



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020**

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended March 31, 2021 and 2020, and December 31, 2020 (the "Interim Consolidated Financial Statements"). In the disclosure of financial indicators such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean PJSC Rosneft Oil Company and its subsidiaries. In the disclosure of production indicators such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean PJSC Rosneft Oil Company, its 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.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Overview	5
Financial and operating highlights	5
Events after reporting date	6
Macroeconomic factors affecting results of operations.....	7
Changes in Crude Oil, Petroleum Product and Gas Prices	7
USD/RUB and EUR/RUB Exchange Rates and Inflation.....	8
Mineral Extraction Tax, Export Duties and Excise Taxes.....	8
Changes in Transport Tariffs of Pipeline and Railway Monopolies.....	9
Consolidated statement of profit or loss for the three months ended March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2020.	10
Business Segments and Intersegment Sales.....	11
Upstream Operating Results	12
Operating indicators.....	14
Production of liquid hydrocarbons	14
Production of Gas.....	15
Financial indicators.....	16
Equity share in financial results of upstream associates and joint ventures.....	16
Upstream production and operating expenses	16
Exploration Expenses	16
Mineral extraction tax (MET) and Excess profit tax.....	17
Downstream Operating Results.....	18
Downstream EBITDA.....	18
Operating indicators.....	19
Petroleum Product Output.....	19
Financial indicators.....	20
Revenues and equity share in profits of associates and joint ventures	20
Financial result of associates and joint ventures	25
Downstream production and operating costs.....	26
Cost of Purchased Oil, Gas, Petroleum Products, Goods for Retail and Refining Costs.....	28
Transportation Costs and Other Commercial Expenses	31
Excise Taxes	32
Export Customs Duties.....	32
Operating results of segment "Corporate and others"	32
Separate indicators of the consolidated financial statements.....	33
Costs and Expenses.....	33
General and Administrative Expenses	33
Depreciation, Depletion and Amortization.....	33
Taxes Other than Income Tax	33

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Finance Income and Expenses	33
Other Income and Expenses.....	34
Foreign Exchange Differences	34
Income Tax	34
Net Income/(Loss)	34
Liquidity and Capital Resources	35
Cash Flows.....	35
Net cash provided by operating activities	35
Net cash used in investing activity	35
Net cash provided by/(used in) financing activities	35
Capital Expenditures	36
Financial liabilities and liquid funds	37
Key consolidated financial highlights (in RUB terms)	38
Calculation of EBITDA	38
Calculation of Free Cash Flow	39
Calculation of EBITDA Margin	39
Calculation of Net Income Margin attributable to Rosneft shareholders	39
Calculation of Current ratio	39
Consolidated financial highlights (in USD terms)	40
Consolidated statement of profit or loss	40
Key consolidated financial highlights (in USD terms)	40
Calculation of Free Cash Flow	41
Calculation of EBITDA Margin	41
Calculation of Net Income Margin	41
Calculation of Current ratio	41
Attachment 1: Risks and opportunities associated with climate change.....	42
Attachment 2: Taxation.....	43
Attachment 3: EBITDA by segment	48
Attachment 4: Average monthly RUB/USD exchange rates, calculated using the Bank of Russia data	49

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Overview

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

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

Financial and operating highlights

	For 3 months ended		%	For 3 months ended March 31,		%
	March 31, 2021	December 31, 2020		change	2021	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	1,737	1,521	14.2%	1,737	1,758 ¹	(1.2)%
EBITDA	445	364	22.3%	445	309	44.0%
Net income/loss attributable to Rosneft shareholders	149	324	(54.0)%	149	(156)	–
Capital expenditures	225	216	4.2%	225	185	21.6%
Free cash flow ²	190	73	>100%	190	219	(13.2)%
Operational results						
Hydrocarbon production (th. boe per day)	4,763	5,048	(5.6)%	4,763	5,753	(17.2)%
Liquids production (th. barrels per day)	3,749	3,984	(5.9)%	3,749	4,640	(19.2)%
Liquid hydrocarbons production (mln t)	45.5	49.5	(8.1)%	45.5	57.0	(20.2)%
Gas production (th. boe per day) ³	1,014	1,064	(4.8)%	1,014	1,113	(8.9)%
Gas production (bcm)	14.98	16.08	(6.8)%	14.98	16.63	(9.9)%
Crude oil processing at refineries in Russia (th. tonnes per day)	268	251	6.8%	268	285	(6.0)%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	23.24	22.25	4.4%	23.24	25.07	(7.3)%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	2.41	2.87	(16.0)%	2.41	2.93	(17.7)%

¹Revenues of oil, gas, petroleum products and petrochemicals and the cost of purchased oil, gas, petroleum products, retail goods and processing services in the first quarter of 2020 in the part of trading operations were adjusted by RUB 7 billion according to IAS 15 "Revenue from Contracts with Customers".

²Free 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 1 billion in the first quarter of 2021; offsetting of RUB 11 billion and interests paid of RUB 2 billion in the fourth quarter of 2020; offsetting of RUB 9 billion and interests paid of RUB 3 billion in the first quarter of 2020.

³Percentage of change is calculated from unrounded base.

For reference only: Financial highlights in USD terms

	For 3 months ended		%	For 3 months ended March 31,		%
	March 31, 2021	December 31, 2020		change	2021	
Financial results, USD billion¹						
Revenues and equity share in profits of associates and joint ventures	23.9	20.6	16.0%	23.9	27.6	(13.4)%
EBITDA	6.0	4.8	25.0%	6.0	4.9	22.4%
Net income/(loss) attributable to Rosneft shareholders	2.0	4.3	(53.5)%	2.0	(2.0)	–
Capital expenditures	3.0	2.8	7.1%	3.0	2.8	7.1%
Free cash flow	2.5	0.8	>100%	2.5	3.5	(28.6)%

¹Calculated using average monthly USD exchange rates based on the Bank of Russia data for the reporting periods (Attachment 4).

Events after reporting date

Rosneft Board of Directors recommended payout of dividends for 2020 amounting to RUB 73.55 billion

On April 22, 2021 a regular meeting of Rosneft Board of Directors discussed items related to the Annual General Shareholders Meeting of the Company on 2020 results. The Board of Directors preliminarily approved Rosneft annual report for 2020 and recommended that the AGM passes the resolution to pay dividends at RUB 6.94 per one ordinary share of Rosneft thus using 50% of the IFRS net profit of the Company, attributable to Rosneft Oil Company shareholders. The Board of Directors also decided to hold the Annual General Meeting of shareholders of Rosneft in the form of absentee voting on June 1, 2021.

Classification of assets

In April 2021 conditions for classification as held for sale have been met for certain assets of the Exploration and Production segment. The Consolidated Balance Sheet as at 31 March 2021 includes assets of RUB 17 bln and liabilities of RUB 8 bln relating to these assets.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Macroeconomic factors affecting results of operations

Main factors affecting Rosneft's results of operations are:

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

Changes in Crude Oil, Petroleum Product and Gas Prices

The table below sets forth the average crude oil and petroleum products prices worldwide and in Russia in USD and RUB¹.

	For 3 months ended		% Change	For 3 months ended March 31,		% Change
	March 31, 2021	December 31, 2020		2021	2020	
World market	(USD per barrel)			(USD per barrel)		
Brent	60.9	44.2	37.5%	60.9	50.1	21.4%
Urals (average Med and NWE)	59.3	44.5	33.2%	59.3	48.1	23.3%
Urals (FOB Primorsk)	58.5	43.5	34.5%	58.5	46.2	26.5%
Urals (FOB Novorossiysk)	58.7	43.7	34.2%	58.7	46.2	27.2%
Dubai	60.0	44.6	34.4%	60.0	50.7	18.4%
	(USD per tonne)			(USD per tonne)		
Naphtha (av. FOB/CIF Med)	528	383	38.0%	528	389	35.9%
Naphtha (av. FOB Rotterdam/CIF NWE)	541	391	38.2%	541	410	31.8%
Naphtha (CFR Japan)	557	408	36.4%	557	439	26.7%
Fuel oil (av. FOB/CIF Med)	341	257	32.9%	341	232	46.8%
Fuel oil (av. FOB Rotterdam/CIF NWE)	340	254	33.9%	340	225	51.2%
High sulphur fuel oil 180 cst (FOB Singapore)	359	280	28.3%	359	275	30.6%
Gasoil (av. FOB/CIF Med)	485	366	32.6%	485	458	6.0%
Gasoil (av. FOB Rotterdam/CIF NWE)	487	362	34.5%	487	462	5.4%
Gasoil (FOB Singapore)	477	357	33.7%	477	450	5.9%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent	4.52	3.37	34.2%	4.52	3.33	35.9%
Urals (average Med and NWE)	4.41	3.39	29.9%	4.41	3.19	38.2%
Urals (FOB Primorsk)	4.35	3.31	31.2%	4.35	3.07	41.6%
Urals (FOB Novorossiysk)	4.36	3.33	30.9%	4.36	3.06	42.4%
Dubai	4.46	3.40	31.1%	4.46	3.36	32.6%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	39.3	29.2	34.6%	39.3	25.8	52.2%
Naphtha (av. FOB Rotterdam/CIF NWE)	40.2	29.8	34.8%	40.2	27.2	47.6%
Naphtha (CFR Japan)	41.4	31.1	33.0%	41.4	29.2	41.9%
Fuel oil (av. FOB/CIF Med)	25.4	19.6	29.6%	25.4	15.4	64.3%
Fuel oil (av. FOB Rotterdam/CIF NWE)	25.3	19.4	30.6%	25.3	14.9	69.4%
High sulphur fuel oil 180 cst (FOB Singapore)	26.7	21.3	25.1%	26.7	18.2	46.3%
Gasoil (av. FOB/CIF Med)	36.1	27.9	29.3%	36.1	30.4	18.7%
Gasoil (av. FOB Rotterdam/CIF NWE)	36.2	27.6	31.2%	36.2	30.7	18.0%
Gasoil (FOB Singapore)	35.4	27.2	30.4%	35.4	29.9	18.6%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)		
Crude oil	25.5	18.1	40.9%	25.5	14.2	79.1%
Fuel oil	17.1	11.7	45.9%	17.1	8.7	97.1%
Summer diesel	39.8	37.5	6.2%	39.8	37.6	5.7%
Winter diesel	41.8	41.3	1.2%	41.8	40.6	3.1%
Jet fuel	33.6	31.8	5.7%	33.6	34.4	(2.5)%
High octane gasoline	43.8	40.3	8.7%	43.8	39.1	12.0%

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

¹The difference between price movements denominated in USD and those denominated in RUB is due to nominal RUB appreciation against USD of 2.5% in the first quarter of 2021 compared to the fourth quarter of 2020.

The Russian Government regulates the price of the gas sold in Russia by Gazprom and its affiliates, which is considered as the benchmark for the domestic gas market. The indexation of gas price of 3% intended for subsequent implementation to all consumer groups is effected from August 2020. In the first quarter of 2021 the indexation was not carried out.

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

USD/RUB and EUR/RUB Exchange Rates and Inflation

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

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

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
Producer price index (PPI) y-o-y	11.1%	1.8%	11.1%	(1.7)%
Average USD/RUB exchange rate for the period ¹	74.34	76.22	74.34	66.38
USD/RUB exchange rate at the end of the period	75.70	73.88	75.70	77.73
Average EUR/RUB exchange rate for the period	89.70	90.81	89.70	73.23
EUR/RUB exchange rate at the end of the period	88.88	90.68	88.88	85.74

Source: the Central Bank of the Russian Federation.

¹See Average monthly USD/RUB exchange rates in the Attachment 4.

Mineral Extraction 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 ¹	For 3 months ended March 31,		% change ¹
	March 31, 2021	December 31, 2020		2021	2020	
Mineral extraction tax						
Crude oil (RUB per tonne)	15,696	10,011	56.8%	15,696	10,569	48.5%
Export customs duty for crude oil						
Crude oil (USD per tonne)	44.0	43.2	1.9%	44.0	74.1	(40.6)%
Crude oil (RUB per tonne)	3,274	3,295	(0.6)%	3,274	4,894	(33.1)%
Crude oil (RUB per barrel)	442	445	(0.6)%	442	661	(33.1)%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	979	987	(0.8)%	979	1,464	(33.1)%
Naphtha (RUB per tonne)	1,795	1,810	(0.9)%	1,795	2,686	(33.2)%
Light and middle distillates (RUB per tonne)	979	987	(0.8)%	979	1,464	(33.1)%
Liquid fuels (fuel oil) (RUB per tonne)	3,274	3,295	(0.6)%	3,274	4,894	(33.1)%

¹Calculated based on unrounded data.

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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

Excise duties (RUB per tonne)	Since January 1 through December 31, 2020	Since January 1 through December 31, 2021
High octane gasoline		
High octane gasoline non-compliant with euro-5	13,100	13,624
High octane gasoline euro-5	12,752	13,262
Naphtha	14,720	15,532
Diesel	8,835	9,188
Jet fuel	2,800	2,800
Lubricants	5,616	5,841
Benzol, paraxylene, ortoxylyene	3,058	3,187
Middle distillates	9,535 ¹	<i>determined by the formula²</i>

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

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

The Company's tax burden on revenues was 54.8% in the first quarter of 2021, most part relates to mineral extraction tax, excess profit tax and the export customs duty accounted (for approximately 82.0%). The share of fiscal withdrawals in the Company's financial result (operating income before fiscal payments) amounted to 80.6% in the first quarter of 2021.

Changes in Transport Tariffs of Pipeline and Railway Monopolies

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

Since January 1, 2021 Transneft tariffs for oil pipeline transportation increased by 3.6% and railroad transportation tariffs increased by 3.7%. Since February 1, 2021 transit tariffs on the territory of the Republic of Belarus have been indexed by 6.6%.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Consolidated statement of profit or loss for the three months ended March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2020

in RUB billions

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
Revenues and equity share in profits of associates and joint ventures						
Oil, gas, petroleum products and petrochemicals sales	1,696	1,486	14.1%	1,696	1,725 ¹	(1.7)%
Support services and other revenues	27	18	50%	27	22	22.7%
Equity share in profits of associates and joint ventures	14	17	(17.6)%	14	11	27.3%
Total revenues and equity share in profits of associates and joint ventures	1,737	1,521	14.2%	1,737	1,758	(1.2)%
Costs and expenses						
Production and operating expenses	111	198	(43.9)%	111	202	(44.6)%
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	291	173	68.2%	291	273 ¹	6.6%
General and administrative expenses	40	48	(16.7)%	40	29	37.9%
Transportation costs and other commercial expenses	151	150	0.7%	151	215	(29.8)%
Exploration expenses	1	4	(75.0)%	1	2	(50.0)%
Depreciation, depletion and amortization	155	162	(4.3)%	155	176	(11.9)%
Taxes other than income tax	667	555	20.2%	667	633	5.4%
Export customs duty	78	81	(3.7)%	78	127	(38.6)%
Total costs and expenses	1,494	1,371	9.0%	1,494	1,657	(9.8)%
Operating income/(loss)	243	150	62.0%	243	101	>100%
Finance income	28	24	16.7%	28	24	16.7%
Finance expenses	(58)	(60)	(3.3)%	(58)	(80)	(27.5)%
Other income	5	529	(99.1)%	5	2	>100%
Other expenses	(15)	(370)	(95.9)%	(15)	(46)	(67.4)%
Foreign exchange differences	5	64	(92.2)%	5	(177)	–
Realized foreign exchange differences on hedge instruments	–	1	–	–	–	–
Income/(loss) before income tax	208	338	(38.5)%	208	(176)	–
Income tax (expense)/benefit	(40)	(9)	>100%	(40)	33	–
Net income/(loss)	168	329	(48.9)%	168	(143)	–
Net income/(loss) attributable to						
- Rosneft shareholders	149	324	(54.0)%	149	(156)	–
- non-controlling interests	19	5	>100%	19	13	46.2%

¹Revenues of oil, gas, petroleum products and petrochemicals and the cost of purchased oil, gas, petroleum products, retail goods and processing services in the first quarter of 2020 in the part of trading operations were adjusted by RUB 7 billion according to IAS 15 "Revenue from Contracts with Customers".

Business Segments and Intersegment Sales

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

Operating Segments

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

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

Intersegment Sales

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

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

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
Operational results						
Hydrocarbon production (th. boe per day)	4,763	5,048	(5.6)%	4,763	5,753	(17.2)%
Liquids production (th. barrels per day)	3,749	3,984	(5.9)%	3,749	4,640	(19.2)%
Gas production (th. boe per day) ¹	1,014	1,064	(4.8)%	1,014	1,113	(8.9)%
Hydrocarbon production (mln boe) ²	403.4	439.7	(8.3)%	403.4	488.6	(17.4)%
Hydrocarbon production (mln toe)	57.8	62.7	(7.8)%	57.8	70.7	(18.2)%
Financial results, RUB billions						
EBITDA	467	401	16.5%	467	269	73.6%
Capital expenditures ³	205	185	10.8%	205	170	20.6%
Upstream operating expenses	78.1	86.5	(9.7)%	78.1	93.2	(16.2)%
Indicators per boe						
EBITDA, RUB/boe ¹	1,135	892	27.2%	1,135	546	>100%
Capital expenditures, RUB/boe	508	421	20.7%	508	348	46.0%
Upstream operating expenses, RUB/boe	194	197	(1.5)%	194	191	1.6%
Upstream operating expenses, USD/boe ⁴	2.6	2.6	–	2.6	2.9	(10.3)%

¹Change of % is calculated from unrounded base

²Excluding effect of associates and joint ventures.

³Ref. to “Capital expenditures”.

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

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Upstream EBITDA

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
Revenues and equity share in profits of associates and joint ventures	1,138	896	27.0%	1,138	863	31.9%
<i>Including equity share in profits of associates and joint ventures</i>	9	9	–	9	2	>100%
Expenses net of depreciation including	718	546	31.5%	718	626	14.7%
Upstream operating expenses ¹	78	87	(9.7)%	78	93	(16.2)%
Expenses associated with COVID-19	2	5	(60.0)%	2	–	–
General and administrative expenses	14	14	–	14	15	(6.7)%
Hydrocarbon procurement costs	6	7	(14.3)%	6	4	50.0%
Pipeline tariffs and transportation costs and other costs ²	18	24	(25.0)%	18	20	(10.0)%
Exploration expenses	3	6	(50.0)%	3	3	–
Taxes other than income tax	605	407	48.6%	605	478	26.6%
Effect of increase in stock of crude oil	(8)	(4)	100%	(8)	13	–
<i>Effect of prepayments offsetting</i>	45	46	(2.2)%	45	32	40.6%
EBITDA	465	396	17.4%	465	269	72.9%
<i>Expenses associated with COVID-19</i>	2	5	(60.0)%	2	–	–
Adjusted EBITDA	467	401	16.5%	467	269	73.6%

¹Percentage is calculated based on the unrounded data.

²Other costs include revision of ecological reserves of RUB 0.3 billion in the first quarter of 2021 and RUB 1.6 billion in the fourth quarter of 2020; RUB 0.1 billion in the first quarter of 2020.

Operating indicators

Production of liquid hydrocarbons

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

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

	For 3 months ended			For 3 months ended March 31,		
	March 31,	December 31,	%	2021	2020	%
	2021	2020	change			change
	(million of barrels)			(million of barrels)		
RN-Yuganskneftegaz (Western Siberia)	121.5	124.3	(2.3)%	121.5	127.5	(4.7)%
Samotlorneftegaz (Western Siberia)	30.8	33.2	(7.2)%	30.8	35.5	(13.2)%
Vostok Oil project (Eastern Siberia) ¹	25.9	27.2	(4.8)%	25.9	31.2	(17.0)%
Samaraneftegaz (Ural-Volga)	19.8	23.5	(15.7)%	19.8	23.8	(16.8)%
Orenburgneft (Ural-Volga)	17.5	25.2	(30.6)%	17.5	26.4	(33.7)%
Bashneft-Dobycha (Ural-Volga)	16.6	13.8	20.3%	16.6	30.5	(45.6)%
RN-Uvatneftegaz (Western Siberia)	16.3	17.0	(4.1)%	16.3	18.5	(11.9)%
Verkhnechonskneftegaz (Eastern Siberia)	12.7	14.4	(11.8)%	12.7	14.6	(13.0)%
Taas-Yuryakh (Far East)	9.3	9.5	(2.1)%	9.3	8.4	10.7%
RN-Nyaganneftegaz (Western Siberia)	7.3	10.6	(31.1)%	7.3	13.0	(43.8)%
RN-Purneftegaz (Western Siberia)	5.7	4.9	16.3%	5.7	6.4	(10.9)%
Kondaneft (Western Siberia)	5.5	4.9	12.2%	5.5	5.6	(1.8)%
Tomskneft (Western Siberia)	5.3	3.2	65.6%	5.3	7.6	(30.3)%
Vostsibneftegaz (Eastern Siberia)	4.8	5.2	(7.7)%	4.8	6.1	(21.3)%
Offshore projects (Far East) ²	4.7	4.5	4.4%	4.7	5.0	(6.0)%
Rospan International (Western Siberia)	3.3	3.0	10.0%	3.3	3.2	3.1%
Bashneft-Polyus (Timan-Pechora) ³	2.3	2.0	15.0%	2.3	2.1	9.5%
Kharampurneftegaz (Western Siberia)	1.8	1.9	(5.3)%	1.8	1.9	(5.3)%
Sorovskneft (Western Siberia)	1.0	0.9	11.1%	1.0	2.3	(56.5)%
Other	7.4	20.3 ⁴	(63.5)%	7.4	24.7 ⁴	(70.0)%
Liquids production by fully and proportionately consolidated enterprises	319.5	349.5	(8.6)%	319.5	394.3	(19.0)%
Slavneft (Western and Eastern Siberia)	6.6	6.3	4.8%	6.6	12.7	(48.0)%
Messoyakhaneftegaz (Western Siberia)	4.9	5.1	(3.9)%	4.9	5.2	(5.8)%
Udmurtneft (Ural-Volga)	4.8	4.5	6.7%	4.8	5.5	(12.7)%
Other	1.6	1.1	45.5%	1.6	4.5	(64.4)%
Total share in production of associates and JV	17.9	17.0	5.3%	17.9	27.9	(35.8)%
Total liquids production	337.4	366.5	(7.9)%	337.4	422.2	(20.1)%
Daily liquids production (th. barrels per day)	3,749	3,984	(5.9)%	3,749	4,640	(19.2)%

¹incl. Vankor projects

²Net of royalty and government share.

³Refers to 100% consolidated share in production.

⁴Including production volumes of Varyeganneftegaz, RN-Severnaya Neft and RN-Sakhalinmorneftegaz (disposed at the end of 2020) in the amount of 17.7 million of barrels and 12.9 million of barrels in the first and fourth quarters of 2020, respectively.

In the first quarter of 2021 the average daily liquid hydrocarbons production amounted to 3.75 million barrels per day, a decrease of 5.9% compared with the fourth quarter of 2020, which is driven by the disposal of a number of low-margin assets at the end of 2020 in order to improve the quality of the Company's portfolio. Excluding the effect of assets disposal and in the context of easing of restrictions under the OPEC+ Agreement from January 2021, the average daily liquid hydrocarbons production increased by 1% compared with the fourth quarter of 2020.

Compared with the same period of 2020 average daily liquid hydrocarbons production decreased by 19.2% due to the higher production cuts under the OPEC+ Agreement since May 2020, as well as due to the disposal of a number of low-margin assets at the end of 2020.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Development drilling footage amounted to 2.3 mln meters and the number of new wells commissioned amounted to 622 units, 65% of these wells are horizontal.

Production of Gas

The table below sets forth Rosneft's used gas¹ production:

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
	bcm			bcm		
Sibneftegaz (Western Siberia)	2.51	2.21	13.6%	2.51	2.64	(4.9)%
Rospan International (Western Siberia)	1.71	1.59	7.5%	1.71	1.64	4.3%
Samotlorneftegaz (Western Siberia)	1.48	1.58	(6.3)%	1.48	1.59	(6.9)%
Zohr project (Egypt) ⁴	1.35	1.20	12.5%	1.35	0.91	48.4%
Vostok Oil project (Eastern Siberia) ^{2,3}	1.33	1.44	(7.6)%	1.33	1.42	(6.3)%
RN-Yuganskneftegaz (Western Siberia)	1.23	1.25	(1.6)%	1.23	1.28	(3.9)%
RN-Purneftegaz (Western Siberia)	0.93	0.93	–	0.93	1.02	(8.8)%
Offshore projects (Far East) ^{3,4}	0.85	0.78	9.0%	0.85	0.86	(1.2)%
RN-Krasnodarneftegaz (Southern Russia)	0.39	0.40	(2.5)%	0.39	0.43	(9.3)%
Verkhnechonskneftegaz (Eastern Siberia) ³	0.33	0.33	–	0.33	0.35	(5.7)%
Kharampurneftegaz (Western Siberia)	0.24	0.24	–	0.24	0.24	–
Tomskneft (Western Siberia)	0.19	0.22	(13.6)%	0.19	0.24	(20.8)%
RN-Nyaganneftegaz (Western Siberia)	0.17	0.38	(55.3)%	0.17	0.56	(69.6)%
Rosneft Vietnam B.V. (Vietnam)	0.13	0.11	18.2%	0.13	0.19	(31.6)%
Samaraneftegaz (Ural-Volga)	0.11	0.13	(15.4)%	0.11	0.13	(15.4)%
Orenburgneft (Ural-Volga)	0.10	0.30	(66.7)%	0.10	0.31	(67.7)%
Bashneft-Dobycha (Ural-Volga) ³	0.09	0.09	–	0.09	0.13	(30.8)%
RN-Uvatneftegaz (Western Siberia)	0.07	0.07	–	0.07	0.08	(12.5)%
Other	0.56	1.55 ⁵	(63.9)%	0.56	1.47 ⁵	(61.9)%
Total gas production by fully and proportionately consolidated enterprises	13.77	14.80	(7.0)%	13.77	15.49	(11.1)%
Messoyakhaneftegaz (Western Siberia)	0.20	0.21	(4.8)%	0.20	0.03	>100%
Purgaz (Western Siberia)	0.91	0.96	(5.2)%	0.91	0.96	(5.2)%
Slavneft (Western and Eastern Siberia)	0.05	0.04	25.0%	0.05	0.12	(58.3)%
Other	0.05	0.07	(28.6)%	0.05	0.03	66.7%
Total share in production of associates and JV	1.21	1.28	(5.5)%	1.21	1.14	6.1%
Total gas production	14.98	16.08	(6.8)%	14.98	16.63	(9.9)%
Natural gas	8.11	7.74	4.8%	8.11	7.75	4.6%
Associated gas	6.87	8.34	(17.6)%	6.87	8.88	(22.6)%
Daily gas production (mcm per day)	166.4	174.8	(4.8)%	166.4	182.7	(8.9)%

¹Production volume equals extracted volume minus flared volume and gas used for NGL production. Gross gas production amounted to 17.6 bcm in the first quarter of 2021 and 18.8 bcm in the fourth quarter of 2020 and 19.6 bcm in the first quarter of 2020.

²Incl. Vankor project.

³Including gas injection to maintain reservoir pressure.

⁴Net of royalty and government share.

⁵Including production volumes of Varyeganneftegaz, RN-Severnaya Neft and RN-Sakhalinmorneftegaz (disposed at the end of 2020) in the amount of 1.18 bcm and 1.10 bcm in the first and fourth quarters of 2020, respectively.

Daily gas production of the first quarter of 2021 decreased by 4.8% compared with the fourth quarter of 2020 and by 8.9% compared with the first quarter of 2020. Gas production decrease is mainly due to a lower associated gas production as a result of the disposal of a number of low-margin assets at the end of 2020. At the same time, natural gas production increased due to the launch of a booster compressor station at the Beregovoye field of Sibneftegaz and also due to higher gas production and sales from the Zohr field in Egypt. Excluding the effect of assets disposal in 2020 daily gas production increased by 4.6% to the production level of the fourth quarter of 2020.

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 9 billion and RUB 9 billion in the first quarter of 2021 and in the fourth quarter of 2020, respectively. Significant growth compared to the first quarter of 2020 (RUB 2 billion) is mainly due to the price factor.

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 first quarter of 2021 compared with the fourth quarter of 2020 upstream operating expenses decreased by 9.7% to RUB 78.1 billion. Upstream operating expenses per boe decreased by 1.5% in RUB terms to 194 RUB/boe (2.6 USD/boe) mainly due to disposal of a number of flow-margin assets and due to seasonal factors, including reduction of geological and maintenance works, work on repairs of oilfield equipment, maintenance and repairs of pipelines

Upstream production and operating expenses per boe in RUB terms increased by 1.6% if compared to the first quarter of 2020, which was driven by the inflationary impact in the context of the production cuts under the OPEC+ Agreement.

Exploration Expenses¹

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

Exploration expenses in the first quarter of 2021 and fourth quarter of 2020 were RUB 1 billion and RUB 4 billion, respectively. In the first quarter of 2020, exploration expenses amounted to RUB 2 billion.

¹ Net of intercompany turnover of RUB 2 billion and RUB 2 billion in the first quarter of 2021 and fourth quarter of 2020. In the first quarter of 2020 intercompany turnover was RUB 1 billion.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
	(thousand RUB, except %)					
Average enacted mineral extraction tax rate (per tonne) ¹	15.70	10.01	56.8%	15.70	10.57	48.5%
Actual mineral extraction tax expense per tonne of oil produced	10.42	7.67	35.9%	10.42	8.01	30.1%
Actual mineral extraction tax expense per tonne of oil equivalent produced ²	8.36	6.18	35.3%	8.36	6.54	27.8%
	(RUB, except %)					
Actual gas extraction tax rate per thousand cubic meters	582	548	6.2%	582	529	10.0%
Actual extraction tax rate on gas condensate per tonne ³	7,543	5,581	35.2%	7,543	5,348	41.0%

¹Percentage is calculated based on the unrounded data.

²Including consolidated oil and gas volumes.

³The main volumes of condensate assessed at the MET rate for gas condensate are extracted at the fields of Rospan, rates for which are set in the table.

The actual MET rate is lower than the average enacted tax rate for the periods analysed because of tax incentives. 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

In the first quarter of 2021 and in the fourth quarter of 2020, excess profit tax amounted to RUB 133 billion and RUB 26 billion, respectively. In the first quarter of 2020, excess profit tax amounted to RUB 29 billion. A significant increase in the excess profit tax in 2021 is associated with changes in tax legislation, within the framework of which new subgroups of fields have the right to switch to excess profit tax regime starting from January 1, 2021.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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 3 months ended March 31,		
	March 31, 2021	December 31, 2020	% change	2021	2020	% change
Operational results, mln tonne						
Crude oil processing at refineries	26.35	25.80	2.1%	26.35	28.72	(8.3)%
<i>Processing at Company's own refineries in Russia</i>	22.16	21.05	5.3%	22.16	24.04	(7.8)%
<i>Processing at Company's own refineries outside Russia</i>	2.27	2.75	(17.5)%	2.27	2.77	(18.1)%
<i>Processing at Associates' refineries¹</i>	1.92	2.00	(4.0)%	1.92	1.91	0.5%
Financial results, RUB billion						
EBITDA	1	(27)	–	1	56	(98.2)%
Capital expenditures of refineries ²	9	17	(47.1)%	9	9	–
Operating expenses of processing in Russia	32.9	39.5	(16.7)%	32.9	32.2	2.2%
Operating expenses of processing outside Russia	8.4	11.4	(26.3)%	8.4	6.3	33.3%
Indicators per tonne of the output, RUB per tonne³						
Capital expenditure of refineries	368	714	(48.5)%	368	336	9.5%
Operating expenses for processing in Russia	1,485	1,876	(20.8)%	1,485	1,339	10.9%
Operating expenses for processing outside Russia ⁴	3,700	3,309	11.8%	3,700	2,274	62.7%

¹Excluding processing at Nayara.

²Refer to "Capital expenditures".

³Calculated from unrounded data.

⁴One-off effect of accrual of pension obligations of RUB 2.3 billion is excluded in the fourth quarter of 2020.

Downstream EBITDA

	For 3 months ended			For 3 months ended March 31,		
	March 31, 2021	December 31, 2020	% change	2021	2020	% change
	RUB billion			RUB billion		
Revenues and equity share in profits of associates and joint ventures	1,749	1,538	13.7%	1,749	1,771¹	(1.2)%
<i>Including equity share in profits of associates and joint ventures</i>	5	5	–	5	8	(37.5)%
Expenses net of depreciation including	1,774	1,570	13.0%	1,774	1,693	4.8%
Operating expenses of processing in Russia	33	40	(16.7)%	33	32	2.2%
Operating expenses of processing outside Russia, cost of additives	18	24	(25.0)%	18	18	–
Operating expenses of retail entities	10.7	12.4	(13.7)%	10.7	9.8	9.2%
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	1,399	1,096	27.6%	1,399	1,155 ¹	21.1%
Administrative expenses	11	21	(47.6)%	11	5	>100%
<i>including allowance for expected credit losses</i>	0.8	9.5	(91.6)%	0.8	(7.5)	–
Pipeline tariffs and transportation costs	150	148	1.4%	150	214	(29.9)%
Taxes other than income tax	74	148	(50.0)%	74	132	(43.9)%
Export customs duty	78	81	(3.7)%	78	127	(38.6)%
Expenses associated with COVID-19	–	1	(100.0)%	–	–	–
EBITDA Downstream	(25)	(31)	19.4%	(25)	78	–
<i>Effect of intragroup inventory and others</i>	26	4	>100%	26	(22)	–
Adjusted EBITDA	1	(27)	–	1	56	(98.2)%

¹Revenues of oil, gas, petroleum products and petrochemicals and the cost of purchased oil, gas, petroleum products, retail goods and processing services in the first quarter of 2020 in the part of trading operations were adjusted by RUB 7 billion according to IAS 15 "Revenue from Contracts with Customers".

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Operating indicators

Petroleum Product Output

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

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

	For 3 months ended		%	For 3 months ended March 31,		%
	March 31, 2021	December 31, 2020		2021	2020	
	mln of tonnes			mln of tonnes		
Crude oil processing at refineries in Russia ¹	24.08	23.05	4.5%	24.08	25.95	(7.2)%
Crude oil processing at refineries outside Russia including crude oil processing in Germany ²	2.27	2.75	(17.5)%	2.27	2.77	(18.1)%
Total Group crude oil processing	26.35	25.80	2.1%	26.35	28.72	(8.3)%
Petroleum product output:						
High octane gasoline	3.55	3.35	6.0%	3.55	3.57	(0.6)%
Low octane gasoline	0.01	0.01	–	0.01	0.01	–
Naphtha	1.43	1.37	4.4%	1.43	1.61	(11.2)%
Diesel	8.07	7.49	7.7%	8.07	8.50	(5.1)%
Fuel oil	5.68	5.71	(0.5)%	5.68	6.36	(10.7)%
Jet fuel	0.52	0.51	2.0%	0.52	0.77	(32.5)%
Petrochemicals	0.39	0.41	(4.9)%	0.39	0.43	(9.3)%
Other	3.59	3.40	5.6%	3.59	3.82	(6.0)%
Product output at Rosneft's refineries in Russia	23.24	22.25	4.4%	23.24	25.07	(7.3)%
Product output at refineries outside Russia	2.41	2.87	(16.0)%	2.41	2.93	(17.7)%
including crude oil output in Germany	2.41	2.87	(16.0)%	2.41	2.93	(17.7)%
Total Group product output	25.65	25.12	2.1%	25.65	28.00	8.4%

¹Including processing at YANOS refinery.

²Excluding additives received and other raw materials for processing.

The increase of 4.5% to 24.08 mln tonnes, in production at the Company's own refineries in Russia in the first quarter 2021 as compared to the fourth quarter of 2020 was driven by recovery of demand for petroleum products. Decrease of 7.2% compared to the first quarter of 2020 was mainly due to optimization of refinery utilization driven by the reduced demand for petroleum products.

Decreased processing by 17.5% at German refineries in the first quarter of 2021 in comparison with the fourth quarter of 2020 is mainly driven by second lockdown in Germany due to COVID-19 pandemic and by turnarounds at MIRO refinery in February-April 2021. The reduction of production compared to the first quarter of 2020 was driven by the lockdown due to the COVID pandemic and the decline in demand for petroleum products in Europe.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Financial indicators

Revenues and equity share in profits of associates and joint ventures

Increase in revenues in the first quarter of 2021 by 14.2% compared with the fourth quarter of 2020 is mainly due to positive price impact (crude oil price up by 33.2%). Decrease in revenues in the first quarter of 2021 of 1.2% compared with the same period of 2020 is mainly due to a significant decline of crude oil and petroleum products export volumes caused by COVID-19 impact, which was offset by crude oil price upturn.

The table below presents revenues from sales of crude oil, gas, petroleum, petrochemical products, and other revenues in billions of RUB^{1,2}:

	For 3 months ended					For 3 months ended March 31,				
	March 31, 2021		December 31, 2020		% change	2021		2020		% change
	% of revenue	% of revenue	% of revenue	% of revenue		% of revenue	% of revenue			
RUB billion, except %										
Crude oil										
International Sales to non-CIS	627	36.1%	517	34.0%	21.3%	627	36.1%	726	41.3%	(13.6)%
Europe and other directions	265	15.3%	238	15.7%	11.3%	265	15.3%	296	16.8%	(10.5)%
Asia	362	20.8%	279	18.3%	29.7%	362	20.8%	430	24.5%	(15.8)%
International sales to CIS	50	2.9%	48	3.2%	4.2%	50	2.9%	–	–	–
Domestic sales	33	1.9%	26	1.7%	26.9%	33	1.9%	23	1.3%	43.5%
Total crude oil	710	40.9%	591	38.9%	20.1%	710	40.9%	749	42.6%	(5.2)%
Gas	73	4.2%	69	4.5%	5.8%	73	4.2%	63	3.6%	15.9%
Petroleum products										
International Sales to non-CIS	510	29.3%	425	27.9%	20.0%	510	29.3%	502	28.5%	1.6%
Europe and other directions	382	21.9%	337	22.1%	13.4%	382	21.9%	392	22.2%	(2.6)%
Asia	128	7.4%	88	5.8%	45.5%	128	7.4%	110	6.3%	16.4%
International Sales to CIS	20	1.2%	23	1.5%	(13.0)%	20	1.2%	22	1.3%	(9.1)%
Domestic sales	344	19.8%	345	22.7%	(0.3)%	344	19.8%	353	20.1%	(2.5)%
Sales of bunker fuel to end-users	11	0.6%	12	0.8%	(8.3)%	11	0.6%	13	0.7%	(15.4)%
Total petroleum products	885	50.9%	805	52.9%	9.9%	885	50.9%	890	50.6%	(0.6)%
Petrochemical products	28	1.6%	21	1.4%	33.3%	28	1.6%	23	1.3%	21.7%
International sales	10	0.6%	8	0.5%	25.0%	10	0.6%	10	0.6%	–
Domestic sales	18	1.0%	13	0.9%	38.5%	18	1.0%	13	0.7%	38.5%
Sales of petroleum products and petrochemicals	913	52.5%	826	54.3%	10.5%	913	52.5%	913	51.9%	–
Support services and other revenues	27	1.6%	18	1.2%	50.0%	27	1.6%	22	1.3%	22.7%
Equity share in profits of associates and joint ventures	14	0.8%	17	1.1%	(17.6)%	14	0.8%	11	0.6%	27.3%
Total revenues and equity share in profits of associates and joint ventures	1,737	100.0%	1,521	100.0%	14.2%	1,737	100.0%	1,758³	100.0%	(1.2)%

¹ Under IFRS consolidated financial statements.

² The difference between percentages presented in the above table and other sections is caused by rounding.

³ Revenues of oil, gas, petroleum products and petrochemicals and the cost of purchased oil, gas, petroleum products, retail goods and processing services in the first quarter of 2020 in the part of trading operations were adjusted by RUB 7 billion according to IAS 15 "Revenue from Contracts with Customers".

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Sales Volumes

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

	For 3 months ended					For 3 months ended March 31,				
	March 31, 2021		December 31, 2020		% change	2021		2020		% 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	163.7	44.4%	176.2	45.1%	(7.1)%	163.7	44.4%	266.5	54.3%	(38.6)%
Europe and other directions	67.4	18.3%	77.0	19.7%	(12.5)%	67.4	18.3%	114.0	23.2%	(40.9)%
Asia	96.3	26.1%	99.2	25.4%	(2.9)%	96.3	26.1%	152.5	31.1%	(36.9)%
International Sales to CIS	13.3	3.6%	17.7	4.6%	(24.9)%	13.3	3.6%	–	–	–
Domestic	8.9	2.4%	8.9	2.3%	–	8.9	2.4%	10.4	2.1%	(14.4)%
Total crude oil	185.9	50.4%	202.8	52.0%	(8.3)%	185.9	50.4%	276.9	56.4%	(32.9)%
	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	22.1	44.4%	23.8	45.1%	(7.1)%	22.1	44.4%	36.0	54.3%	(38.6)%
Europe and other directions	9.1	18.3%	10.4	19.7%	(12.5)%	9.1	18.3%	15.4	23.2%	(40.9)%
Asia	13.0	26.1%	13.4	25.4%	(2.9)%	13.0	26.1%	20.6	31.1%	(36.9)%
International Sales to CIS	1.8	3.6%	2.4	4.6%	(24.9)%	1.8	3.6%	–	–	–
Domestic sales	1.2	2.4%	1.2	2.3%	–	1.2	2.4%	1.4	2.1%	(14.4)%
Total crude oil	25.1	50.4%	27.4	52.0%	(8.3)%	25.1	50.4%	37.4	56.4%	(32.9)%
Petroleum products										
International Sales to non-CIS	14.4	28.8%	14.2	27.0%	1.4%	14.4	28.8%	17.2	25.9%	(16.3)%
Europe and other directions	10.2	20.4%	10.7	20.4%	(4.7)%	10.2	20.4%	12.7	19.1%	(19.7)%
Asia	4.2	8.4%	3.5	6.6%	20.0%	4.2	8.4%	4.5	6.8%	(6.7)%
International Sales to CIS	0.5	1.0%	0.8	1.5%	(37.5)%	0.5	1.0%	0.9	1.4%	(44.4)%
Domestic sales	8.9	17.9%	9.2	17.5%	(3.3)%	8.9	17.9%	9.7	14.6%	(8.2)%
Sales of bunker fuel to end-users	0.33	0.7%	0.49	0.9%	(32.7)%	0.33	0.7%	0.39	0.6%	(15.4)%
Total petroleum products	24.1	48.4%	24.7	46.9%	(2.4)%	24.1	48.4%	28.2	42.5%	(14.5)%
Petrochemical products	0.59	1.2%	0.62	1.1%	(4.8)%	0.59	1.2%	0.69	1.1%	(14.5)%
International sales	0.19	0.4%	0.22	0.3%	(13.6)%	0.19	0.4%	0.24	0.3%	(20.8)%
Domestic sales	0.40	0.8%	0.40	0.8%	–	0.40	0.8%	0.45	0.8%	(11.1)%
Total crude oil, petroleum and petrochemical products	49.8	100.0%	52.7	100.0%	(5.5)%	49.8	100.0%	66.3	100.0%	(24.9)%
	bcm		bcm			bcm		bcm		
Gas	16.46		15.28		7.7%	16.46		14.91		10.4%

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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)¹:

	For 3 months ended					For 3 months ended March 31,				
	March 31, 2021		December 31, 2020		% change	2021		2020		% 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	4.11	30.4	3.20	23.7	28.3%	4.11	30.4	2.83	21.0	44.8%
Europe and other directions ²	3.96	29.3	3.09	22.9	27.9%	3.96	29.3	2.59	19.2	52.6%
Asia ²	4.23	31.3	3.30	24.4	28.3%	4.23	31.3	3.02	22.4	39.7%
Crude oil, CIS	3.80	28.1	2.74	20.3	38.4%	3.80	28.1	–	–	–
Petroleum products, non-CIS		35.4		29.8	18.8%		35.4		29.1 ⁴	21.6%
Europe and other directions		37.3		31.2	19.6%		37.3		30.8	21.1%
Asia		30.7		25.5	20.4%		30.7		24.2 ⁴	26.9%
Petroleum products, CIS		36.1		27.4	31.8%		36.1		24.5	47.3%
Petrochemical products		50.8		38.1	33.3%		50.8		40.5	25.4%
Average domestic prices										
Crude oil	3.86	28.6	2.80	20.8	37.5%	3.86	28.6	2.17	16.1	77.6%
Petroleum products		38.9		37.4	4.0%		38.9		36.5	6.6%
Gas (th. RUB/th. cubic meter) ³		3.71		3.74	(0.8)%		3.71		3.61	2.8%
Petrochemical products		45.6		33.3	36.9%		45.6		28.0	62.9%
Sales of bunker fuel to end-users		33.4		25.3	32.0%		33.4		33.6	(0.6)%

¹ Average price is calculated from unrounded figures.

² Price excludes the effect of prepayments offsetting under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 43 billion in the first quarter of 2021 and RUB 35 billion in the fourth quarter of 2020, RUB 33 billion in the first quarter of 2020).

³ Including gas sales outside the Russian Federation average gas prices were 4.43 th. RUB/th. cubic meter in the first quarter of 2021 and 4.48 th. RUB/th. cubic meter in the fourth quarter of 2020; 4.23 th. RUB/th. cubic meter in the first quarter of 2020.

⁴ The average prices were restated due to the setting-off of trading operations in the first quarter of 2020.

International Crude Oil Sales to non-CIS

Revenue increase in international crude oil sales to non-CIS countries in the first quarter of 2021 compared to the fourth quarter of 2020 was due to the upturn in average sales price of 28.3% (positive impact on revenues of RUB 150 billion) which was partially offset by the decrease in sales volume of 7.1% (negative impact of RUB 40 billion).

Revenue decrease in international crude oil sales to non-CIS countries in the first quarter of 2021 compared with the same period of 2020 was due to the decrease in sales volume of 38.6% (negative impact of RUB 291 billion) which was partially offset by the average sales price upturn of 44.8% (positive impact of RUB 205 billion).

International Crude Oil Sales to CIS

Revenue increase in international crude oil sales to CIS countries in the first quarter of 2021 compared to the fourth quarter of 2020 was due to the upturn in average sales price of 38.4% (positive impact of RUB 14 billion) which was partially offset by the decrease in sales volume of 24.9% (negative impact of RUB 12 billion).

Domestic Sales of Crude Oil

Revenue increase in domestic sales of crude oil in the first quarter of 2021 compared with the fourth quarter of 2020 was mainly due to the upturn in average sales price of 37.5% (positive impact of RUB 7 billion).

Revenue increase in domestic sales of crude oil in the first quarter of 2021 compared with the same period of 2020 was due to the upturn in average sales price of 77.6% (positive impact of RUB 14 billion) which was partially offset by the sales volume decrease of 14.4% (negative impact of RUB 4 billion).

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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 first quarter of 2021 and fourth quarter of 2020¹:

	For 3 months ended						% change		
	March 31, 2021			December 31, 2020			RUB billion	mln of tonnes	Average price th.RUB/tonne
	RUB billion	mln of tonnes	Average price th.RUB/tonne	RUB billion	mln of tonnes	Average price th.RUB/tonne			
High octane gasoline	4	0.1	39.1	5	0.1	32.7	- ²	-	19.6%
Naphtha	43	1.2	35.8	37	1.2	30.0	16.2%	-	19.3%
Diesel (Gasoil)	129	3.8	33.7	84	3.2	26.3	53.6%	18.8%	28.1%
Fuel oil	177	6.7	26.4	139	6.7	20.9	27.3%	-	26.3%
Other	10	0.3	-	5	0.2	-	-	-	-
Petroleum products exported to non-CIS	363	12.1	30.0	270	11.4	23.7	34.4%	6.1%	26.6%
Petroleum products produced and purchased outside Russia	147	2.3	64.4	155	2.8	54.4	(5.2)%	(17.9)%	18.4%
Total petroleum products sold to non-CIS	510	14.4	35.4	425	14.2	29.8	20.0%	1.4%	18.8%

¹ Average price is calculated from unrounded figures.

² Calculated from unrounded figures.

Revenue increase in international sales of petroleum products to non-CIS countries in the first quarter of 2021 compared to the fourth quarter of 2020 was due to the upturn in average sales price of 18.8% (positive impact of RUB 84 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 first quarters of 2021 and 2020¹:

	For 3 months ended March 31,						% change		
	2021			2020			RUB billion	mln of tonnes	Average price th.RUB/tonne
	RUB billion	mln of tonnes	Average price th.RUB/tonne	RUB billion	mln of tonnes	Average price th.RUB/tonne			
High octane gasoline	4	0.1	39.1	4	0.1	39.8	-	-	(1.8)%
Naphtha	43	1.2	35.8	38	1.5	26.1	13.2%	(20.0)%	37.2%
Diesel (Gasoil)	129	3.8	33.7	110	3.9	28.0	17.3%	(2.6)%	20.4%
Fuel oil	177	6.7	26.4	127	7.0	18.0	39.4%	(4.3)%	46.7%
Other	10	0.3	-	10	0.4	-	-	-	-
Petroleum products exported to non-CIS	363	12.1	30.0	289	12.9	22.3	25.6%	(6.2)%	34.5%
Petroleum products produced and purchased outside Russia	147	2.3	64.4	213	4.3	49.8	(31.0)%	(46.5)%	29.3%
Total petroleum products sold to non-CIS	510	14.4	35.4	502²	17.2	29.1	1.6%	(16.3)%	21.6%

¹ Average price is calculated from unrounded figures.

Revenue increase in international sales of petroleum products to non-CIS countries in the first quarter of 2021 compared to the same period of 2020 was due to the upturn in average sales price of 21.6% (positive impact of RUB 94 billion) which was partially offset by the sales volume decrease of 16.3% (negative impact of RUB 86 billion).

International Petroleum Product Sales to CIS

Revenue decrease in international sales of petroleum products to CIS countries in the first quarter of 2021 compared with the fourth quarter of 2020 was due to the sales volume decrease of 37.5% (negative impact of RUB 8 billion) which was partially offset by the average price upturn of 31.8% (positive impact of RUB 5 billion).

Revenue decrease in international sales of petroleum products to CIS countries in the first quarter of 2021 compared with the same period of 2020 was due to the sales volume decrease of 44.4% (negative impact of RUB 8 billion) which was partially offset by the average price upturn of 47.3% (positive impact of RUB 6 billion).

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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 first quarter of 2021 and fourth quarter of 2020¹:

	For 3 months ended						% change		
	March 31, 2021			December 31, 2020					
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne
High octane gasoline	151	3.2	47.1	152	3.3	45.6	(0.7)%	(3.0)%	3.3%
Diesel (Gasoil)	140	3.2	44.2	147	3.4	43.0	(4.8)%	(5.9)%	2.8%
Fuel oil	16	0.9	17.5	10	0.9	12.6	60.0%	–	38.9%
Jet fuel	17	0.5	34.3	17	0.5	32.0	–	–	7.2%
Other	20	1.1	–	19	1.1	–	–	–	–
Total	344	8.9	38.9	345	9.2	37.4	(0.3)%	(3.3)%	4.0%

¹ Average price is calculated from unrounded figures.

Revenue decrease in sales of petroleum products on the domestic market in the first quarter of 2021 compared with the fourth quarter of 2020 was due to the decrease in sales volume of 3.3% (negative impact of RUB 14 billion) which was partially offset by the average price upturn of 4.0% (positive impact of RUB 13 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russian regions in the first quarters of 2021 and 2020, respectively¹:

	For 3 months ended March 31,						% change		
	2021			2020					
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne
High octane gasoline	151	3.2	47.1	146	3.3	44.1	3.4%	(3.0)%	6.8%
Diesel (Gasoil)	140	3.2	44.2	152	3.5	44.0	(7.9)%	(8.6)%	0.5%
Fuel oil	16	0.9	17.5	11	1.0	10.8	45.5%	(10.0)%	62.0%
Jet fuel	17	0.5	34.3	29	0.7	39.6	(41.4)%	(28.6)%	(13.4)%
Other	20	1.1	–	15	1.2	–	–	–	–
Total	344	8.9	38.9	353	9.7	36.5	(2.5)%	(8.2)%	6.6%

¹ Average price is calculated from unrounded figures.

Revenue decrease in sales of petroleum products on the domestic market in the first quarter of 2021 compared with the same period 2020 was due to the decrease in sales volume of 8.2% (negative impact of RUB 29 billion) which was partially offset by the average price upturn of 6.6% (positive impact of RUB 20 billion).

Sales of bunker fuel

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

Revenues from sales of bunker fuel decreased in the first quarter of 2021 compared with the fourth quarter of 2020 due to the downturn of sales volume of 32.7% (negative impact of RUB 4 billion) which was partially offset by the average price upturn of 32.0% (positive impact of RUB 3 billion). Revenues from sales of bunker fuel decreased in the first quarter of 2021 compared with the same period of 2020 due to the decrease in sales volume of 15.4% (negative impact of RUB 2 billion).

Petrochemical Products Sales

Revenues from international sales of petrochemical products increased in the first quarter of 2021 compared with the fourth quarter of 2020 due to the upturn in average sales price of 33.3% (positive impact of RUB 3 billion) which was partially offset by the decrease in sales volume of 13.6% (negative impact of RUB 1 billion).

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Revenues from domestic sales of petrochemical products increased in the first quarter of 2021 compared with the fourth quarter of 2020 due to the average sales price upturn of 36.9% (positive impact of RUB 5 billion). Revenues from domestic sales of petrochemical products increased in first quarter of 2021 compared with the same period of 2020 due to the average sales price upturn of 62.9% (positive impact of RUB 7 billion) which was partially offset by the decrease in sales volume of 11.1% (negative impact of RUB 2 billion).

Gas Sales

The table below sets forth revenues, volumes and average price of gas sales by Rosneft¹:

	For 3 months ended			For 3 months ended		
	March 31, 2021	December 31, 2020	% change	March 31, 2021	March 31, 2020	% change
Revenue	RUB billion			RUB billion		
In the Russian Federation	55.7	52.5	6.1%	55.7	49.9	11.6%
Outside the Russian Federation	17.3	16.3	6.1%	17.3	13.2	31.1%
Total	73.0	68.8	6.1%	73.0	63.1	15.7%
Sales volumes	bcm			bcm		
In the Russian Federation	14.99	13.98	7.2%	14.99	13.83	8.4%
Outside the Russian Federation	1.47	1.30	13.1%	1.47	1.08	36.1%
Total	16.46	15.28	7.7%	16.46	14.91	10.4%
Average price	th. RUB/th. of cubic meters			th. RUB/th. of cubic meters		
In the Russian Federation	3.71	3.74	(0.8)%	3.71	3.61	2.8%
Outside the Russian Federation	11.74	12.55	(6.5)%	11.74	12.13	(3.2)%
Average price of the Company	4.43	4.48	(1.1)%	4.43	4.23	4.7%

¹Average price is calculated from unrounded figures.

The increase in gas sales volumes in the first quarter of 2021 compared with the fourth quarter of 2020 is driven by removal of restrictions caused by COVID-19, increased consumption from energy and utilities sector in view of weather conditions, as well as an increase in production and sales volumes of gas from Zohr project in Egypt.

Support Services and Other Revenues

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

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

	For 3 months ended				% change	For 3 months ended March 31,				% change
	March 31, 2021		December 31, 2020			2021		2020		
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
	billion RUB, except %									
Drilling services	0.6	2.2%	0.1	0.6%	>100%	0.6	2.2%	0.4	1.8%	50.0%
Sales of materials	7.4	27.5%	6.5	35.9%	13.8%	7.4	27.5%	6.5	29.5%	13.8%
Repairs and maintenance services	0.9	3.3%	0.5	2.8%	80.0%	0.9	3.3%	0.8	3.6%	12.5%
Rent services	3.9	14.5%	1.5	8.3%	>100%	3.9	14.5%	1.2	5.5%	>100%
Transport services	3.9	14.5%	2.2	12.2%	77.3%	3.9	14.5%	5.6	25.5%	(30.4)%
Electric power sales and transmission	5.7	21.2%	3.4	18.8%	67.6%	5.7	21.2%	3.6	16.4%	58.3%
Other revenues	4.5	16.8%	3.9	21.4%	15.4%	4.5	16.8%	3.9	17.7%	15.4%
Total	26.9	100.0%	18.1	100.0%	48.6%	26.9	100.0%	22.0	100.0%	22.3%

Financial result of associates and joint ventures

Net financial result (profits) of downstream associates and joint ventures amounts to RUB 5 billion and RUB 5 billion in the first quarter of 2021 and fourth quarter of 2020, respectively.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Downstream production and operating costs

Downstream operating expenses include¹:

	For 3 months ended		% change	For 3 months ended		% change
	March 31, 2021	December 31, 2020		March 31, 2021	March 31, 2020	
	billion RUB, except %					
Operating expenses at refineries in Russia	32.9	39.5	(16.7)%	32.9	32.2	2.2%
Operating expenses at refineries outside Russia	8.4	11.4	(26.3)%	8.4	6.3	33.3%
Additives and materials for processing at refineries outside Russia	9.8	13.0	(24.6)%	9.8	12.1	(19.0)%
Operating expenses of retail entities	10.7	12.4	(13.7)%	10.7	9.8	9.2%
Downstream operating expenses	61.8	76.3	(19.0)%	61.8	60.4	2.3%

¹The 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 first quarter of 2021 compared with the fourth quarter of 2020 decreased by 19.0% to RUB 61.8 billion. Lower operating expenses are mainly driven by seasonal reduction of turnarounds in the first quarter of 2021.

The increase of 2.3% in the operating expenses of refineries and retail entities in the first quarter of 2021 compared with the same period of 2020 mainly was caused by the growth of tariffs of natural monopolies and indexation of wages. Operating expenses at refineries outside Russia increased mainly due to RUB depreciation against EUR of 22.5% and planned turnaround expenses in the first quarter of 2021.

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Operating expenses of Company’s refineries

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
Operating expenses at refineries in Russia (RUB billion)	32.9	39.5	(16.7)%	32.9	32.2	2.2%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,535	1,940	(20.9)%	1,535	1,387	10.7%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,485	1,876	(20.8)%	1,485	1,339	10.9%
Operating expenses at refineries outside Russia (RUB billion)¹	8.4	11.4²	(26.3)%	8.4	6.3	33.3%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	3,485	3,171	9.9%	3,485	2,150	62.1%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	3,700	3,309	11.8%	3,700	2,274	62.7%
Total operating expenses at Rosneft’s refineries (RUB billion)	41.3	50.9	(18.9)%	41.3	38.5	7.3%

¹Refineries outside Russia also procured the additives and materials for processing: in the first quarter of 2021 – RUB 9.8 billion, in the fourth quarter of 2020 – RUB 13.0 billion, in the first quarter of 2020 – RUB 12.1 billion.

²Excluding effect of one-off accrual of liabilities of RUB 2.3 billion (EUR 25.4 million) operating expenses amounted RUB 9.1 billion.

Operating expenses of Rosneft’s refineries in Russia in the first quarter of 2021 compared with the fourth quarter of 2020 decreased by 16.7% to RUB 32.9 billion mainly due to seasonal impact of higher scheduled turnarounds in the fourth quarter of 2020.

Operating expenses of Rosneft’s refineries in Russia in the first quarter of 2020 compared with the same period of 2020 increased by 2.2%. Operating expenses per tonne growth by 10.9% up to 1,485 RUB per ton was driven by optimisation of refinery throughput to the current demand for petroleum products.

Operating expenses of Rosneft’s refineries outside Russia decreased by 7.7% in comparison with RUB 9.1 billion in the fourth quarter of 2020 (excluding effect of accrual of pension liabilities of RUB 2.3 billion) due to lower turnarounds and impact of lockdown in Europe. In the first quarter of 2021 operating expenses per tonne of Rosneft’s refineries outside Russia grew by 62.7% if compared with the same period of 2020 which is due to scheduled turnaround expenses and RUB depreciation against EUR of 22.5% in the first quarter of 2021 along with lower refinery throughput.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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

The following table shows Rosneft's crude oil, gas and petroleum products procurement costs and volumes, and third-party refining costs¹:

	For 3 months ended		% change	For 3 months ended		% change
	March 31, 2021	December 31, 2020		March 31, 2021	March 31, 2020	
Crude oil and gas procurement						
Cost of crude oil and gas procured (RUB billion) ²	263	147	78.9%	263	182	44.5%
<i>including Domestic market</i>	176	67	>100%	176	82	>100%
<i>International market</i>	87	80	8.7%	87	100	(13.0)%
Volume of crude oil procured (millions of barrels)	68.0	48.5	40.2%	68.0	99.2	(31.5)%
<i>including Domestic market</i>	45.4	20.9	>100%	45.4	32.3	40.6%
<i>International market</i>	22.6	27.6	(18.1)%	22.6	66.9	(66.2)%
Volume of gas procured (bcm)	5.82	4.42	31.7%	5.82	2.89	>100%
Petroleum products procurement						
Cost of petroleum products procured (RUB billion) ⁴	17	15	13.3%	17	80³	(78.8)%
Volume of petroleum products procured (millions of tonnes)	0.39	0.37	5.4%	0.39	1.92	(79.7)%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil, gas and petroleum products under processing agreements (RUB billion)	7.4	7.4	–	7.4	7.3	1.4%
Volumes of crude oil and petroleum products produced under processing agreements (millions of tonnes)	1.9	2.2	(13.6)%	1.9	1.9	–
Volumes of gas produced under processing agreements (bcm)	2.4	2.3	4.3%	2.4	2.7	(11.1)%
Cost of purchase of goods for retail	3.8	4.0	(5.0)%	3.8	3.7	2.7%
Total cost of procured oil, gas and petroleum products, goods for retail and refining costs (RUB billion)	291	173	68.2%	291	273³	6.6%

¹Cost of purchases under IFRS consolidated financial statements (net of intercompany turnover).

²Including costs of Upstream segment in the amount of RUB 5 billion in the first quarter of 2021, RUB 7 billion in the fourth quarter of 2020; RUB 4 billion in the first quarter of 2020.

³Revenues of oil, gas, petroleum products and petrochemicals and the cost of purchased oil, gas, petroleum products, retail goods and processing services in the first quarter of 2020 in the part of trading operations were adjusted by RUB 7 billion according to IAS 15 "Revenue from Contracts with Customers".

⁴Average 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.

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Crude oil procurement

Rosneft purchases crude oil on international and domestic markets to process at its own refineries or export. The structure of crude oil purchases is set in the table below:

	For 3 months ended			For 3 months ended		% change
	March 31, 2021	December 31, 2020	% change	March 31, 2021	March 31, 2020	
	mln barrels			mln barrels		
International market	22.6	27.6	(18.1)%	22.6	66.9	(66.2)%
Udmurtneft	4.8	4.1	17.1%	4.8	6.3	(23.8)%
Slavneft	9.4	6.3	49.2%	9.4	13.5	(30.4)%
Messoyahaneftgaz	3.5	5.2	(32.7)%	3.5	5.2	(32.7)%
NNK Group	21.5	—	—	21.5	—	—
Others	6.2	5.3	17.0%	6.2	7.3	(15.1)%
Total	68.0	48.5	40.2%	68.0	99.2	(31.5)%

In the first quarter of 2021 volumes of the crude oil procured outside the Russian Federation amounted to 22.6 mln barrels, which is 18.1% lower compared to 27.6 mln barrels procured in the fourth quarter of 2020 due to reduced demand.

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are presented on a net basis in the “Transportation Costs and Other Commercial Expenses” line of the consolidated statement of profit or loss.

The volume of swaps was 3.6 mln barrels in the first quarter of 2021 and 1.8 mln barrels in the fourth quarter of 2020, and 8.3 mln barrels in the first quarter of 2020.

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 first quarter of 2021 and in the fourth quarter of 2020:

	For 3 months ended						% change		
	March 31, 2021			December 31, 2020			RUB billion	mln tonnes	th. RUB/tonne
	RUB billion	mln tonnes	th. RUB/tonne*	RUB billion	mln tonnes	th. RUB/tonne*			
<i>Petroleum products procurement in Russia</i>	8	0.20		8	0.19		—	5.3%	
High octane gasoline	3	0.06	46.0	3	0.08	42.7	—	(25.0)%	7.7%
Diesel	4	0.09	45.2	4	0.09	35.2	—	-	28.4%
Others	1	0.05		1	0.02		—	>100.0%	—
<i>Petroleum products and petrochemicals procured outside Russia</i>	9	0.19	46.1	7	0.18	32.3	28.6%	5.6%	42.7%
Total	17	0.39		15	0.37		13.3%	5.4%	

* Calculated based on unrounded data.

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

The table below sets forth Rosneft’s costs, volumes and average prices per tonne of petroleum products procured from third parties in the first quarters of 2021 and 2020, respectively:

	For 3 months ended March 31,						% change		
	2021			2020			RUB billion	mln tonnes	th. RUB/tonne
	RUB billion	mln tonnes	th. RUB/tonne*	RUB billion	mln tonnes	th. RUB/tonne ¹			
<i>Petroleum products procurement in Russia</i>	8	0.20		6	0.17		33.3%	17.6%	
High octane gasoline	3	0.06	46.0	2	0.04	44.1	50.0%	50.0%	4.3%
Diesel	4	0.09	45.2	3	0.08	43.5	33.3%	12.5%	3.9%
Others	1	0.05		1	0.05		–	–	
<i>Petroleum products and petrochemicals procured outside Russia²</i>	9	0.19	46.1	74	1.75	41.1	(87.8)%	(89.1)%	12.2%
Total	17	0.39		80	1.92		(78.8)%	(79.7)%	

¹Calculated based on unrounded data.

²Revenues of oil, gas, petroleum products and petrochemicals and the cost of purchased oil, gas, petroleum products, retail goods and processing services in the first quarter of 2020 in the part of trading operations were adjusted by RUB 7 billion according to IAS 15 "Revenue from Contracts with Customers".

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

Crude oil and gas processing, petroleum products processing

Associated petroleum gas sales to PJSC “Sibur” and purchases of dry stripped gas from PJSC “Sibur” are presented on a net basis in the Company’s financial statements in processing costs in the amount of RUB 3.5 billion in the first quarter of 2021, RUB 3.3 RUB in the fourth quarter of 2020 and RUB 3.2 billion in the first quarter of 2020.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Transportation Costs and Other Commercial Expenses

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

The increase in transportation costs by 0.7% in the first quarter of 2021 compared with the fourth quarter of 2020 was mainly due to seasonal factor.

The table below sets forth the transportation costs in the first quarter of 2021 and in the fourth quarter of 2020, respectively¹:

	For 3 months ended				% change	
	March 31, 2021		December 31, 2020		Cost	Volume
	Cost, bln RUB	Volume (mln tonnes, bcm)	Cost, bln RUB	Volume (mln tonnes, bcm)		
CRUDE OIL						
Transportation costs in the international sales	54.1	23.9	57.9	26.2	(6.6)%	(8.8)%
including "Pipeline costs"	52.9	23.0	56.7	25.2	(6.7)%	(8.7)%
Transportation to refineries	28.3	25.1	26.1	24.0	8.4%	4.6%
including "Pipeline costs"	27.3	24.4	25.2	23.3	8.3%	4.7%
PETROLEUM PRODUCTS						
Transportation costs in the international sales	41.5	15.4	39.5	15.6	5.1%	(1.3)%
including "Railroad and mixed"	36.6	11.0	35.9	11.9	1.9%	(7.6)%
Gas		bcm		bcm		
"Pipeline costs" ²	9.4	8.1	9.3	8.1	1.1%	–
Other transportation costs³	17.7	–	17.1	–	3.5%	–
Total	151		150		0.7%	

¹Calculated based on unrounded data.

²Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses.

³Other 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.

Transportation costs in the sales of crude oil decreased due to lower exports volumes. In the first quarter of 2021 indexation of gas transportation tariffs was not carried out. Transportation costs in the sales of petroleum products increased mainly due to changes in the transportation structure.

The table below sets forth the transportation costs in the first quarters of 2021 and 2020, respectively¹:

	For 3 months ended				% change	
	March 31, 2021		March 31, 2020		Cost	Volume
	Cost, bln RUB	Volume (mln tonnes, bcm)	Cost, bln RUB	Volume (mln tonnes, bcm)		
CRUDE OIL						
Transportation costs in the international sales	54.1	23.9	63.0	26.1	(14.1)%	(8.4)%
including "Pipeline costs"	52.9	23.0	61.3	25.2	(13.7)%	(8.7)%
Transportation to refineries	28.3	25.1	27.3	28.4	3.7%	(11.6)%
including "Pipeline costs"	27.3	24.4	25.4	27.3	7.5%	(10.6)%
PETROLEUM PRODUCTS						
Transportation costs in the international sales	41.5	15.4	49.0	14.3	(15.3)%	7.7%
including "Railroad and mixed"	36.6	11.0	44.0	10.1	(16.8)%	8.9%
Gas		bcm		bcm		
"Pipeline costs" ²	9.4	8.1	8.9	8.5	5.6%	(4.7)%
Freight and other commercial expenses	–	–	47.7	14.7	–	–
Other transportation costs³	17.7	–	18.8	–	(5.9)%	–
Total	151		215		(29.8)%	

¹Calculated based on unrounded data.

²Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses.

³Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling stations.

Decrease in transportation costs in the first quarter of 2021 compared with the same period of 2020 was due to reduced demand in the pandemic period and change in the basis of product delivery.

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Excise Taxes

Excise tax in the first quarter of 2021 was RUB 59 billion (including excise tax related to processing outside Russia in the amount of RUB 47 billion) compared with excise tax of RUB 141 billion in the fourth quarter of 2020 and RUB 125 billion in the first quarter of 2020, respectively. The decrease was mainly due to a positive effect of change in the “reverse excise tax” because of the rise in the world prices for gasoline and diesel fuel.

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 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
	RUB billion, except %					
Export customs duty for crude oil	50	53	(5.7)%	50	110	(54.5)%
Export customs duty for petroleum products	28	28	—	28	47	(40.4)%
Effect of export customs duty benefit of 2019	—	—	—	—	(30) ¹	—
Total export customs duty	78	81	(3.7)%	78	127	(38.6)%

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

Export customs duty decreased in the first quarter of 2021 compared with the fourth quarter of 2020 due to lower enacted export customs duty rates driven by the tax maneuver and RUB appreciation.

Export customs duty decrease in the first quarter of 2021 compared with the same period (excl. the effect of customs duty benefit) was mainly caused by lower export customs duty rates driven by the tax maneuver, positive duty lag effect and lower exports.

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

	For 3 months ended		% change ¹	For 3 months ended March 31,		% change ¹
	March 31, 2021	December 31, 2020		2021	2020	
	th. RUB per tonne, except %					
Enacted export customs duty on crude oil	3.27	3.30	(0.6)%	3.27	4.89	(33.1)%
Actual customs duty on crude oil exports ²	2.58	2.59	(0.5)%	2.58	4.00	(35.5)%

¹Estimated from unrounded data

²The deviation of average actual export customs duty from the enacted one is caused by irregular monthly export volume due to differing export customs duty rates, and by application of tariff exemptions and special formulas of calculation of the export customs duty rates (“preferential” rates) according to provisions of Art. 3.1 and Art. 35 of the Act of the Russian Federation “On the customs tariff”.

Operating results of segment “Corporate and others”

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
Financial results, RUB billion						
EBITDA	(23)	(10)	—	(23)	(16)	43.8%
Capital expenditures ¹	9	12	(25.0)%	9	3	>100%

¹Refer to section “Capital expenditures”.

Separate indicators of the consolidated financial statements

Costs and Expenses

General and Administrative Expenses

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

General and administrative expenses, net of the allowance for expected credit losses, were RUB 38.3 billion in the first quarter of 2021 and RUB 36.1 billion in the fourth quarter of 2020.

In the first quarter of 2020 general and administrative expenses, net of the allowance for expected credit losses amounted to RUB 35.8 billion.

Depreciation, Depletion and Amortization

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

In the first quarter of 2021 DDA amounted to RUB 155 billion, decrease of 4.3% (decrease is mainly related to oil equipment) if compared with the fourth quarter of 2020 (DDA was RUB 162 billion). The reduction is mainly due to lower crude oil production.

The reduction of 11.9% if compared with the first quarter of 2020 (DDA was RUB 176 billion) was due to lower crude oil production and due to the effect of new OPEC+ Agreement effective from May 2020.

Taxes Other than Income Tax

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

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

	For 3 months ended			For 3 months ended		
	March 31, 2021	December 31, 2020	% change	March 31, 2021	March 31, 2020	% change
Mineral extraction tax	433	358	20.9%	433	445	(2.7)%
Excess profit tax	133	26	>100%	133	29	>100%
Excise tax	59	141	(58.2)%	59	125	(52.8)%
including accrued excise tax	118	134	(11.9)%	118	121	(2.5)%
including “reverse excise tax”	(59)	7	>100%	(59)	4	>100%
Insurance contributions	23	20	15.0%	23	23	—
Property tax	10	9	11.1%	10	10	—
Other taxes, interest, penalties and other payments to budget	9	1	>100%	9	1	>100%
including CO2 emissions tax	6	—	100%	6	—	100%
Total taxes other than income tax	667	555	20.2%	667	633	5.4%

Taxes other than income tax in the first quarter of 2021 compared with the fourth quarter of 2020 increased by 20.2%. The growth was due to the increase in excess profit tax and higher extraction tax rate driven by higher crude oil prices and due to tax maneuver.

An increase in the mineral extraction tax and excess profit tax was partially offset by a reduction of excise tax driven by change of “reverse excise tax”.

Finance Income and Expenses

In the first quarter of 2021, net finance expenses were RUB 30 billion compared with RUB 36 billion in the fourth quarter of 2020. The decrease was caused mainly by the fair value re-measurement of derivative financial instruments.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Other Income and Expenses

In the first quarter of 2021, other income amounted to RUB 5 billion compared with RUB 529 billion in the fourth quarter of 2020. The increase in the fourth quarter of 2020 was due to the recognition of one - off effect of income from assets acquisition.

Other expenses include assets impairment, effect of fixed assets disposal in the course of operating activities and other expenses. In the first quarter of 2021 other expenses were RUB 15 billion compared with RUB 370 billion for the fourth quarter of 2020. The assets impairment in exploration and production segment and refinery segment was recognized in the consolidated profit or loss statement of the fourth quarter 2020.

Foreign Exchange Differences

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

Income from foreign exchange effects was RUB 5 billion in the first quarter of 2021 compared with the income of RUB 64 billion in the fourth quarter of 2020. In the first quarter of 2020 loss from foreign exchange effects was RUB 177 billion. Increase in foreign exchange income resulted from the revaluation of foreign currency assets and liabilities of the first quarter of 2021 if compared to the same period of 2020 was due to RUB appreciation as of the reporting date.

Capitalized exchange differences resulting from foreign currency borrowings used for capital construction projects and the acquisition of property, plants and equipment were RUB 13 billion in the first quarter of 2021.

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 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
Effective rate of income tax (IFRS)	19.2%	19.0%*	19.2%	18.8%

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

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 first quarter of 2021, net income was RUB 168 billion (RUB 149 billion of income attributable to Rosneft shareholders) in comparison with the income of RUB 329 billion (RUB 324 billion of income attributable to Rosneft shareholders) in the fourth quarter of 2020, including one - off effect of the income from assets acquisition.

In the first quarter of 2020 net loss amounted to RUB 143 billion (RUB 156 billion of income attributable to Rosneft shareholders). The increase in the first quarter of 2021 was mainly driven by increase in operating income and lower negative impact of non-monetary factors.

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 3 months ended		%
	March 31, 2021	December 31, 2020		March 31, 2021	2020	
	RUB billion			RUB billion		
Net cash provided by operating activities	160	1,120	(85.7)%	160	341	(53.1)%
Net cash used in investing activities	(165)	(1,055)	(84.4)%	(165)	(186)	(11.3)%
Net cash provided by/(used in) financing activities	(168)	484	>100%	(168)	(131)	28.2%

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 3 months ended		%
	March 31, 2021	December 31, 2020		March 31, 2021	2020	
	RUB billion			RUB billion		
Net cash provided by operating activity	160	1,120	(85.7)%	160	341	(53.1)%
<i>Offset of prepayments received under long term supply contracts at average ex.rate</i>	126	129	(2.3)%	126	102	23.5%
<i>Offset of other financial liabilities</i>	39	44	(11.4)%	39	47	(17.0)%
<i>Interest expense for prepayments under long term oil and petroleum products supply contracts¹</i>	13	13	–	13	12	8.3%
<i>Proceeds under the long term oil and oil products supply contracts</i>	–	(1,004)	–	–	–	–
<i>Financing of future deliveries under the long term oil and oil products supply contracts</i>	24	–	–	24	–	–
<i>Net (increase)/decrease in assets and liabilities of subsidiary bank</i>	53	(13)		53	(98)	
Adjusted net cash provided by operating activity	415	289	43.6%	415	404	2.7%

¹Free cash flow estimation includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 12 billion and interests paid of RUB 1 billion in the first quarter of 2021; offsetting of RUB 11 billion and interests paid of RUB 2 billion in the fourth quarter of 2020; offsetting of RUB 9 billion and interests paid of RUB 3 billion in the first quarter of 2020.

Net cash used in investing activity

In the first quarter of 2021 the Company's cash flow from investing activity significantly decreased compared to the fourth quarter of 2020 and referred to RUB 165 billion. In the fourth quarter of 2020 the Company's cash flow from investing activity mainly referred to the acquisition of production assets.

Net cash provided by/(used in) financing activities

The decrease in cash received from financial activities for the first quarter of 2021 compared to the fourth quarter of 2020 is due to the planned repayment of loans. In the fourth quarter of 2020, the increase in cash received from financial activities was due to the receipt of funds for the sale of a non-controlling interest in the subsidiary.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Capital Expenditures

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2021	December 31, 2020		2021	2020	
	RUB billion			RUB billion		
RN-Yuganskneftegaz	58	42	38.1%	58	38	52.6%
Vostok Oil project ¹	47	17	>100%	47	17	>100%
Samotlorneftegaz	18	20	(10.0)%	18	16	12.5%
Orenburgneft	7	5	40.0%	7	7	–
Bashneft-Dobycha	7	9	(22.2)%	7	6	16.7%
RN-Uvatneftegaz	7	6	16.7%	7	6	16.7%
RN-Purneftegaz ²	6	6	–	6	5	20.0%
Kharampurneftegaz	5	4	25.0%	5	2	>100%
Vostsibneftegaz	5	6	(16.7)%	5	6	(16.7)%
RN-Nyaganneftegaz	4	5	(20.0)%	4	6	(33.3)%
Bashneft-Polyus	4	5	(20.0)%	4	6	(33.3)%
Samaraneftegaz	5	3	66.7%	5	6	(16.7)%
Rospan International	4	3	33.3%	4	3	33.3%
Verkhnechonskneftegaz	3	4	(25.0)%	3	4	(25.0)%
Taas-Yuryakh Neftegazodobycha	3	2	50.0%	3	4	(25.0)%
Tyumenneftegaz	3	3	–	3	3	–
Kondaneft	2	4	(50.0)%	2	5	(60.0)%
Upstream projects (Zohr)	1	4	(75.0)%	1	6	(83.3)%
Upstream projects (Sakhalin-1)	1	2	(50.0)%	1	3	(66.7)%
Sorovskneft	1	2	(50.0)%	1	2	(50.0)%
Tomskneft VNK	1	1	–	1	3	(66.7)%
Sibneftegaz	1	1	–	1	1	–
Varyoganneftegaz	–	4	(100.0)%	–	4	(100.0)%
Other	12	29	(58.6)%	12	12	–
Government grants	–	(2)	(100.0)%	–	(1)	(100.0)%
Total upstream segment	205	185	10.8%	205	170	20.6%
Novokuibyshevsk refinery	2	2	–	2	1	100.0%
Bashneft refineries	1	2	(50.0)%	1	1	–
Achinsk refinery	1	–	–	1	–	–
Syzran refinery	1	1	–	1	1	–
Kuibyshev refinery	1	1	–	1	–	–
Angarsk refinery	–	–	–	–	1	(100.0)%
Komsomolsk refinery	–	1	(100.0)%	–	1	(100.0)%
Tuapse refinery	–	3	(100.0)%	–	–	–
Ryazan refinery	–	1	(100.0)%	–	1	(100.0)%
Saratov refinery	–	–	–	–	1	(100.0)%
Other refineries	3	6	(50.0)%	3	2	50.0%
Marketing Business Units and others	2	2	–	2	3	(33.3)%
Total downstream segment	11	19	(42.1)%	11	12	(8.3)%
Total other activities	9	12	(25.0)%	9	3	>100%
Total capital expenditures	225	216	4.2%	225	185	21.6%
Acquisition of licenses	7	1	>100%	7	1	>100%

¹Including Vankor projects

²Including Sevkomneftegaz

Capital expenditures in the first quarter of 2021 amounted to RUB 225 billion. The increase of 4.2% in the first quarter of 2021 if compared with RUB 216 billion in the fourth quarter of 2020 was mainly due to the start of the Vostok Oil active development phase.

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

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

The license acquisition costs of RUB 7 billion in the first quarter of 2021 referred to the acquisition of new licenses for research, exploration and production mainly in the Krasnoyarsk Territory, Yamalo-Nenets Autonomous District and the Republic of Sakha (Yakutia).

Financial liabilities and liquid funds

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

currency in bln

As of the date	March 31, 2021				December 31, 2020				March 31, 2020			
	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)
Financial liabilities	(23.0)	(2,480)	(3.2)	(1.0)	(24.2)	(2,485)	(3.7)	(1.0)	(24.9)	(1,928)	(4.3)	(0.9)
Liquid funds	11.2	398	2.2	2.7	13.6	599	1.2	2.5	4.6	493	0.5	3.1
Net financial liabilities	(11.8)	(2,082)	(1.0)	1.7	(10.6)	(1,886)	(2.5)	1.5	(20.3)	(1,435)	(3.8)	2.2

Calculated based on unrounded data

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

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Key consolidated financial highlights (in RUB terms)

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

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2020	December 31, 2020	2021	2020
EBITDA margin	25.0%	23.2%	25.0%	17.3%
Net income margin attributable to Rosneft shareholders	8.6%	21.3%	8.6%	(8.9)%
Current ratio	0.96	0.95	0.96	0.79
			RUB/bbl	
EBITDA/bbl ¹	1,349	993	1,349	756
Upstream capital expenditures/bbl	641	529	641	431
Upstream operating expenses/bbl	244	247	244	236
Free cash flow/bbl	595	209	595	555
			RUB/boe	
EBITDA/boe ¹	1,069	789	1,069	610
Upstream capital expenditures/boe	508	421	508	348
Upstream operating expenses/boe	194	197	194	191
Free cash flow/boe	471	166	471	448

¹The 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 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
Liquids production (mln bbl)	319.5	349.5	319.5	394.3
Hydrocarbon production (mln boe)	403.4	439.7	403.4	488.6

¹Excluding share in production of associates and joint ventures.

Calculation of EBITDA

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
			RUB billion	
Revenues and equity share in profits of associates and joint ventures	1,737	1,521	1,737	1,758
Effect of prepayments offsetting	45	46	45	32
Costs and expenses	(1,494)	(1,371)	(1,494)	(1,657)
Depreciation, depletion and amortization	155	162	155	176
EBITDA	443	358	443	309
<i>Expenses associated with COVID-19</i>	2	6	2	–
EBITDA adjusted	445	364	445	309

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Calculation of Free Cash Flow

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
	RUB billion			
Operating cash flow	160	1,120	160	341
Capital expenditures	(225)	(216)	(225)	(185)
Proceeds under the long term oil and oil products supply contracts	–	(1,004)	–	–
Offset of prepayments under long-term supply agreements ¹	126	129	126	102
Offset of other financial liabilities	39	44	39	47
Interest expense on prepayments under long-term supply agreements ²	13	13	13	12
Financing of future deliveries	24	–	24	–
Net decrease /(increase) in assets and liabilities of subsidiary banks	53	(13)	53	(98)
Free cash flow (RUB equivalent)	190	73	190	219

¹Based on average exchange rates during the reporting periods (monthly basis).

²Free 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 1 billion in the first quarter of 2021; offsetting of RUB 11 billion and interests paid of RUB 2 billion in the fourth quarter of 2020; offsetting of RUB 9 billion and interests paid of RUB 3 billion in the first quarter of 2020.

Calculation of EBITDA Margin

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
	RUB billion (except %)			
EBITDA¹	445	364	445	309
Revenues and equity share in profits of associates and joint ventures	1,737	1,521	1,737	1,758
Effect of prepayments offsetting	45	46	45	32
Adjusted revenues	1,782	1,567	1,782	1,790
EBITDA margin	25.0%	23.2%	25.0%	17.3%

¹EBITDA is adjusted for costs associated with COVID-19 starting from the second quarter of 2020.

Calculation of Net Income Margin attributable to Rosneft shareholders

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
	RUB billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	149	324	149	(156)
Revenues and equity share in profits of associates and joint ventures	1,737	1,521	1,737	1,758
Net income margin	8.6%	21.3%	8.6%	(8.9)%

Calculation of Current ratio

As of the date	March 31, 2021	December 31, 2020	March 31, 2020
	RUB billion (except ratios)		
Current assets	3,015	2,922	2,358
Current liabilities	3,126	3,092	2,970
Current ratio	0.96	0.95	0.79

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Consolidated financial highlights (in USD terms)

Consolidated statement of profit or loss

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
	USD billion*			
Total revenues and equity share in profits of associates and joint ventures	23.9	20.6	23.9	27.6
Costs and expenses				
Production and operating expenses	1.5	2.5	1.5	3.0
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	3.9	2.3	3.9	4.3
General and administrative expenses	0.5	0.7	0.5	0.5
Transportation costs and other commercial expenses	2.0	2.0	2.0	3.3
Exploration expenses	–	–	–	–
Depreciation, depletion and amortization	2.1	2.2	2.1	2.7
Taxes other than income tax	9.0	7.3	9.0	9.7
Export customs duty	1.0	1.1	1.0	1.9
Total costs and expenses	20.0	18.1	20.0	25.4
Operating income	3.9	2.5	3.9	2.2
Finance income	0.4	0.3	0.4	0.4
Finance expenses	(0.8)	(0.8)	(0.8)	(1.2)
Other income	0.1	7.1	0.1	–
Other expenses	(0.2)	(5.0)	(0.2)	(0.7)
Foreign exchange differences	(0.6)	0.4	(0.6)	(2.9)
Income/(loss) before income tax	2.8	4.5	2.8	(2.2)
Income tax (expense)/benefit	(0.5)	(0.1)	(0.5)	0.4
Net income/(loss)	2.3	4.4	2.3	(1.8)
Net income/(loss) attributable to Rosneft shareholders	2.0	4.3	2.0	(2.0)

* 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 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
EBITDA margin	25.1%	23.3%	25.1%	17.8%
Net income margin attributable to Rosneft shareholders	8.4%	20.9%	8.4%	(7.2)%
Current ratio	0.96	0.95	0.96	0.80
	USD/bbl*			
EBITDA/bbl	18.2	13.2	18.2	11.9
Upstream capital expenditures/bbl	8.7	7.0	8.7	6.4
Upstream operating expenses/bbl	3.3	3.2	3.3	3.6
Free cash flow/bbl	7.8	2.4	7.8	9.0
	USD/boe			
EBITDA/boe	14.4	10.5	14.4	9.6
Upstream capital expenditures/boe	6.9	5.5	6.9	5.2
Upstream operating expenses/boe	2.6	2.6	2.6	2.9
Free cash flow/boe	6.1	1.9	6.1	7.3

* Calculated from unrounded data.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Calculation of Free Cash Flow

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
	USD billion			
Operating cash flow	2.1	14.9	2.1	5.4
Capital expenditures	(3.0)	(2.8)	(3.0)	(2.8)
Proceeds under long-term oil and petroleum products supply agreements	–	(13.5)	–	–
Offset of prepayments under long-term supply agreements	1.7	1.7	1.7	1.6
Offset of other financial liabilities	0.5	0.5	0.5	0.7
Interest expense on prepayments under long-term supply contracts	0.2	0.2	0.2	0.2
Financing of future deliveries	0.3	–	0.3	–
Net (increase)/decrease in assets and liabilities of subsidiary bank	0.7	(0.2)	0.7	(1.6)
Free cash flow	2.5	0.8	2.5	3.5

Calculation of EBITDA Margin

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
	USD billion (except %)			
Revenues and equity share in profits of associates and joint ventures	23.9	20.6	23.9	27.6
Operating expenses	(20.0)	(18.1)	(20.0)	(25.4)
Depreciation, depletion and amortization	2.1	2.2	2.1	2.7
EBITDA	6.0	4.7	6.0	4.9
<i>Expenses associated with COVID-19</i>	–	0.1	–	–
EBITDA adjusted	6.0	4.8	6.0	4.9
Revenues and equity share in profits of associates and joint ventures	23.9	20.6	23.9	27.6
EBITDA margin	25.1%	23.3%	25.1%	17.8%

Calculation of Net Income Margin

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2021	December 31, 2020	2021	2020
	USD billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	2.0	4.3	2.0	(2.0)
Revenues and equity share in profits of associates and joint ventures	23.9	20.6	23.9	27.6
Net income margin	8.4%	20.9%	8.4%	(7.2)%

Calculation of Current ratio

As of the date	March 31, 2021	December 31, 2020	March 31, 2020
		USD billion (except ratios)	
Current assets	39.8	39.6	30.3
Current liabilities	41.3	41.9	38.1
Current ratio	0.96	0.95	0.80

Attachment 1: Risks and opportunities associated with climate change

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

Since 2009, the Company has been implementing the Rosneft energy saving Program, which aims to reduce energy consumption and improve economic, environmental and production indicators.

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. In 2021, the Subcommittee on Carbon Management was transformed into the Committee on Carbon Management in order to improve the monitoring and coordination of programs aimed at reducing greenhouse gas emissions.

In February 2021, Rosneft and bp signed a Strategic Cooperation Agreement that aims to support the activities of both companies in the field of carbon management and sustainable development. The agreement formalizes key elements of cooperation in the field of sustainable development, as well as work on identifying potential opportunities for reducing emissions and implementing low-carbon projects.

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

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

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

The plan provides for the prevention of direct and indirect greenhouse gas emissions of 20 million tonnes of CO₂-eq., reducing the intensity of direct and indirect emissions in oil production by 30%, achieving methane emissions below 0.25% and zero routine combustion of associated petroleum gas. The company also plans to increase the share of natural gas in its production to more than 25%, the use of which, compared to other types of fuels, can significantly reduce greenhouse emissions. It is also planned to create and produce new types of products that allow consumers to reduce emissions and increase fuel efficiency.

The Company's future activities in the framework of the Plan include the development and application of CO₂ capture, utilization and storage (CCUS) technology, the use of low-carbon and renewable energy sources, as well as the reduction of the carbon footprint through the mechanism of natural absorption through the implementation of a large-scale program for afforestation and maintenance of forest ecosystems to compensate for emissions in the Russian Federation.

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" (updated annually). 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".

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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

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

Attachment 2: Taxation

Mineral Extraction Tax (MET)

MET rate calculation for crude oil

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

Starting from 2021 the mineral extraction tax rate was calculated as follows:

$$919 \times K_p - 559 \times K_p \times K_{rel} + K_k + K_{man} + K_{abd} , \text{ where}$$

919 – the base tax rate in RUB per tonne;

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

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

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

K_{man} and K_{abd} have been added to the formula for calculating MET rate for oil in connection with the introduction of “reverse excise duty”.

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

Where:

“P” – Urals price (see above);

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

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

Groups	“K”	Note
1.2	0.4	prior to the expiration of the first 5 years of commercial production
	0.6	the 6 th year of commercial production
	0.8	the 7 th year of commercial production
	1.0	from the 8 th year of commercial production
3	1.0	Not applicable
4	0.5	before the end of the 1 st year of commercial production
	0.75	the 2 nd year of commercial production
	1.0	from the 3 rd year of commercial production
5	0	before the end of the 15 years of commercial production
	0.2	16 th year of commercial production
	0.4	17 th year of commercial production
	0.6	18 th year of commercial production
	0.8	19 th year of commercial production
	1.0	from the 20 th year of commercial production

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

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

In 2021, the Company applied various tax incentives for production and special tax treatment for MET on crude oil:

MET incentives for production in 2021	Applicable to the Company
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 the Republic of Sakha (Yakutia) which is applicable for the first 25 million tonnes of production On the territory of the 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 permeability less than $2 \times 10^{-3} \mu\text{m}^2$ and deposits of the Tyumen suite.
Tax deduction	<p>1. 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)).</p> <p>2. At fields located entirely within the subsoil areas, simultaneously located within the borders of the Surgut and Khanta-Mansi districts of HMAO - Ugra, licenses for use of which are issued until 01.01.2018 and the initial recoverable oil reserves of each of which amount to 1,000 million tonnes or more as of 01.01.2018 in the amount of 3,830 million rubles/month before reaching the accumulated deduction amounting to RUB 460 billion. The deduction is applied on condition of concluding an agreement on oil production with the Ministry of Finance of Russia and the Ministry of Natural Resources of Russia, as well as exceeding the price of oil 'Urals' over the base price of oil for the purposes of the Budget of the Russian Federation (Article 96.6 of the Russian Budget Code) during the period of application of the deduction. In addition, the amount of the deduction may not exceed the amount of conditional additional income of the Russian budget from the application of the deduction, defined as the amount of MET and export duties from additional production as a result of the deduction (difference between the actual volume of production and the base (in the absence of a deduction) recorded in the agreement on production).</p>
Tax deduction in connection with the creation of infrastructure facilities	When extracting oil from subsurface areas that meet the requirements set out in clause 2 of article 343.5 of the tax code of the Russian Federation. The tax deduction is provided in the amount of actually paid expenses (including the listed advances) for the creation of road transport, engineering, and energy infrastructure necessary for the development of subsoil plots of the 5th group in excess profit tax, and may not exceed the maximum coefficient P_{vancor} calculated in accordance with paragraphs 7 and 8 of article 343.5 of the tax code of the Russian Federation. The right to deduction arises in tax periods in which Urals exceeds the base oil price set by the tax code of the Russian Federation. USD 25 per barrel-from 01.01.2021 for the entire period of the tax deduction).
Special tax regime for offshore projects in the Russian Federation	The offshore projects are categorized into one of four groups depending on its complexity and special MET rates for each project group ranging from 5% to 30% of hydrocarbon prices are applied.
Special tax regime exempting the Company from paying MET.	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 2021	Applicable to the Company
0.5	License areas: Rospan, fields of the Volga and North Caucasus federal district
0.64	License areas: a number of fields of Sibneftegaz, and also at Yamalo-Nenets Autonomous District, the Chechen republic and Krasnodar region
0.1	License areas: Irkutsk region, Krasnoyarsk region and the region of Far East
0.21	License areas: Turon deposits reserves of the Kharampurskoye field
0.5-1	Fields with reserve depletion rate of over 70%.

Management’s discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

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 and 5).

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

Groups	Geographic location (or other criteria)	Depletion as of 01.01.17 (or other criteria)
Greenfields of Eastern Siberia and other new regions of oil production		
1	The Republic of Sakha, Irkutsk region, NAO, The Yamalo-Nenets Autonomous district to the north of 65 ^o n., Krasnoyarsk region, the Caspian Sea	Not exceeding 5%
2		Deposits specified in the Note 8 to the Common Customs Tariff as of 01.01.2018.
Brownfields of Western Siberia and other regions		
3	Fields with a historical degree of developed (Sives) from 0.8 and above NCFD, Sakhalin region (except for marine deposits and the deposits partially located in borders of internal marine waters and-or the territorial sea Russian Federation) KHMAO, YANAO, Komi Republic, Tyumen, Orenburg and Samara regions.	Sives ≥ 80%, with the initial recoverable oil reserves (IRR) determined by January 1, 2006 or January 1, the year following the year of the inventory at the SBR. Without dependence from a degree of depletion. 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 and other regions		
4	KHMAO, YANAO, Komi Republic, Tyumen region, Orenburg and Samara regions	Not exceeding 5%. IRR < 45 million tonnes as of January 1, 2017. List of fields is determined by the Law.
Greenfields in Arctic zone		
5	North in the Krasnoyarsk territory, the Republic of Sakha (Yakutia), the Chukotka Autonomous district	Not exceeding 0.1% as of January 1, 2019

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 (naphtha, benzene, paraxylon, orthoxytol, kerosene, medium distillate) 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.

From January 1, 2021 the concept of medium distillates was changed, as a result leads to exclusion from the middle distillate range of dark petroleum products (in particular, tar, fuel oil).

Since 2019, the law sets the procedure of application of “reverse excise tax” on oil raw material, including:

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

Export Customs Duty

Export Customs Duty on Crude Oil

The rate of export customs duty on crude oil is tied to the average 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.

Since January 1, 2019, Federal law No. 305-FZ of 03.08.2018 "on amendments to article 3.1 of the Law of the Russian Federation "on customs tariff" has added an addition to the formula for calculating export duty on oil: since January 2019, the duty rate is calculated as the product of the marginal rate (the calculation formula is given above) and a correction coefficient that reflects a gradual reduction in the export duty rate until it is reset in 2024. The value of the correction coefficient for 2021 is 0.5

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

By the Federal law No. 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.

Since January 1, 2021, by the Federal Law dated October 15, 2015, No. 325-Fz "On amending Article 3.1 of the Russian Federation Customs Tariff Act" excludes the possibility of establishing the Government of the Russian Federation special formulas for calculating the rates of export customs duties for crude oil extracted from fields in new oil and gas provinces with yields below the limit.

Until 2021, the list of fields and the maximum accumulated volume of oil that could be exported using special formulas for calculating the export duty rate was fixed in the Russian Federation Customs Tariff Act.

The law named the Vostochno-Messoyakhskoye field, the Srednebotuobinskoye field and the Kuyumbinskoye field.

According to the Law of the Russian Federation "On customs tariff", the export of oil produced in the subsoil areas that have passed on excess profit tax from production of hydrocarbons (1, 2 group), since January 1, 2019 is exempt from payment of export customs duties.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Federal Law No. 433-FZ of 22.12.2020 "On Amendments to the Federal Law" On Customs Regulation in the Russian Federation and on Amendments to certain Legislative Acts of the Russian Federation" and Certain Legislative Acts of the Russian Federation" since January 1, 2021 also introduced an exemption from payment of export customs duties in respect of crude oil produced in subsurface areas that have passed to the Excess Profit Tax on the grounds specified in 5.1 of Article 333.45 of the Tax Code of the Russian Federation (Group 5).

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

The Eurasian Economic Agreement dated May 29, 2014 and effective from January 1, 2015 provides for the bilateral agreements concluded between the member states of the Union in the supply of oil and petroleum products, the agreement is valid for the period before the entry into force of the international treaty on the formation of common markets for oil and petroleum 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.

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

Export Customs Duty on Petroleum Products

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

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

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

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

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

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

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

Management's discussion and analysis of financial condition and results of operations of Rosneft in the first quarters of 2021 and 2020, and in the fourth quarter of 2020.

Attachment 3: EBITDA by segment

	<i>For 3 months ended March 31, 2021</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	1,138	1,749	47	(1,197)	1,737
Total costs and expenses	718	1,748	70	(1,197)	1,339
Effect of prepayments offsetting	45	–	–	–	45
EBITDA	465	1	(23)	–	443
<i>Expenses associated with COVID-19</i>	2	–	–	–	2
EBITDA adjusted	467	1	(23)	–	445

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

	<i>For 3 months ended March 31, 2020</i>				
	Exploration and Production	Refining and distribution	Corporate segment	Intersegment	Consolidated P&L
Total revenues and equity share in profits of associates and joint ventures	863	1,771	52	(928)	1,758
Total costs and expenses	626	1,715	68	(928)	1,481
Effect of prepayments offsetting	32	–	–	–	32
EBITDA	269	56	(16)	–	309

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

	2021	2020
	RUB/USD	
January	74.23	61.78
February	74.38	63.88
March	74.42	73.32
April		75.23
May		72.62
June		69.22
July		71.29
August		73.80
September		75.66
October		77.59
November		77.05
December		74.06