79.6	0.76	(2.9)%	4.1%	7.9%
Railroad and mixed	9.0		25.3	2.81	10.6		37.0	3.51	(15.1)%	(31.6)%	(19.9)%
PETROLEUM PRODUCTS											
<u>International sales</u>											
Pipeline	6.7	11.1%	16.5	2.46	7.8	10.6%	20.8	2.67	(14.1)%	(20.7)%	(7.9)%
Railroad and mixed	45.1	74.8%	140.2	3.11	52.4	71.1%	135.3	2.58	(13.9)%	3.6%	20.5%
Pipeline and FCA	8.5	14.1%	–	–	13.5	18.3%	–	–	(37.0)%	–	–
GAS					bcm			RUB/bcm			
Pipeline ^{***}	36.2		41.9	1.16	41.9		45.1	1.08	(13.6)%	(7.1)%	7.4%
Freight and other commercial expenses	25		73.8						–	–	–
Other transportation expenses^{****}			73.7				71.6			3.1%	
Total	330.9		733		312.4		638		5.9%	14.9%	

[†]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.

Growth of transportation costs in 2019 compared with the same period of 2018 was due to tariff indexation, increased transportation volumes and change of delivery basis.

Excise Taxes

Excise tax in the fourth quarter of 2019 was RUB 72 billion (including excise tax related to processing outside Russia in the amount of RUB 36 billion) compared with excise tax of RUB 67 billion in the third quarter of 2019 due to lower "damping component" of the excise tax deduction driven by lower prices of motor gasoline and due to strengthening of the RUB currency.

For the twelve months of 2019 excise tax was RUB 260 billion (including RUB 138 billion of excise tax related to processing outside Russia) compared to RUB 327 billion for the twelve months of 2018. The decrease is caused by the introduction of "reverse excise tax" mechanism starting from 2019 (a deduction of accrued excise tax with a multiplying factor for crude oil transferred for processing), partially offset by an increase in the excise taxes expense due to the increase in excise tax rates in 2019.

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, 2019	September 30, 2019		2019	2018	
	RUB billion, except %					
Export customs duty for crude oil	138	153	(9.8)%	583	777	(25.0)%
Export customs duty for petroleum products	56	55	1.8%	210	284	(26.1)%
Total export customs duty	194	208	(6.7)%	793	1,061	(25.3)%

Export customs duty decrease in the fourth quarter of 2019 compared with the third quarter of 2019 was caused by lower enacted export customs duty rates in the fourth quarter due to favourable duty lag effect. This was partially offset by certain petroleum products exports growth.

Export customs duty decrease in the twelve months of 2019 compared with the twelve months of 2018 was mainly caused by lower export customs duty rates due to the changes in the Russian customs legislation effective January 1, 2019 (as part of the completion of the tax maneuver), and due to lower Urals prices.

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

	For 3 months ended		% change	For 12 months ended December 31,		% change
	December 31, 2019	September 30, 2019		2019	2018	
	th. RUB per tonne, except %					
Enacted export customs duty on crude oil	5.65	6.14	(8.0)%	6.07	8.09	(25.0)%
Actual customs duty on crude oil exports	5.11	5.61	(8.9)%	5.47	7.63	(28.3)%

The deviation of average actual export customs duty from the enacted one is caused by irregular monthly export volumes, which are subject 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		% change
	December 31, 2019	September 30, 2019		December 31, 2019	December 31, 2018	
Financial results, RUB billion						
EBITDA	(25)	14*	–	(58)	(60)	3.3%
Capital expenditures**	6	1	>100%	14	19	(26.3)%

*Reclass of allowance for expected credit losses (RUB 27 bln accrued in the first quarter of 2019) in the Downstream segment.

**Refer to "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 44.7 billion in the fourth quarter of 2019 and RUB 31.6 billion in the third quarter of 2019. For the twelve months of 2019 and 2018, general and administrative expenses, net of the allowance for expected credit losses, were RUB 156.5 billion and RUB 162.5 billion, respectively.

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 2019 DDA amounted to RUB 177 billion increased by 2.9%, (increase is mainly related to oil equipment) if compared with the third quarter of 2019 (DDA was RUB 172 billion).

For the twelve months of 2019 the DDA was RUB 687 billion and increased by 8.2% if compared with the same period of 2018. Due to the recognition of right-of-use assets under the new IFRS 16 Leases additional depreciation charges were accrued since January 2019.

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		% change
	December 31, 2019	September 30, 2019		December 31, 2019	2018	
Mineral extraction tax	531	540	(1.7)%	2,185	2,258	(3.2)%
Excess profit tax*	31	30	3.3%	96	–	>100%
Excise tax	72	67	7.5%	260	327	(20.5)%
including accrued excise tax	113	125	(9.6)%	444	327	35.8%
including "reverse excise tax" from 2019	(41)	(58)	(29.3)%	(184)	–	>100%
Insurance contributions	18	20	(10.0)%	75	67	11.9%
Property tax	11	10	10.0%	40	42	(4.8)%
Other taxes, interest, penalties and other payments to budget	3	2	50.0%	10	7	42.9%
Total taxes other than income tax	666	669	(0.4)%	2,666	2,701	(1.3)%

*Enacted starting from January 2019.

The taxes other than income tax for the fourth quarter of 2019 decreased by 0.4% compared with the third quarter of 2019. Decrease in mineral extraction tax was compensated by higher excise tax.

In the twelve months of 2019 excise tax was RUB 444 billion (including excise tax related to processing outside Russia in the amount of RUB 138 billion) compared with excise tax of RUB 327 billion in the twelve months of 2018. The increase is due to the increase in excise rates in 2019 and the introduction of excise duties on crude oil from 2019. At the same time, the amount of excise deductions (including "reverse excise tax" on crude oil) amounted to RUB 184 billion.

Finance Income and Expenses

In the fourth quarter of 2019, net finance expenses were RUB 21 billion compared with RUB 20 billion in the third quarter of 2019. For the twelve months of 2019 and 2018 net finance expense were RUB 84 billion and RUB 168 billion, respectively.

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The changes were caused mainly by the fair value re-measurement of derivative financial instruments, re-measurement of other financial assets in accordance with IFRS 9 *Financial Instruments* and the decrease of the interest accrued on prepayments on long-term oil and petroleum products supply agreements.

Other Income and Expenses

In the fourth quarter of 2019, other income amounted to RUB 4 billion compared with RUB 3 billion in the third quarter of 2019. For the twelve months of 2019 and 2018 other income was RUB 11 billion and RUB 49 billion, respectively.

Other expenses include assets impairment, effect of fixed assets disposal in the course of operating activities and other expenses. In the fourth quarter of 2019 other expenses were RUB 18 billion compared with RUB 14 billion for the third quarter of 2019. Part of impairments recognized previously in 2019 was recovered in the fourth quarter. For the twelve months of 2019 other expenses were RUB 153 billion.

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.

The profit from foreign exchange effects was RUB 23 billion and RUB 11 billion in the fourth and third quarters of 2019, respectively. In the twelve months of 2019 profit from foreign exchange effects was RUB 64 billion.

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

Cash flow hedges reclassified to profit or loss

Cash flow hedges reclassified to profit or loss in the fourth and third quarters of 2019 were RUB 37 billion and RUB 36 billion, respectively. In the twelve months of 2019 and 2018, cash flow hedges reclassified to profit or loss were RUB 146 billion, respectively. Most of cash flow hedges reclassified to profit or loss was recognized in financial statements and remaining balance transferred to 2020 year amounts to RUB 2 billion.

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, 2019	September 30, 2019	2019	2018
Effective rate of income tax (IFRS)	24.8%	16.7%	19.3%	22.0%

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

In the fourth quarter of 2019, the net income was RUB 179 billion (RUB 158 billion attributable to Rosneft shareholders) in comparison with RUB 250 billion (RUB 225 billion attributable to Rosneft shareholders) for the third quarter of 2019. Decrease was mainly driven by lower operating income compared to the third quarter of 2019 (-19.4%).

For the twelve months of 2019, net income amounted to RUB 805 billion (RUB 708 billion attributable to Rosneft shareholders). For the twelve months of 2018, net income amounted to RUB 649 billion (RUB 549 billion attributable to Rosneft shareholders). Increase in the net income for the twelve months of 2019 was due to the positive dynamics of the Company's operating income and reduction of financial expenses and other expenses.

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, 2019	September 30, 2019		December 31, 2019	December 31, 2018	
	RUB billion			RUB billion		
Net cash provided by operating activities	342	306	11.8%	1,110	1,502	(26.1)%
Net cash used in investing activities	(182)	(158)	15.2%	(729)	(799)	(8.8)%
Net cash used in financing activities	(148)	(176)	(15.9)%	(957)	(228)	>100%

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, 2019	September 30, 2019		December 31, 2019	December 31, 2018	
	RUB billion			RUB billion		
Net cash provided by operating activity	342	306	11.8%	1,110	1,502	(26.1)%
<i>Offset of prepayments received under long term supply contracts at average ex.rate</i>	85	78	9.0%	319	240	32.9%
<i>Offset of other financial liabilities</i>	50	56	(10.7)%	172	164	4.9%
<i>Interest expense for prepayments under long term oil and petroleum products supply contracts*</i>	14	16	(12.5)%	70	91	(23.1)%
<i>Financing against future deliveries under the long term oil and oil products supply contracts</i>	–	23	(100.0)%	67	72	(6.9)%
Adjusted net cash provided by operating activity	491	479	2.5%	1,738	2,069	(16.0)%

*Interest expenses for prepayments under long term supply contracts are included into adjusted operating cash flows. 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 12 billion and interests paid of RUB 2 billion in the fourth quarter of 2019; offsetting of RUB 14 billion and interests paid of RUB 2 billion in the third quarter of 2019; offsetting of RUB 62 billion and interests paid of RUB 8 billion in the twelve months of 2019 and offsetting of RUB 85 billion and interests paid of RUB 6 billion in the twelve months of 2018.

The increase in operating flow in the fourth quarter of 2019 compared to the third quarter of 2019 is mainly due to changes in working capital dynamics: positive impact from higher turnover of receivables accompanied by advances received at the end of the year for January supplies.

Net cash used in investing activities

In the fourth and in the third quarters of 2019 the Company's investing activity mainly referred to capital expenditures.

Decrease in investing activity for the twelve months of 2019 in comparison with the same period of 2018, was mainly due to decreased proceeds from sales of non-current assets and lower costs for the acquisition of subsidiaries.

Net cash used in financing activities

For the twelve months of 2019 net cash used in financing activities was mainly used for the scheduled repayment of loans and dividends paid to Rosneft shareholders in the amount of RUB 283 billion and non-controlling shareholders of RUB 99 billion. For the same period of 2018 dividends paid to Rosneft shareholders amounted to RUB 225 billion and non-controlling shareholders - RUB 65 billion.

Management's discussion and analysis of financial condition and results of operations of Rosneft for the fourth quarter of 2019 and the twelve months of 2019

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, 2019	September 30, 2019		December 31, 2019	December 31, 2018	
	RUB billion			RUB billion		
RN-Yuganskneftegaz	33	46	(28.3)%	170	213	(20.2)%
Samotlorneftegaz	19	13	46.2%	66	62	6.5%
Vankor projects	14	16	(12.5)%	62	71	(12.7)%
Upstream projects (Zohr)	14	11	27.3%	57	46	23.9%
Kondaneft	8	7	14.3%	30	24	25.0%
Orenburgneft	9	7	28.6%	29	32	(9.4)%
Samaraneftegaz	8	6	33.3%	28	28	–
Vostsibneftegaz	6	6	–	27	27	–
Rospan International	8	4	100.0%	26	33	(21.2)%
RN-Uvatneftegaz	8	5	60.0%	24	29	(17.2)%
RN-Nyaganneftegaz	7	5	40.0%	23	24	(4.2)%
RN-Purneftegaz*	7	6	16.7%	22	24	(8.3)%
Bashneft-Dobycha	7	6	16.7%	22	22	–
Bashneft-Polyus	5	5	–	21	15	40.0%
Taas-Yuryakh Neftegazodobycha	6	4	50.0%	19	23	(17.4)%
Varyoganneftegaz	4	5	(20.0)%	19	19	–
Verkhnechonskneftegaz	4	4	–	18	15	20.0%
Tyumenneftegaz	3	4	(25.0)%	15	21	(28.6)%
Kharampurneftegaz	5	3	66.7%	13	16	(18.8)%
Upstream projects (Sakhalin-1)	3	3	–	13	12	8.3%
RN-Severnaya Neft	2	3	(33.3)%	12	17	(29.4)%
Tomskneft VNK	3	2	50.0%	9	8	12.5%
Sorovskneft	2	2	–	7	5	40.0%
Sibneftegaz	1	2	(50.0)%	6	5	20.0%
Other	13	10	30.0%	43	59	(27.1)%
Government grants	(4)	(2)	100.0%	(8)	(10)	(20.0)%
Total upstream segment	195	183	6.6%	773	840	(8.0)%
Bashneft refineries	1	1	–	7	3	>100%
Novokuibyshevsk refinery	1	2	(50.0)%	6	6	–
Komsomolsk refinery	–	1	(100.0)%	5	4	25.0%
Angarsk refinery	2	2	–	5	3	66.7%
Tuapse refinery	1	1	–	4	5	(20.0)%
Achinsk refinery	1	–	100.0%	4	1	>100%
Kuibyshev refinery	1	1	–	3	4	(25.0)%
-Syzran refinery	1	1	–	3	4	(25.0)%
Ryazan refinery	1	1	–	3	4	(25.0)%
Saratov refinery	–	1	(100.0)%	1	2	(50.0)%
Other refineries	1	1	–	5	19	(73.7)%
Marketing Business Units and others	9	2	>100%	21	22	(4.5)%
Total downstream segment	19	14	35.7%	67	77	(13.0)%
Total other activities	6	1	>100%	14	19	(26.3)%
Total capital expenditures	220	198	11.1%	854	936	(8.8)%
Acquisition of licenses	7	1	>100%	11	3	>100%
Return of auction advances	–	–	–	–	–	–

*Including Sevkomneftegaz.

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For the fourth quarter of 2019 capital expenditures amounted to RUB 220 billion, (increased by 11.1%) compared with RUB 198 billion in the third quarter of 2019. For the twelve months of 2019 capital expenditures amounted to RUB 854 bln (USD 13.2 bln), a reduction of 8.8%, due to optimization of the development drilling program in the context of the strategic initiative to increase the share of more efficient horizontal wells at the Company's brownfields, and alignment of the capital investment profile of new projects, taking into account the extension of quotas for limiting production under the OPEC Agreement+.

For the fourth quarter of 2019 upstream capital expenditures increased to RUB 195 billion, by 6.6% if compared to the RUB 183 billion in the third quarter of 2019. Upstream capital expenditures for the twelve months of 2019 amounted to RUB 773 billion, decrease by 8.0% compared with the same period of 2018 mainly due to the optimization of the operational drilling program in the context of the strategic initiative to increase the share of horizontal wells of higher efficiency at the Company's brownfields.

For the twelve months of 2019 the number of new horizontal wells increased by 1% compared to the same period of 2018, and their share in the total number increased by 9 p.p. year-on-year to 57% of the total number of new wells commissioned. At the same time, the production per horizontal well increased by 11% compared to the level of twelve months of 2018 and exceeded 9 th. tons per well, which is more than 2.4 times higher than this indicator for directional wells.

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 11 billion for the twelve months of 2019 referred to the acquisition of new licenses for research, exploration and production mainly at Krasnoyarsk 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, 2019				September 30, 2019				December 31, 2018			
	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)
Financial liabilities	(26.5)	(1,893)	(4.3)	(0.7)	(26.7)	(1,909)	(2.9)	(0.6)	(26.7)	(2,227)	(3.9)	–
Liquid funds**	5.2	447	0.5	3.0	6.2	383	0.6	2.4	9.3	417	5.9	4.2
Net financial liabilities	(21.3)	(1,446)	(3.8)	2.3	(20.5)	(1,526)	(2.3)	1.8	(17.4)	(1,810)	2.0	4.2

*Calculated based on unrounded data

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

The level of financial liabilities 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 2019 and the twelve months of 2019

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, 2019	September 30, 2019	2019	2018
EBITDA margin	21.7%	24.4%	24.0%	24.8%
Net income margin attributable to Rosneft shareholders	7.1%	10.0%	8.2%	6.7%
Current ratio	0.87	0.83	0.87	1.05
	RUB / bbl			
EBITDA/bbl*	1,153	1,324	1,259	1,259
Upstream capital expenditures/bbl	486	456	485	529
Upstream operating expenses/bbl	244	247	246	240
Free cash flow/bbl	675	701	555	714
	RUB / boe			
EBITDA/boe*	928	1,077	1,018	1,018
Upstream capital expenditures/boe	391	371	392	428
Upstream operating expenses/boe	196	201	199	194
Free cash flow/boe	543	570	449	577

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

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, 2019	September 30, 2019	2019	2018
Liquids production (mln bbl)	401.4	401.1	1,592.9	1,587.6
Hydrocarbon production (mln boe)	498.8	493.1	1,970.1	1,964.3

*Excluding share in production of associates and joint ventures.

Calculation of EBITDA

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	RUB billion			
Revenues and equity share in profits of associates and joint ventures	2,224	2,240	8,676	8,238
Effect of prepayments offsetting	24	26	113	162
Costs and expenses	(1,937)	(1,884)	(7,371)	(6,954)
Depreciation, depletion and amortization	177	172	687	635
EBITDA	488	554	2,105	2,081

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Calculation of Free Cash Flow

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	RUB billion			
Operating cash flow	342	306	1,110	1,502
Capital expenditures	(220)	(198)	(854)	(936)
Offset of prepayments under long-term supply agreements*	85	78	319	240
Offset of other financial liabilities	50	56	172	164
Interest expense on prepayments under long-term supply agreements**	14	16	70	91
Financing of future deliveries	–	23	67	72
Free cash flow (RUB equivalent)	271	281	884	1,133

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

** Free cash flow estimation includes interest expenses on the prepayments on long-term oil and petroleum products supply agreements. Interest expenses on the prepayments 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 12 billion and interests paid of RUB 2 billion in the fourth quarter of 2019; off-setting of RUB 14 billion and interests paid of RUB 2 billion in the third quarter of 2019; offsetting of RUB 62 billion and interests paid of RUB 8 billion in the twelve months of 2019 and offsetting of RUB 85 billion and interests paid of RUB 6 billion in the twelve months of 2018.

Calculation of EBITDA Margin

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	RUB billion (except %)			
EBITDA	488	554	2,105	2,081
Revenues and equity share in profits of associates and joint ventures	2,224	2,240	8,676	8,238
Effect of prepayments offsetting	24	26	113	162
Adjusted revenues	2,248	2,266	8,789	8,400
EBITDA margin	21.7%	24.4%	24.0%	24.8%

Calculation of Net Income Margin attributable to Rosneft shareholders

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	RUB billion (except %)			
Net income attributable to Rosneft shareholders	158	225	708	549
Revenues and equity share in profits of associates and joint ventures	2,224	2,240	8,676	8,238
Net income margin	7.1%	10.0%	8.2%	6.7%

Calculation of Current ratio

As of the date	December 31, 2019	September 30, 2019	December 31, 2018
	RUB billion (except ratios)		
Current assets	2,396	2,461	3,022
Current liabilities	2,755	2,971	2,874
Current ratio	0.87	0.83	1.05

Calculation of Return on Average Capital Employed (ROACE)

	For 12 months ended December 31,	
	2019	2018
	(RUB billion, except %)	
Revenue and equity share in profits of associates and joint ventures	8,676	8,238
Total costs and expenses	(7,371)	(6,954)
Effect of prepayments offsetting	113	162
Income tax expense	(192)	(183)
Return used for the calculation of ROACE	1,226	1,263
Average capital employed	7,831	7,272
ROACE	15.7%	17.4%

Calculation of Return on Average Equity (ROAE)

	For 12 months ended December 31,	
	2019	2018
	(RUB billion, except %)	
Net income attributable to Rosneft shareholders	708	549
Average equity, including non-controlling interests	4,939	4,462
ROAE	14.3%	12.3%

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Consolidated financial highlights (in USD terms)

Consolidated statement of profit or loss

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	USD billion*			
Total revenues and equity share in profits of associates and joint ventures	35.2	35.1	135.8	133.7
Costs and expenses				
Production and operating expenses	3.1	3.3	11.1	10.0
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	6.9	5.9	24.2	17.8
General and administrative expenses	0.9	0.5	3.1	2.6
Transportation costs and other commercial expenses	3.1	3.2	11.3	10.2
Exploration expenses	0.1	–	0.2	0.2
Depreciation, depletion and amortization	2.8	2.6	10.6	10.2
Taxes other than income tax	10.3	10.5	41.1	43.0
Export customs duty	3.1	3.2	12.3	16.8
Total costs and expenses	30.3	29.2	113.9	110.8
Operating income	4.9	5.9	21.9	22.9
Finance income	0.5	0.5	2.2	1.9
Finance expenses	(0.8)	(0.9)	(3.5)	(4.6)
Other income	0.1	–	0.2	0.8
Other expenses	(0.3)	(0.1)	(2.4)	(4.5)
Foreign exchange differences	(0.1)	(0.2)	(0.8)	(0.7)
Cash flow hedges reclassified to profit or loss	(0.5)	(0.6)	(2.2)	(2.3)
Income before income tax	3.8	4.6	15.4	13.5
Income tax expense	(1.0)	(0.7)	(3.0)	(3.0)
Net income	2.8	3.9	12.4	10.5
Net income attributable to Rosneft shareholders	2.4	3.6	10.9	8.9

*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, 2019	September 30, 2019	2019	2018
EBITDA margin	21.9%	24.2%	23.9%	24.8%
Net income margin attributable to Rosneft shareholders	6.8%	10.3%	8.0%	6.7%
Current ratio	0.87	0.83	0.87	1.05
	USD/bbl*			
EBITDA/bbl	18.4	20.2	19.5	20.0
Upstream capital expenditures/bbl	7.6	7.1	7.5	8.5
Upstream operating expenses/bbl	3.8	3.8	3.8	3.8
Free cash flow/bbl	10.5	11.0	8.6	11.3
	USD/boe			
EBITDA/boe	14.8	16.4	15.7	16.2
Upstream capital expenditures/boe	6.1	5.8	6.1	6.8
Upstream operating expenses/boe	3.1	3.1	3.1	3.1
Free cash flow/boe	8.5	8.9	6.9	9.1

*Calculated from unrounded data.

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Calculation of Free Cash Flow

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	USD billion			
Operating cash flow	5.4	4.7	17.1	23.9
Capital expenditures	(3.5)	(3.0)	(13.2)	(15.0)
Offset of prepayments under long-term supply agreements	1.4	1.2	5.0	3.7
Offset of other financial liabilities	0.8	0.9	2.7	2.6
Interest expense on prepayments under long-term supply contracts	0.2	0.3	1.1	1.6
Financing of future deliveries	–	0.3	1.0	1.1
Free cash flow	4.3	4.4	13.7	17.9

Calculation of EBITDA Margin

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	USD billion (except %)			
Revenues and equity share in profits of associates and joint ventures	35.2	35.1	135.8	133.7
Operating expenses	(30.3)	(29.2)	(113.9)	(110.8)
Depreciation, depletion and amortization	2.8	2.6	10.6	10.2
EBITDA	7.7	8.5	32.5	33.1
Revenues and equity share in profits of associates and joint ventures	35.2	35.1	135.8	133.7
EBITDA margin	21.9%	24.2%	23.9%	24.8%

Calculation of Net Income Margin

	For 3 months ended		For 12 months ended December 31,	
	December 31, 2019	September 30, 2019	2019	2018
	USD billion (except %)			
Net income attributable to Rosneft shareholders	2.4	3.6	10.9	8.9
Revenues and equity share in profits of associates and joint ventures	35.2	35.1	135.8	133.7
Net income margin	6.8%	10.3%	8.0%	6.7%

Calculation of Current ratio

As of the date	December 31, 2019	September 30, 2019	December 31, 2018
	USD billion (except ratios)		
Current assets	38.7	38.2	43.5
Current liabilities	44.5	46.1	41.4
Current ratio	0.87	0.83	1.05

Attachment 1: Risks and opportunities associated with climate change

Within the corporate risk management system, the Company identifies and evaluates risks and opportunities, including those related to climate change, on an annual basis.

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.

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 2019, the Company was included by the analytical division of the London stock exchange – FTSE Russell in the international stock index FTSE4Good Emerging Index and in January 2020, it became one of the leaders among global oil and gas companies participating in the international climate rating CDP (Carbon Disclosure Project). Based on the results of an independent evaluation, Rosneft was assigned a category B rating - the highest among Russian oil and gas companies and two levels higher than the average rating of European participating companies.

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.

In 2018 the mineral extraction tax rate was calculated as follows:

$919 \times K_p - 559 \times K_p \times K_{rel} + K_k$, 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, 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 357 for 2018 (RUB 428 RUB for subsequent periods).

Since January 1, 2019 two new terms ($K_{man} \times S_{vn}$ and K_{abdt}) have been added to the formula for calculating MET rate for oil in connection with the introduction of “reverse excise duty” and reduction of export customs duties as a part of the completion of the tax maneuver.

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”):

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

In 2019 the Company applies various tax incentives for production and special tax treatment for MET on crude oil:

MET incentives for production in 2019	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 mPaXs).
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%. 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 mPaXs and less than 10 000 mPaXs)

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Tax deduction	Oil fields with permeability less than $2 \times 10^{-3} \mu\text{m}^2$ and deposits of the Tyumen suite. 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).
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.

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 2019	Applicable to the Company
0.5	License areas: Rospan and Russko-Rechenskoe licensed fields and also at fields of Krasnodar and Stavropol regions
0.64	License areas: Kynsko-Chaselskoye fields and at 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 or the sea of Okhotsk
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.

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.).

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.

There is an increase of 1,000 RUB/t since January 1, 2022 of the current excise tax deduction in respect of production of medium distillates for bunkering (refuelling) of vessels and (or) machinery and constructions located in the internal sea waters and continental shelf of the Russian Federation, etc., as well as for the sale of medium distillates exported outside the territory of the Russian Federation as supplies on vessels or placed under the Eurasian Economic Union law.

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 <i>plus</i> 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 <i>plus</i> 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.

By the Federal law N 268-FZ, dated September 30, 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.

By the "Law on Customs Tariffs" the right to establish special formulas for export custom duties in relation to the crude oil produced on the new fields with profitability below the threshold. In 2016, the exemption was set for the East-Messoyakh field (zero customs duty rate could be applied to the export of 28.9 mln tonnes) and Srednebotuobinskoe field (zero customs duty rate could be applied to the export of 10.8 mln tonnes).

Starting from 2017, the exemption was set for Kuyumbinskoe field (zero customs duty rate could be applied to the export of 29.0 mln tonnes)*. In December 2017, by results of the annual monitoring which is carried out by the Ministry of Energy of the Russian Federation within an established order of application of special formulas of calculation of rates of the export customs duties, the oil volume which can be exported with application of zero customs duty rate from the East-Messoyakh field has been reduced to 21.2 mln tonnes in connection with improvement of investment indicators of development of this field.

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 the tax on additional income 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.

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" introduced the following amendments to the procedure for calculating export duties on oil and oil products.

1) Duty rate for crude oil is calculated as the product of the marginal rate (calculation formula provided above) and the adjusting factor, which reflects the gradual reduction of the export duty rate until zero in 2024.

2) The Government of the Russian Federation has the right to impose "protective" duties on crude oil (in an amount not exceeding the level of $29.2 + 45\% \times (\text{the price of "Urals"}) / \text{t} - \text{USD } 182.5$) and oil products with a significant change in oil prices and the price of oil above USD 182.5 per ton. "Protective" duties are applied within six consecutive calendar months, starting from the calendar month following the calendar month in which a significant change in oil prices is recorded in the manner prescribed by law.

3) At the level of the law, the list of fields and the maximum accumulated volume of oil that can be exported using special formulas for calculating the export duty rate shall be fixed**. The above-mentioned East-Messoyakh field (the total amount of oil that can be exported using the "preferential" rate – 32.08 mln tonnes), Srednebotuobinskoye field (32.742 mln tonnes) and Kuyumbinskoye field (76.433 mln tonnes) are named in the Law.

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.

* East-Messoyakh and Kuyumbinskoe fields are developed under the joint ventures projects

** For the fields with excess profit tax applied from 01.01.2019, instead of applying the "preferential" rate, an exemption from payment of export customs duties is applied.

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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 2018 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 ton 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, 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	1,156	2,220	53	(1,205)	2,224
Total costs and expenses	720	2,167	78	(1,205)	1,760
Effect of prepayments offsetting	24	–	–	–	24
EBITDA	460	53	(25)	–	488

	<i>For 3 months ended September 30, 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	1,152	2,233	45	(1,192)	2,240
Total costs and expenses	705	2,166	31	(1,192)	1,712
Effect of prepayments offsetting	26	–	–	–	26
EBITDA	473	67	14	–	554

	<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

	2019	2018
	RUB/USD	
January	67.35	56.79
February	65.86	56.81
March	65.15	57.03
April	64.62	60.46
May	64.82	62.21
June	64.23	62.71
July	63.20	62.88
August	65.53	66.12
September	64.99	67.66
October	64.36	65.89
November	63.87	66.24
December	62.94	67.31