



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2021 AND JUNE 30, 2021 AND FOR NINE MONTHS
ENDED SEPTEMBER 30, 2021 AND 2020**

Management's discussion and analysis of financial condition and results of operations of Rosneft in the third quarter of 2021 and in the nine months of 2021 and 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 September 30, 2021 and 2020, and June 30, 2021 (the "Interim Consolidated Financial Statements"). In the disclosure of 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, unless otherwise specified.

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 specified, 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 hydrocarbons (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.

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.

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Management's discussion and analysis of financial condition and results of operations of Rosneft in the third quarter of 2021 and in the nine months of 2021 and 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. Rosneft is the first Russian company to publicly confirm its commitment to the 17 UN Sustainable Development Goals, which are integrated into the corporate strategy. The Company annually reports on its contribution to the implementation of the goals, two of which, "Clean and affordable energy" and "Countering climate change", are priorities.

Rosneft was the first Russian company to adopt a Carbon Management Plan for the period until 2035, which provides for the prevention of the absolute volume of greenhouse gas emissions (20 million tons of CO₂-eq.), reducing specific emissions in the exploration and production sector by 30% and achieving zero routine flaring of associated petroleum gas.

According to oil, condensate, NGL and marketable gas reserves 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		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	2,320	2,167	7.1%	6,224	4,236 ¹	46.9%
EBITDA	638	571	11.7%	1,654	845	95.7%
Net income/loss attributable to Rosneft shareholders	314	233	34.8%	696	(177)	–
Capital expenditures	227	237	(4.2)%	689	569	21.1%
Free cash flow ²	375	315	19.0%	880	352	>100%
Operational results						
Hydrocarbon production (th. boe per day)	5,088	4,973	2.3%	4,943	5,232	(5.5)%
Liquids production (th. barrels per day)	3,979	3,898	2.1%	3,876	4,193	(7.6)%
Liquid hydrocarbons production (mln tonnes)	49.3	47.8	3.1%	142.6	155.0	(8.0)%
Gas production (th. boe per day)	1,109	1,075	3.2%	1,067	1,039	2.6% ³
Gas production (bcm)	16.76	16.07	4.3%	47.81	46.75	2.3%
Crude oil processing at refineries in Russia (th. tonnes per day)	262	258	1.6%	263	255	3.1%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	23.29	22.70	2.6%	69.23	67.76	2.2%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	3.04	3.00	1.3%	8.45	8.53	(0.9)%

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 10 billion and interests paid of RUB 1 billion in the third quarter of 2021; offsetting of RUB 10 billion and interests paid of RUB 1 billion in the second quarter of 2021; offsetting of RUB 32 billion and interests paid of RUB 3 billion in the nine months of 2021 and offsetting of RUB 17 billion and interests paid of RUB 12 billion in the nine months of 2020.

³Calculated based on unrounded data.

For reference only: Financial highlights in USD terms

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Financial results, USD billion¹						
Revenues and equity share in profits of associates and joint ventures	32.2	29.8	8.1%	85.9	62.6	37.2%
EBITDA	8.7	7.7	13.0%	22.4	12.4	80.6%
Net income/(loss) attributable to Rosneft shareholders	4.3	3.1	38.7%	9.4	(2.1)	–
Capital expenditures	3.2	3.1	3.2%	9.3	8.0	16.3%
Free cash flow	5.1	4.4	15.9%	12.0	5.4	>100%

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

Events in the reporting period

Rosneft completed the disposal of shares in joint operations and subsidiaries.

In the third quarter of 2021, Rosneft completed the disposal of share of TomskneftVNK and the disposal of shares in subsidiaries in Vietnam project.

Rosneft completed dividend payments for 2020

On July 14, 2021, Rosneft completed dividend payments of RUB 73,535.05 mln for 2020 approved by the Annual General Shareholder Meeting (AGSM) of Rosneft Oil Company on June 1, 2021. The dividends were paid to holders of 99.98% of Rosneft shares.

Rosneft closed the sale of 5% stake in the Vostok Oil Project to a consortium of Vitol and Mercantile & Maritime

In the third quarter of 2021 Rosneft closed the sale of 5% shares of LLC "Vostok Oil" to a consortium of Vitol S.A. and Mercantile & Maritime Energy Pte. Ltd. (the Consortium).

Events after the reporting date

Rosneft completed dividend payments for the first half of 2021

On November 10, 2021, Rosneft completed dividend payments for the first half of 2021 approved at the Extraordinary General Shareholder Meeting (EGM) of the Company on September 30, 2021. Total dividend payment amounted to 191,042.72 million RUB.

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Macroeconomic factors affecting results of operations

Main factors affecting Rosneft's results of operations are:

- Changes in crude oil and petroleum products prices;
- USD/RUB and EUR/RUB exchange rates and inflation;
- Compliance with new restrictions of crude oil production reached by the OPEC+ Agreement;
- Changes in taxation, mainly: 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 9 months ended June 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
World market	(USD per barrel)			(USD per barrel)		
Brent	73.5	68.8	6.7%	67.8	40.8	66.1%
Urals (average Med and NWE)	70.5	66.7	5.8%	65.6	40.8	60.7%
Urals (FOB Primorsk)	70.4	66.0	6.7%	65.0	38.8	67.5%
Urals (FOB Novorossiysk)	70.3	66.2	6.1%	65.1	39.0	66.9%
Dubai	71.7	66.9	7.1%	66.2	41.4	60.0%
	(USD per tonne)			(USD per tonne)		
Naphtha (av. FOB/CIF Med)	654	580	12.7%	588	322	82.8%
Naphtha (av. FOB Rotterdam/CIF NWE)	664	593	12.0%	600	340	76.5%
Naphtha (CFR Japan)	676	606	11.5%	613	370	65.7%
Fuel oil (av. FOB/CIF Med)	400	370	8.2%	370	207	78.6%
Fuel oil (av. FOB Rotterdam/CIF NWE)	395	370	6.7%	369	207	77.9%
High sulphur fuel oil 180 cst (FOB Singapore)	433	388	11.7%	394	238	65.1%
Gasoil (av. FOB/CIF Med)	596	545	9.4%	543	356	52.6%
Gasoil (av. FOB Rotterdam/CIF NWE)	595	550	8.1%	544	361	50.7%
Gasoil (FOB Singapore)	569	533	6.8%	527	353	49.0%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent	5.40	5.11	5.7%	5.01	2.89	73.7%
Urals (average Med and NWE)	5.18	4.95	4.7%	4.85	2.89	68.0%
Urals (FOB Primorsk)	5.17	4.90	5.7%	4.81	2.75	75.1%
Urals (FOB Novorossiysk)	5.16	4.92	5.0%	4.82	2.76	74.5%
Dubai	5.26	4.97	6.0%	4.90	2.93	67.3%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	48.1	43.1	11.6%	43.5	22.8	91.2%
Naphtha (av. FOB Rotterdam/CIF NWE)	48.8	44.0	10.9%	44.4	24.0	84.6%
Naphtha (CFR Japan)	49.6	45.0	10.4%	45.4	26.2	73.2%
Fuel oil (av. FOB/CIF Med)	29.4	27.4	7.1%	27.4	14.7	86.7%
Fuel oil (av. FOB Rotterdam/CIF NWE)	29.0	27.5	5.7%	27.3	14.7	86.0%
High sulphur fuel oil 180 cst (FOB Singapore)	31.8	28.8	10.5%	29.1	16.9	72.7%
Gasoil (av. FOB/CIF Med)	43.8	40.5	8.3%	40.2	25.2	59.6%
Gasoil (av. FOB Rotterdam/CIF NWE)	43.7	40.8	7.1%	40.3	25.6	57.6%
Gasoil (FOB Singapore)	41.8	39.6	5.7%	39.0	25.0	55.8%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)		
Crude oil	29.8	28.4	4.9%	27.9	13.8	>100%
Fuel oil	21.0	19.4	8.1%	19.3	8.1	>100%
Summer diesel	43.9	43.3	1.4%	42.4	38.3	10.6%
Winter diesel	46.0	42.7	7.6%	43.5	39.6	9.8%
Jet fuel	42.7	37.7	13.3%	38.0	29.4	29.2%
High octane gasoline	49.2	46.6	5.6%	46.8	40.6	15.4%

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 1.0% in the third quarter of 2021 compared to the second quarter of 2021.

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 July 1, 2021. 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.

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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 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
Producer price index (PPI ¹) y-o-y	28.2%	31.1%	23.2%	(4.6)%
Average USD/RUB exchange rate for the period ²	73.47	74.22	74.01	70.78
USD/RUB exchange rate at the end of the period	72.76	72.37	72.76	79.68
Average EUR/RUB exchange rate for the period	86.66	89.39	88.57	79.64
EUR/RUB exchange rate at the end of the period	84.88	86.20	84.88	93.02

Source: the Central Bank of the Russian Federation.

¹In the third quarter of 2021 as against to December 2020 PPI was 3.1%.

²See 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 9 months ended September 30,		% change ¹
	September 30, 2021	June 30, 2021		2021	2020	
Mineral extraction tax						
Crude oil (RUB per tonne)	20,279	18,631	8.8%	18,231	8,287	>100%
Export customs duty for crude oil	64.6	57.1	13.2%	55.3	46.8	18.3%
Crude oil (USD per tonne)	4,749	4,236	12.1%	4,092	3,262	25.4%
Crude oil (RUB per tonne)	641	572	12.1%	553	441	25.4%
Crude oil (RUB per barrel)						
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	1,420	1,266	12.2%	1,223	975	25.5%
Naphtha (RUB per tonne)	2,608	2,322	12.3%	2,245	1,790	25.4%
Light and middle distillates (RUB per tonne)	1,420	1,266	12.2%	1,223	975	25.5%
Liquid fuels (fuel oil) (RUB per tonne)	4,749	4,236	12.1%	4,092	3,262	25.4%

¹Calculated based on unrounded data.

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

Excise duties (RUB per tonne)	Since January 1 through December 31, 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 was: $9,585 \text{ RUB/t} - (Cdtexp - 48,300) \times 0.65$, if $Cdtexp \leq 48,300 \text{ RUB/t}$, and $9,585 \text{ RUB/t}$, if $Cdtexp > 48,300 \text{ RUB/t}$ ($Cdtexp$ – 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 of Russia).

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

The Company's tax burden on revenues was 53.9% in the nine months of 2021, most part relates to mineral extraction tax, excess profit tax and the export customs duty accounted (for approximately 86.2%). The share of fiscal withdrawals in the Company's financial result (operating income before fiscal payments) amounted to 77.3% in the nine months 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%.

In the nine months of 2021 indexation of gas transportation tariffs was not carried out.

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Consolidated statement of profit or loss for the three months ended September 30, 2021 and June 30, 2021 and for the nine months ended September 30, 2021 and 2020, respectively.

in RUB billions

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Revenues and equity share in profits of associates and joint ventures						
Oil, gas, petroleum products and petrochemicals sales	2,270	2,121	7.0%	6,087	4,142 ¹	46.9%
Support services and other revenues	29	25	16.0%	81	59	37.3%
Equity share in profits of associates and joint ventures	21	21	–	56	35	60.0%
Total revenues and equity share in profits of associates and joint ventures	2,320	2,167	7.1%	6,224	4,236¹	46.9%
Costs and expenses						
Production and operating expenses	176	171	2.9%	458	569	(19.5)%
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	407	370	10.0%	1,068	518 ¹	>100%
General and administrative expenses	33	43	(23.3)%	116	79	46.8%
Transportation costs and other commercial expenses	161	164	(1.8)%	476	511	(6.8)%
Exploration expenses	1	3	(66.7)%	5	11	(54.5)%
Depreciation, depletion and amortization	171	163	4.9%	489	501	(2.4)%
Taxes other than income tax	821	766	7.2%	2,254	1,566	43.9%
Export customs duty	125	120	4.2%	323	253	27.7%
Total costs and expenses	1,895	1,800	5.3%	5,189	4,008	29.5%
Operating income/(loss)	425	367	15.8%	1,035	228	>100%
Finance income	39	28	39.3%	95	71	33.8%
Finance expenses	(56)	(52)	7.7%	(166)	(160)	3.8%
Other income	16	7	>100%	28	4	>100%
Other expenses	(20)	(37)	(45.9)%	(72)	(93)	(22.6)%
Foreign exchange differences	10	13	(23.1)%	28	(227)	–
Realized foreign exchange differences on hedge instruments	–	–	–	–	1	–
Income/(loss) before income tax	414	326	27.0%	948	(176)	–
Income tax (expense)/benefit	(69)	(63)	9.5%	(172)	28	–
Net income/(loss)	345	263	31.2%	776	(148)	–
Net income/(loss) attributable to						
- Rosneft shareholders	314	233	34.8%	696	(177)	–
- non-controlling interests	31	30	3.3%	80	29	>100%

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 Iraqi Kurdistan, Egypt and refinery project in Germany, stakes in refineries in Belarus and India.

Operating Segments

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

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

Intersegment Sales

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

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

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Upstream Operating Results

The segment includes oil and gas production activities, oil services and geological exploration activities on the territory of the Russian Federation and abroad. 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. The results are set in the table below¹:

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Operational results						
Hydrocarbon production (th. boe per day)	5,088	4,973	2.3%	4,943	5,232	(5.5)%
Liquids production (th. barrels per day)	3,979	3,898	2.1%	3,876	4,193	(7.6)%
Gas production (th. boe per day)	1,109	1,075	3.2%	1,067	1,039	2.6%
Hydrocarbon production (mln boe) ²	439.0	424.3	3.5%	1,266.7	1,346.6	(5.9)%
Hydrocarbon production (mln toe)	63.0	61.1	3.1%	181.9	193.5	(6.0)%
Financial results, RUB billions						
EBITDA	571	527	8.3%	1,565	803	94.9%
Capital expenditures ³	205	223	(8.1)%	633	521	21.5%
Upstream operating expenses	85.7	82.2	4.3%	246.0	270.2	(9.0)%
Indicators per boe						
EBITDA, RUB/boe ^{1,2}	1,269	1,211	4.7%	1,207	586	>100%
Capital expenditures, RUB/boe	467	526	(11.2)%	500	387	29.2%
Upstream operating expenses, RUB/boe	195	194	0.5%	194	201	(3.5)%
Upstream operating expenses, USD/boe ⁴	2.7	2.6	3.8%	2.6	2.8	(7.1)%

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).

Upstream EBITDA

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Revenues and equity share in profits of associates and joint ventures	1,459	1,345	8.5%	3,942	2,161	82.4%
<i>Including equity share in profits of associates and joint ventures</i>	<i>14</i>	<i>13</i>	<i>7.7%</i>	<i>36</i>	<i>14</i>	<i>>100%</i>
Expenses net of depreciation including	929	859	8.1%	2,506	1,473	70.1%
Upstream operating expenses ¹	86	82	4.3%	246	270	(9.0)%
Expenses associated with COVID-19	–	1	–	3	4	(25.0)%
General and administrative expenses	11	14	(21.4)%	39	45	(13.3)%
Hydrocarbon procurement costs	4	7	(42.9)%	17	6	>100%
Pipeline tariffs and transportation costs and other costs ²	26	26	–	70	63	11.1%
Exploration expenses	2	5	(60.0)%	10	16	(37.5)%
Taxes other than income tax	803	723	11.1%	2,131	1,065	>100%
Effect of increase in stock of crude oil	(3)	1	–	(10)	4	–
<i>Effect of prepayments offsetting</i>	<i>41</i>	<i>40</i>	<i>2.5%</i>	<i>126</i>	<i>111</i>	<i>13.5%</i>
EBITDA	571	526	8.6%	1,562	799	95.5%
<i>Expenses associated with COVID-19</i>	<i>–</i>	<i>1</i>	<i>–</i>	<i>3</i>	<i>4</i>	<i>(25.0)%</i>
Adjusted EBITDA	571	527	8.3%	1,565	803	94.9%

¹Percentage is calculated based on the unrounded data.

²Other costs include revision of ecological reserves of RUB 0.2 billion in the third quarter of 2021 and RUB 0.4 billion in the second quarter of 2021; RUB 0.9 billion in the nine months of 2021 and 2020, respectively.

Operating indicators

Production of liquid hydrocarbons

Rosneft has main fully consolidated production and development enterprises, which produce liquid hydrocarbons in Western Siberia, Eastern Siberia, Timan-Pechora, Ural-Volga, Southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project 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.

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

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
	(million of barrels)			(million of barrels)		
RN-Yuganskneftegaz (Western Siberia)	129.3	126.9	1.9%	377.7	357	5.8%
Samotlorneftegaz (Western Siberia)	30.7	30.7	–	92.2	102.8	(10.3)%
Vostok Oil project (Eastern Siberia) ¹	32.3	27.1	19.2%	85.3	87.0	(2.0)%
Samaraneftegaz (Ural-Volga)	20.3	20	1.5%	60.1	59.3	1.3%
Bashneft-Dobycha (Ural-Volga)	23.1	20.1	14.9%	59.8	69.0	(13.3)%
Orenburgneft (Ural-Volga)	18.8	18.5	1.6%	54.8	52.6	4.2%
RN-Uvatneftegaz (Western Siberia)	16.1	16.2	(0.6)%	48.6	51.0	(4.7)%
Verkhnechonskneftegaz (Eastern Siberia)	12.4	12.4	–	37.5	42.7	(12.2)%
Taas-Yuryakh (Far East)	9.4	9.6	(2.1)%	28.3	26.2	8.0%
RN-Nyaganneftegaz (Western Siberia)	9.1	7.9	15.2%	24.3	25.0	(2.8)%
Rospan International (Western Siberia) ²	8.2	6.9	18.8%	18.4	8.9	>100%
RN-Purneftegaz (Western Siberia)	5.9	5.9	–	17.5	18.6	(5.9)%
Kondaneft (Western Siberia)	5.6	5.6	–	16.7	14.7	13.6%
Vostsibneftegaz (Eastern Siberia)	4.3	4.5	(4.4)%	13.6	17.2	(20.9)%
Tomskneft (Western Siberia) ³	2.9	5.2	(44.2)%	13.4	16.3	(17.8)%
Offshore projects (Far East) ⁴	3.8	3.8	–	12.3	14.3	(14.0)%
Bashneft-Polyus (Timan-Pechora) ⁵	2.0	2.4	(16.7)%	6.7	5.5	21.8%
Kharampurneftegaz (Western Siberia)	1.8	1.8	–	5.4	5.6	(3.6)%
Sorovskneft (Western Siberia)	1.1	1.1	–	3.2	4.7	(31.9)%
Other	7.2	7.4	(2.7)%	22.0	104.0 ⁶	(78.8)%
Liquids production by fully and proportionately consolidated entities	344.3	334.0	3.1%	997.8	1,082.4	(7.8)%
Slavneft (Western and Eastern Siberia)	9.6	8.9	7.9%	25.1	29.6	(15.2)%
Messoyakhaneftegaz (Western Siberia)	5.0	5.0	–	14.9	15.4	(3.2)%
Udmurtneft (Ural-Volga)	5.3	5.0	6.0%	15.1	14.6	3.4%
Other	1.9	1.8	5.6%	5.3	7.0	(24.3)%
Total share in production of associates and JV	21.8	20.7	5.3%	60.4	66.6	(9.3)%
Total liquids production	366.1	354.7	3.2%	1,058.2	1,149.0	(7.9)%
Daily liquids production (th. barrels per day)	3,979	3,898	2.1%	3,876	4,193	(7.6)%

¹incl. Vankor projects.

²incl. volumes aimed at obtaining technical propane-butane.

³The unit disposed in the third quarter of 2021.

⁴Net of royalty and government share.

⁵Refers to 100% consolidated share in production.

⁶Including production volumes of Varyeganneftegaz, RN-Severnaya Neft, RN-Sakhalinmorneftegaz and other low margin assets (disposed at the end of 2020) of 83.1 million bbl in the nine months of 2020.

In the third quarter of 2021 the liquid hydrocarbons production amounted to 366.1 mln barrels, an increase of 3.2% compared with the second quarter of 2021 in terms of reduction of cuts under OPEC+ Agreement. Daily liquid production increased by 2.1% to 3,979 th. bbl per day.

In nine months of 2021 liquid production was 1,058.2 mln bbl which was driven by the disposal of a number of low-margin assets at the end of 2020 and by the fulfillment of the terms of the OPEC+ Agreement, effective from May 1, 2020. Excluding the effect of the disposal of a number of low-margin assets, average daily liquids production decreased slightly by 0.4% y-o-y.

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In the nine months of 2021, development drilling footage exceeded 8.1 mln meters (increase of 2.6%) and the number of new wells commissioned exceeded 2.5 th. units (growth of 40%). The number of the most efficient new horizontal wells has increased by 39%, or more than 1.7 th. units, and their share in the total number of wells commissioned amounted to 69%.

Production of Gas

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

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
	bcm			bcm		
Rospan International (Western Siberia)	3.46	3.01	15.0%	8.18	4.65	75.9%
Sibneftegaz (Western Siberia)	2.68	2.70	(0.7)%	7.89	7.58	4.1%
Samotlorneftegaz (Western Siberia)	1.50	1.47	2.0%	4.45	4.51	(1.3)%
Vostok Oil project (Eastern Siberia) ^{2,3}	1.60	1.43	11.9%	4.36	4.21	3.6%
Zohr project (Egypt) ⁴	1.29	1.20	7.5%	3.84	2.69	42.8%
RN-Yuganskneftegaz (Western Siberia)	1.28	1.14	12.3%	3.65	3.59	1.7%
RN-Purneftegaz (Western Siberia)	1.00	1.01	(1.0)%	2.94	3.00	(2.0)%
Offshore projects (Far East) ^{3, 4}	0.36	0.49	(26.5)%	1.70	1.88	(9.6)%
RN-Krasnodarneftegaz (Southern Russia)	0.36	0.36	–	1.11	1.18	(5.9)%
Verkhnechonskneftegaz (Eastern Siberia) ³	0.28	0.30	(6.7)%	0.91	0.99	(8.1)%
Kharampurneftegaz (Western Siberia)	0.22	0.24	(8.3)%	0.70	0.71	(1.4)%
RN-Nyaganeftegaz (Western Siberia)	0.21	0.16	31.3%	0.54	0.79	(31.6)%
Tomskneft (Western Siberia) ⁵	0.15	0.20	(25.0)%	0.54	0.63	(14.3)%
Rosneft Vietnam B.V. (Vietnam) ⁵	0.08	0.13	(38.5)%	0.34	0.49	(30.6)%
Samaraneftegaz (Ural-Volga)	0.10	0.11	(9.1)%	0.32	0.32	–
Orenburgneft (Ural-Volga)	0.10	0.10	–	0.30	0.31	(3.2)%
Bashneft-Dobycha (Ural-Volga) ³	0.09	0.08	12.5%	0.26	0.31	(16.1)%
RN-Uvatneftegaz (Western Siberia)	0.07	0.07	–	0.21	0.22	(4.5)%
Other	0.72	0.64	12.5%	1.92	5.33 ⁶	(64.0)%
Total gas production by fully and proportionately consolidated entities	15.55	14.84	4.8%	44.16	43.39	1.8%
Messoyakhaneftegaz (Western Siberia)	0.23	0.23	–	0.66	0.19	>100%
Purgaz (Western Siberia)	0.86	0.88	(2.3)%	2.65	2.87	(7.7)%
Slavneft (Western and Eastern Siberia)	0.08	0.08	–	0.21	0.24	(12.5)%
Other	0.04	0.04	–	0.13	0.06	>100%
Total share in production of associates and JV	1.21	1.23	(1.6)%	3.65	3.36	8.6%
Total gas production	16.76	16.07	4.3%	47.81	46.75	2.3%
Natural gas	9.97	9.51	4.8%	27.59	22.52	22.5%
Associated gas	6.79	6.56	3.5%	20.22	24.23	(16.5)%
Daily gas production (mcm per day)	182.2	176.6	3.2%	175.1	170.6	2.6%

¹Production volume equals extracted volume minus flared volume and gas used for NGL production. Gross gas production amounted to 19.8 bcm in the third quarter of 2021 and 18.8 bcm in the second quarter of 2021; and 56.2 bcm and 55.5 bcm in the nine months of 2021 and 2020, respectively.

²Incl. Vankor project.

³Including gas injection to maintain reservoir pressure.

⁴Net of royalty and government share.

⁵The unit disposed in the third quarter of 2021.

⁶Including production volumes of Varyeganneftegaz, RN-Severnaya Neft, RN-Sakhalinmorneftegaz and other low margin assets (disposed at the end of 2020) of 4.50 bcm in the nine months of 2020.

Gas production of the third quarter of 2021 increased by 4.3% (to 16.76 bcm) compared with the second quarter of 2021. The increase in gas production is mainly due to higher production of natural gas at Rospan International.

In the nine months of 2021 gas production amounted to 47.81 bcm (2.3% higher compared to the same period of 2020), and average daily production was 175.1 mcm per day. Excluding the effect of disposal, the growth of daily production was 13.6%. The increase was mainly due to higher natural gas production at Rospan, increased gas sales at Zohr project and gas production growth at Sibneftegaz.

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 14 billion and RUB 13 billion in the third quarter of 2021 and in the second quarter of 2021, respectively. Significant growth to RUB 36 billion if compared to the nine months of 2020 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 third quarter of 2021 compared with the second quarter of 2021 upstream operating expenses increased to RUB 85.7 billion (or by 4.3%). Upstream operating expenses per boe increased slightly by 0.5% to 195 RUB/boe (2.7 USD/boe) in the third quarter 2021.

In the nine months of 2021 upstream operating expenses per boe decreased by 3.5% if compared to the same period of 2020, and amounted to 194 RUB/boe (2.6 USD/boe), which was driven by implemented measures to improve efficiency in the context of production restrictions under the OPEC+ Agreement and optimization of assets portfolio.

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 third quarter of 2021 and second quarter of 2021 were RUB 1 billion and RUB 3 billion, respectively. In the nine months of 2021 and 2020, exploration expenses amounted to RUB 5 billion and RUB 11 billion, respectively.

¹ Net of intercompany turnover of RUB 1 billion in the third quarter of 2021 and RUB 2 billion in the second quarter of 2021, respectively. In the nine months of 2021 and 2020, intercompany turnover was RUB 5 billion and RUB 5 billion, respectively.

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Mineral extraction tax (MET) and Excess profit tax

MET

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

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
	(thousand RUB, except %)					
Average enacted mineral extraction tax rate (per tonne) ¹	20.28	18.63	8.8%	18.23	8.29	>100%
Actual mineral extraction tax expense per tonne of oil produced	12.71	12.08	5.2%	11.75	6.38	84.2%
Actual mineral extraction tax expense per tonne of oil equivalent produced ²	10.18	9.70	4.9%	9.43	5.20	81.3%
	(RUB, except %)					
Actual gas extraction tax rate per thousand cubic meters	622	611	1.8%	608	533	14.1%
Actual extraction tax rate on gas condensate per tonne ³	8,574	8,361	2.5%	8,308	4,971	67.1%

¹The 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).

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.

Excess profit tax

In the third and second quarters of 2021, excess profit tax amounted to RUB 181 billion and RUB 148 billion, respectively. In the nine months of 2021 and 2020, excess profit tax amounted to RUB 462 billion and 64 billion, respectively. 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, and with higher crude oil price.

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Downstream Operating Results

The segment includes oil and gas refining and petrochemical production activities on the territory of the Russian Federation and abroad, and trading 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		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Operational results, mln tonne						
Crude oil processing at refineries	27.09	26.36	2.8%	79.80	78.18	2.1%
<i>Processing at Company's refineries in Russia</i>	22.08	21.71	1.7%	65.95	64.67	2.0%
<i>Processing at Company's refineries outside Russia</i>	2.95	2.88	2.4%	8.10	8.22	(1.5)%
<i>Processing at Associates' refineries¹</i>	2.06	1.77	16.4%	5.75	5.29	8.7%
Financial results, RUB billion						
EBITDA	77	65	18.5%	143	74	93.2%
Capital expenditures of refineries ²	15	10	50.0%	34	27	25.9%
Operating expenses of processing in Russia	38.8	33.9	14.5%	105.6	97.3	8.5%
Operating expenses of processing outside Russia	8.5	7.7	10.4%	24.6	22.6	8.8%
Indicators per tonne of the output, RUB per tonne³						
Capital expenditure of refineries	599	407	47.2%	459	370	24.1%
Operating expenses for processing in Russia	1,757	1,561	12.6%	1,601	1,504	6.4%
Operating expenses for processing outside Russia	2,881	2,674	7.7%	3,037	2,749	10.5%

¹Excluding processing at Nayara.

²Refer to "Capital expenditures".

³Calculated from unrounded data.

Downstream EBITDA

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
	RUB billion			RUB billion		
Revenues and equity share in profits of associates and joint ventures	2,315	2,168	6.8%	6,232	4,283¹	45.5%
<i>Including equity share in profits of associates and joint ventures</i>	6	7	(14.3)%	18	20	(10.0)%
Expenses net of depreciation including	2,247	2,124	5.8%	6,145	4,183¹	46.9%
Operating expenses of processing in Russia ²	39	34	14.5%	106	97	8.5%
Operating expenses of processing outside Russia, cost of additives	23	21	9.5%	62	52	19.2%
Operating expenses of retail entities	11.8	11.1	6.3%	33.6	30.6	9.8%
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	1,861	1,724	8.0%	4,984	2,761	80.5%
Administrative expenses	13	10	30.0%	34	16	>100%
<i>including allowance for expected credit losses</i>	1.8	(1.5)	–	1.1	(15.5)	–
Pipeline tariffs and transportation costs	160	161	(0.6)%	471	507	(7.1)%
Taxes other than income tax	14	43	(67.4)%	131	466	(71.9)%
Export customs duty	125	120	4.2%	323	253	27.7%
Expenses associated with COVID-19	1	–	>100%	1	0.45	>100%
EBITDA Downstream	69	44	56.8%	88	100	(12.0)%
<i>Effect of intragroup inventory and others</i>	8	21	(61.9)%	55	(26)	–
Adjusted EBITDA	77	65	18.5%	143	74	93.2%

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".

²Percentage is calculated based on the unrounded data.

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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 Germany.

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

	For 3 months ended		%	For 9 months ended September 30,		%
	September 30, 2021	June 30, 2021		2021	2020	
	mln of tonnes			mln of tonnes		
Crude oil processing at refineries in Russia ¹	24.14	23.48	2.8%	71.70	69.96	2.5%
Crude oil processing at refineries outside Russia including crude oil processing in Germany ²	2.95	2.88	2.4%	8.10	8.22	(1.5)%
Total Group crude oil processing	27.09	26.36	2.8%	79.80	78.18	2.1%
Petroleum product output:						
Gasoline	3.51	3.52	(0.6)%	10.60	9.94	6.6%
Naphtha	1.31	1.39	(5.8)%	4.13	4.30	(4.0)%
Diesel	7.00	6.81	2.8%	20.98	20.97	0.0%
Low-viscosity marine fuel	0.64	0.80	(20.0)%	2.34	2.05	14.1%
Fuel oil	5.17	5.19	(0.4)%	16.04	16.46	(2.6)%
Jet fuel	0.88	0.77	14.3%	2.17	2.10	3.3%
Petrochemicals	0.28	0.35	(20.0)%	1.02	1.11	(8.1)%
Other	4.50	3.86	16.6%	11.95	10.83	10.3%
Product output at Rosneft's refineries in Russia	23.29	22.70	2.6%	69.23	67.76	2.2%
Product output at refineries outside Russia including crude oil output in Germany	3.04	3.00	1.3%	8.45	8.53	(0.9)%
Total Group product output	26.33	25.70	2.5%	77.68	76.29	1.8%

¹Including processing at YANOS refinery.

²Excluding additives received and other raw materials for processing.

The increase of 2.8% to 24.14 mln tonnes, in production at the Company's own refineries in Russia in the third quarter 2021 as compared to the second quarter of 2021 was due to higher seasonal demand for petroleum products on domestic market.

The increase of 2.5% to 71.70 mln tonnes in the nine months of 2021 compared to the same period of 2020 is mainly driven by recovery of demand and production on a background of mitigation of quarantine conditions in 2021.

Increased processing by 2.4% at German refineries in the third quarter of 2021 in comparison with the second quarter of 2021 is mainly driven by seasonal demand recovery. The volume of production compared to the nine months of 2020 decreased by 1.5% due to turnarounds at Miro refinery in the second quarter of 2021.

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Financial indicators

Revenues and equity share in profits of associates and joint ventures

Increase in revenues in the third quarter of 2021 of 7.1% compared with the second quarter of 2021 is due to a positive price impact on the foreign markets (crude oil price up by 4.7% in RUB terms) and increased sales of oil products on domestic market. Increase in revenues in the nine months of 2021 of 46.9% compared with the same period of 2020 is due to a crude oil price upturn by 68.0% which was partially offset by a decline of crude oil export volumes.

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 9 months ended September 30,				
	September 30, 2021		June 30, 2021		% 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	895	38.5%	869	40.0%	3.0%	2,391	38.5%	1,537	36.2%	55.6%
Europe and other directions	431	18.5%	434	19.9%	(0.7)%	1,130	18.2%	662	15.6%	70.7%
Asia	464	20.0%	435	20.1%	6.7%	1,261	20.3%	875	20.6%	44.1%
International sales to CIS	51	2.2%	39	1.8%	30.8%	140	2.2%	59	1.4%	137.3%
Domestic sales	94	4.1%	52	2.4%	80.8%	179	2.9%	62	1.5%	188.7%
Total crude oil	1,040	44.8%	960	44.2%	8.3%	2,710	43.6%	1,658	39.1%	63.4%
Gas	68	2.9%	66	3.0%	3.0%	207	3.3%	171	4.0%	21.1%
Petroleum products										
International Sales to non-CIS	608	26.1%	627	28.9%	(3.0)%	1,745	28.0%	1,139	26.9%	53.2%
Europe and other directions	487	20.9%	482	22.2%	1.0%	1,351	21.7%	900	21.3%	50.1%
Asia	121	5.2%	145	6.7%	(16.6)%	394	6.3%	239	5.6%	64.9%
International Sales to CIS	32	1.4%	19	0.9%	68.4%	71	1.1%	58	1.4%	22.4%
Domestic sales	475	20.5%	398	18.4%	19.3%	1,217	19.6%	1,028	24.2%	18.4%
Sales of bunker fuel to end-users	20	0.9%	17	0.8%	17.6%	48	0.8%	36	0.8%	33.3%
Total petroleum products	1,135	48.9%	1,061	49.0%	7.0%	3,081	49.5%	2,261	53.4%	36.3%
Petrochemical products	27	1.2%	34	1.6%	(20.6)%	89	1.4%	52	1.2%	71.2%
International sales	11	0.5%	11	0.5%	–	32	0.5%	21	0.5%	52.4%
Domestic sales	16	0.7%	23	1.1%	(30.4)%	57	0.9%	31	0.7%	83.9%
Sales of petroleum products and petrochemicals	1,162	50.1%	1,095	50.6%	6.1%	3,170	50.9%	2,313	54.6%	37.1%
Support services and other revenues	29	1.3%	25	1.2%	16.0%	81	1.3%	59	1.4%	37.3%
Equity share in profits of associates and joint ventures	21	0.9%	21	1.0%	–	56	0.9%	35	0.8%	60.0%
Total revenues and equity share in profits of associates and joint ventures	2,320	100.0%	2,167	100.0%	7.1%	6,224	100.0%	4,236³	100.0%	46.9%

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".

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Sales Volumes

The table below analyses crude oil, gas, petroleum and petrochemical product sales volumes¹:

	For 3 months ended					For 9 months ended September 30,				
	September 30, 2021		June 30, 2021		% 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	188.1	45.1%	194.6	47.3%	(3.3)%	546.4	45.8%	631.6	49.8%	(13.5)%
Europe and other directions	88.1	21.1%	94.0	22.9%	(6.3)%	249.5	21.0%	272.5	21.5%	(8.4)%
Asia	100.0	24.0%	100.6	24.4%	(0.6)%	296.9	24.8%	359.1	28.3%	(17.3)%
International Sales to CIS	11.1	2.7%	9.7	2.3%	14.4%	34.1	2.8%	28.9	2.3%	18.0%
Domestic	21.5	5.2%	11.8	2.9%	82.2%	42.2	3.5%	29.6	2.3%	42.6%
Total crude oil	220.7	53.0%	216.1	52.5%	2.1%	622.7	52.1%	690.1	54.4%	(9.8)%
	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	25.4	45.1%	26.3	47.3%	(3.3)%	73.8	45.8%	85.3	49.8%	(13.5)%
Europe and other directions	11.9	21.1%	12.7	22.9%	(6.3)%	33.7	21.0%	36.8	21.5%	(8.4)%
Asia	13.5	24.0%	13.6	24.4%	(0.6)%	40.1	24.8%	48.5	28.3%	(17.3)%
International Sales to CIS	1.5	2.7%	1.3	2.3%	14.4%	4.6	2.8%	3.9	2.3%	18.0%
Domestic sales	2.9	5.2%	1.6	2.9%	82.2%	5.7	3.5%	4.0	2.3%	42.6%
Total crude oil	29.8	53.0%	29.2	52.5%	2.1%	84.1	52.1%	93.2	54.4%	(9.8)%
Petroleum products										
International Sales to non-CIS	13.9	24.8%	15.4	27.7%	(9.7)%	43.7	26.9%	44.5	25.9%	(1.8)%
Europe and other directions	10.7	19.1%	11.4	20.5%	(6.1)%	32.3	19.8%	33.1	19.3%	(2.4)%
Asia	3.2	5.7%	4.0	7.2%	(20.0)%	11.4	7.1%	11.4	6.6%	–
International Sales to CIS	0.7	1.2%	0.5	0.9%	40.0%	1.7	1.1%	2.7	1.6%	(37.0)%
Domestic sales	10.8	19.2%	9.5	17.1%	13.7%	29.2	18.1%	28.0	16.3%	4.3%
Sales of bunker fuel to end-users	0.48	0.9%	0.47	0.8%	2.1%	1.28	0.8%	1.36	0.8%	(5.9)%
Total petroleum products	25.9	46.1%	25.9	46.5%	–	75.9	46.9%	76.6	44.6%	(0.9)%
Petrochemical products	0.48	0.9%	0.58	1.0%	(17.2)%	1.65	1.0%	1.75	1.0%	(5.7)%
International sales	0.18	0.4%	0.18	0.3%	–	0.55	0.3%	0.57	0.3%	(3.5)%
Domestic sales	0.30	0.5%	0.40	0.7%	(25.0)%	1.10	0.7%	1.18	0.7%	(6.8)%
Total crude oil, petroleum and petrochemical products	56.2	100.0%	55.7	100.0%	0.9%	161.7	100.0%	171.6	100.0%	(5.8)%
	bcm		bcm			bcm		bcm		
Gas	14.68		15.17		(3.2)%	46.31		41.15		12.5%

¹ Calculated from unrounded figures.

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Average Sales Prices

The following table sets forth Rosneft's average export and domestic prices of crude oil, gas, petroleum products and petrochemical products (the average sales prices may differ from official market prices provided by specialized agencies due to different quality of products and sales terms)¹:

	For 3 months ended					For 9 months ended September 30,				
	September 30, 2021		June 30, 2021		% 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	4.99	37.0	4.70	34.8	6.3%	4.63	34.2	2.60	19.3	77.2%
Europe and other directions ²	4.92	36.4	4.62	34.2	6.4%	4.55	33.7	2.43	18.0	87.2%
Asia ²	5.07	37.5	4.79	35.5	5.6%	4.70	34.8	2.75	20.4	70.6%
Crude oil, CIS	4.37	32.4	4.09	30.3	6.9%	4.07	30.2	2.02	14.9	>100%
Petroleum products, non-CIS		43.8		40.7	7.6%		40.0		25.6	56.3%
Europe and other directions		45.6		42.5	7.3%		41.9		27.3	53.5%
Asia		37.8		35.8	5.6%		34.5		20.9	65.1%
Petroleum products, CIS		44.6		42.0	6.2%		41.2		21.5	91.6%
Petrochemical products		62.3		63.7	(2.2)%		58.7		35.1	67.2%
Average domestic prices										
Crude oil	4.41	32.6	4.22	31.3	4.2%	4.24	31.4	2.12	15.7	100.0%
Petroleum products		43.9		41.7	5.3%		41.7		36.7	13.6%
Gas (th. RUB/th. cubic meter) ³		3.85		3.55	8.5%		3.70		3.48	6.3%
Petrochemical products		53.7		56.5	(5.0)%		51.7		26.2	97.3%
Sales of bunker fuel to end-users		41.2		36.3	13.5%		37.4		26.6	40.6%

¹Average price is calculated from unrounded figures.

²Price excludes the effect of prepayments offsetting under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 50 billion in the third quarter of 2021 and RUB 48 billion in the second quarter of 2021; RUB 141 billion and RUB 87 billion in the nine months of 2021 and 2020, respectively).

³Including gas sales outside the Russian Federation average gas prices were 4.67 th. RUB/th. cubic meter in the third quarter of 2021; 4.43 th. RUB/th. cubic meter in the second quarter of 2021; 4.48 th. RUB/th. cubic meter and 4.16 th. RUB/th. cubic meter in the nine months of 2021 and 2020, respectively.

International Crude Oil Sales to non-CIS

A revenue increase in international crude oil sales to non-CIS countries in the third quarter of 2021 compared to the second quarter of 2021 was due to an upturn in average sales price of 6.3% (positive impact on revenues of RUB 55 billion) which was partially offset by a decrease in sales volume of 3.3% (negative impact of RUB 28 billion).

A revenue increase in international crude oil sales to non-CIS countries in the nine months of 2021 compared with the same period of 2020 was due to an average sales price upturn of 77.2% (positive impact of RUB 1,097 billion) which was partially offset by a decrease in sales volume of 13.5% (negative impact of RUB 227 billion).

International Crude Oil Sales to CIS

A revenue increase in international crude oil sales to CIS countries in the third quarter of 2021 compared to the second quarter of 2021 was due to an increase in sales volume of 14.4% (positive impact of RUB 7 billion) and an upturn in average sales price of 6.9% (positive impact of RUB 5 billion).

A revenue increase in international crude oil sales to CIS countries in the nine months of 2021 compared with the same period of 2020 was due to an average sales price upturn (positive impact of RUB 71 billion) and an increase in sales volume of 18.0% (positive impact of RUB 10 billion).

Domestic Sales of Crude Oil

A revenue increase in domestic sales of crude oil in the third quarter of 2021 compared with the second quarter of 2021 was due to an increase in sales volume of 82.2% (positive impact of RUB 38 billion) and an upturn in average sales price of 4.2% (positive impact of RUB 4 billion).

A revenue increase in domestic sales of crude oil in the nine months of 2021 compared with the same period of 2020 was due to an upturn in average sales price (positive impact of RUB 90 billion) and an increase in sales volume of 42.6% (positive impact of RUB 27 billion).

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International Petroleum Product Sales to Non-CIS

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in the third and second quarters of 2021¹:

	For 3 months ended						% change		
	September 30, 2021			June 30, 2021			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	6	0.1	53.7	6	0.2	47.7	–	(50.0)%	12.6%
Naphtha	55	1.2	44.4	58	1.4	40.9	(5.2)%	(14.3)%	8.6%
Diesel (Gasoil)	114	2.8	41.5	146	3.8	38.4	(21.9)%	(26.3)%	8.1%
Fuel oil	184	6.0	30.6	174	6.1	28.7	5.7%	(1.6)%	6.6%
Low-viscosity marine fuel	19	0.5	40.1	23	0.6	37.9	(17.4)%	(16.7)%	5.8%
Other	14	0.3	–	15	0.3	–	–	–	–
Petroleum products exported to non-CIS	392	10.9	36.0	422	12.4	34.2	(7.1)%	(12.1)%	5.3%
Petroleum products produced and purchased outside Russia	216	3.0	72.3	205	3.0	67.5	5.4%	–	7.1%
Total petroleum products sold to non-CIS	608	13.9	43.8	627	15.4	40.7	(3.0)%	(9.7)%	7.6%

¹Average price is calculated from unrounded figures.

A revenue decrease in international sales of petroleum products to non-CIS countries in the third quarter of 2021 compared to the second quarter of 2021 was due to a decrease in sales volume of 9.7% (negative impact of RUB 59 billion) which was partially offset by an upturn in average sales price of 7.6% (positive impact of RUB 40 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 nine months of 2021 and 2020¹:

	For 9 months ended September 30,						% 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	16	0.4	46.8	10	0.4	29.4	60.0%	–	59.2%
Naphtha	156	3.8	40.4	93	4.1	22.9	67.7%	(7.3)%	76.4%
Diesel (Gasoil)	389	10.4	37.5	234	10.1	23.2	66.2%	3.0%	61.6%
Fuel oil	509	18.0	28.2	275	17.7	15.5	85.1%	1.7%	81.9%
Low-viscosity marine fuel	68	1.9	36.7	30	1.4	21.1	>100%	35.7%	73.9%
Other	39	0.9	–	18	0.9	–	–	–	–
Petroleum products exported to non-CIS	1,177	35.4	33.3	660	34.6	19.1	78.3%	2.3%	74.3%
Petroleum products produced and purchased outside Russia	568	8.3	68.4	479	9.9	48.6	18.6%	(16.2)%	40.7%
Total petroleum products sold to non-CIS	1,745	43.7	40.0	1,139	44.5	25.6	53.2%	(1.8)%	56.3%

¹Average price is calculated from unrounded figures.

A revenue increase in international sales of petroleum products to non-CIS countries in the nine months of 2021 compared to the same period of 2020 was due to an upturn in average sales price of 56.3% (positive impact of RUB 627 billion) which was partially offset by a sales volume decrease of 1.8% (negative impact of RUB 22 billion).

International Petroleum Product Sales to CIS

A revenue increase in international sales of petroleum products to CIS countries in the third quarter of 2021 compared with the second quarter of 2021 was due to a sales volume increase of 40.0% (positive impact of RUB 10 billion) and an average price upturn of 6.2% (positive impact of RUB 3 billion).

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A revenue increase in international sales of petroleum products to CIS countries in the nine months of 2021 compared to the same period of 2020 was due to an upturn in average sales price of 91.6% (positive impact of RUB 34 billion) which was partially offset by a sales volume decrease of 37.0% (negative impact of RUB 21 billion).

Domestic Sales of Petroleum Products

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russian regions in the third and second quarters of 2021¹:

	For 3 months ended						% change		
	September 30, 2021			June 30, 2021			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	182	3.5	51.5	167	3.4	49.7	9.0%	2.9%	3.6%
Diesel (Gasoil)	197	4.2	46.3	153	3.4	45.5	28.8%	23.5%	1.8%
Fuel oil	14	0.7	21.8	12	0.6	19.8	16.7%	16.7%	10.1%
Jet fuel	40	0.9	44.7	29	0.7	39.2	37.9%	28.6%	14.0%
Other	42	1.5	–	37	1.4	–	–	–	–
Total	475	10.8	43.9	398	9.5	41.7	19.3%	13.7%	5.3%

¹Average price is calculated from unrounded figures.

A revenue increase in sales of petroleum products on the domestic market in the third quarter of 2021 compared with the second quarter of 2021 was due to an increase in sales volume of 13.7% (positive impact of RUB 53 billion) and an average price upturn of 5.3% (positive impact of RUB 24 billion).

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

	For 9 months ended September 30,						% 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	500	10.1	49.5	429	9.4	45.6	16.6%	7.4%	8.6%
Diesel (Gasoil)	490	10.8	45.4	451	10.5	42.8	8.6%	2.9%	6.1%
Fuel oil	42	2.2	19.4	21	2.0	10.2	100.0%	10.0%	90.2%
Jet fuel	86	2.1	40.4	69	2.1	33.3	24.6%	–	21.3%
Other	99	4.0	–	58	4.0	–	–	–	–
Total	1,217	29.2	41.7	1,028	28.0	36.7	18.4%	4.3%	13.6%

¹Average price is calculated from unrounded figures.

A revenue increase in sales of petroleum products on the domestic market in the nine months of 2021 compared with the same period 2020 was due to the average price upturn of 13.6% (positive impact of RUB 145 billion) and an increase in sales volume of 4.3% (positive impact of RUB 44 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 increased in the third quarter of 2021 compared with the second quarter of 2021 due to an average price upturn of 13.5% (positive impact of RUB 2 billion) and an increase in sales volume of 2.1% (positive impact of RUB 1 billion). Revenues from sales of bunker fuel increased in the nine months of 2021 compared with the same period of 2020 due to an upturn in average sales price of 40.6% (positive impact of RUB 14 billion) which was partially offset by a decrease in sales volume of 5.9% (negative impact of RUB 2 billion).

Petrochemical Products Sales

Revenues from international sales of petrochemical products increased in the nine months of 2021 compared with the same period of 2020 due to an average sales price upturn of 67.2% (positive impact of RUB 12 billion) which was partially offset by a decrease in sales volume of 3.5% (negative impact of RUB 1 billion).

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Revenues from domestic sales of petrochemical products decreased in the third quarter of 2021 compared with the second quarter of 2021 due to a decrease in sales volume of 25.0% (negative impact of RUB 6 billion) and an average sales price downturn of 5.0% (negative impact of RUB 1 billion). Revenues from domestic sales of petrochemical products increased in the nine of 2021 compared with the same period of 2020 due to an average sales price upturn of 97.3% (positive impact of RUB 28 billion) which was partially offset by a decrease in sales volume of 6.8% (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		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Revenue	RUB billion			RUB billion		
In the Russian Federation	51.4	49.2	4.5%	156.3	132.0	18.4%
Outside the Russian Federation	17.3	16.5	4.8%	51.1	39.0	31.0%
Total	68.7	65.7	4.6%	207.4	171.0	21.3%
Sales volumes	bcm			bcm		
In the Russian Federation	13.32	13.85	(3.8)%	42.16	38.00	10.9%
Outside the Russian Federation	1.36	1.32	3.0%	4.15	3.15	31.7%
Total	14.68	15.17	(3.2)%	46.31	41.15	12.5%
Average price	th. RUB/th. of cubic meters			th. RUB/th. of cubic meters		
In the Russian Federation	3.85	3.55	8.5%	3.70	3.48	6.3%
Outside the Russian Federation	12.68	12.52	1.3%	12.30	12.38	(0.6)%
Average price of the Company	4.67	4.43	5.4%	4.48	4.16	7.7%

¹ Average price is calculated from unrounded figures.

A decrease in gas sales volumes in the third quarter of 2021 compared with the second quarter of 2021 was driven by a seasonal factor. A growth in volumes compared with the nine months of 2020 was due to a recovery of demand from industrial consumers after the lifting of restrictive measures on COVID-19.

Support Services and Other Revenues

Rosneft owns service units that provide drilling, construction, repairs and other services mainly to the entities of 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 9 months ended September 30,				% change
	September 30, 2021		June 30, 2021			2021		2020		
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
	billion RUB, except %									
Drilling services	1.7	5.8%	1.9	7.7%	(10.5)%	4.2	5.2%	1.4	2.4%	>100%
Sales of materials	9.4	32.0%	8.1	32.8%	16.0%	24.9	30.7%	19.7	33.5%	26.4%
Repairs and maintenance services	1.7	5.8%	1.3	5.3%	30.8%	3.9	4.8%	2.3	3.9%	69.6%
Rent services	1.9	6.5%	1.4	5.7%	35.7%	4.8	5.9%	3.8	6.5%	26.3%
Transport services	4.3	14.6%	3.9	15.8%	10.3%	12.1	14.9%	13.3	22.6%	(9.0)%
Electric power sales and transmission	6.0	20.4%	4.8	19.4%	25.0%	16.5	20.4%	7.9	13.4%	>100%
Other revenues	4.4	14.9%	3.3	13.3%	33.3%	14.6	18.1%	10.4	17.7%	40.4%
Total	29.4	100.0%	24.7	100.0%	19.0%	81.0	100.0%	58.8	100.0%	37.8%

Financial result of associates and joint ventures

Net financial result (profits) of downstream associates and joint ventures amounts to RUB 6 billion in the third quarter of 2021 and RUB 7 billion in the second quarter of 2021, respectively.

Downstream production and operating costs

Downstream operating expenses include¹:

	For 3 months ended		% change	For 9 months ended		% change
	September 30, 2021	June 30, 2021		September 30, 2021	2020	
	billion RUB, except %					
Operating expenses at refineries in Russia	38.8	33.9	14.5%	105.6	97.3	8.5%
Operating expenses at refineries outside Russia	8.5	7.7	10.4%	24.6	22.6	8.8%
Additives and materials for processing at refineries outside Russia	15.2	13.0	16.9%	38.0	29.4	29.3%
Operating expenses of retail units	11.8	11.1	6.3%	33.6	30.6	9.8%
Downstream operating expenses	74.3	65.7	13.1%	201.8	179.9	12.2%

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

Operating expenses of refineries and retail units increased by 13.1% to RUB 74.3 billion in the third quarter of 2021 compared with the second quarter of 2021. Higher operating expenses are mainly driven by higher seasonal turnarounds.

The increase of 12.2% in the operating expenses of refineries and retail entities in the nine months 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 11.2% in the nine months of 2021.

Operating expenses of Company's refineries

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

	For 3 months ended		% change	For 9 months ended		% change
	September 30, 2021	June 30, 2021		September 30, 2021	2020	
Operating expenses at refineries in Russia (RUB billion)	38.8	33.9	14.5%	105.6	97.3	8.5%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,820	1,615	12.7%	1,657	1,553	6.7%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,757	1,561	12.6%	1,601	1,504	6.4%
Operating expenses at refineries outside Russia (RUB billion)¹	8.5	7.7	10.4%	24.6	22.6	8.8%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,796	2,567	8.9%	2,911	2,649	9.9%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,881	2,674	7.7%	3,037	2,749	10.5%
Total operating expenses at Rosneft's refineries (RUB billion)	47.3	41.6	13.7%	130.2	119.9	8.6%

¹Refineries outside Russia also procured the additives and materials for processing: in the third quarter of 2021 – RUB 15.2 bln, in the second quarter of 2021 – RUB 13.0 billion; in the nine months of 2021 and 2020 – RUB 38.0 billion and RUB 29.4 billion, respectively.

Operating expenses of Rosneft's refineries in Russia increased by 14.5% to RUB 38.8 billion in the third quarter of 2021 compared with the second quarter of 2021 mainly due to higher scheduled turnarounds and to increased costs of additives for gasoline production.

Operating expenses of Rosneft's refineries in Russia increased by 8.5% in the nine months of 2021 compared with the same period of 2020. Growth of the operating expenses per tonne of 6.4% (up to 1,601 RUB per tonnes) was due to higher turnaround costs, growth of tariffs of natural monopolies and indexation of wages.

Operating expenses of Rosneft's refineries outside Russia increased by 10.4% up to RUB 8.5 billion in comparison with RUB 7.7 billion in the second quarter of 2021 due to production volume growth by 2.4%.

In the nine months of 2021 operating expenses per tonne of Rosneft's refineries outside Russia grew by 10.5% if compared with the same period of 2020, which is due to RUB depreciation against EUR of 11.2%.

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

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

	For 3 months ended		% change	For 9 months ended		% change
	September 30, 2021	June 30, 2021		September 30, 2021	2020	
Crude oil and gas procurement						
Cost of crude oil and gas procured (RUB billion) ²	370	333	11.1%	966	380	>100%
including Domestic market	257	226	13.7%	659	177	>100%
International market	113	107	5.6%	307	203	51.2%
Volume of crude oil procured (millions of barrels)	83.5	78.6	6.2%	230.6	196.2	17.5%
including Domestic market	60.2	54.7	10.1%	160.8	81.6	97.1%
International market	23.3	23.9	(2.5)%	69.8	114.6	(39.1)%
Volume of gas procured (bcm)	2.64	3.15	(16.2)%	11.61	6.01	93.2%
Petroleum products procurement						
Cost of petroleum products procured (RUB billion) ³	25	25	–	67	103 ⁴	(35.0)%
Volume of petroleum products procured (millions of tonnes)	0.50	0.51	(2.0)%	1.40	2.69 ⁴	(48.0)%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil, gas and petroleum products under processing agreements (RUB billion)	6.7	6.8	(1.5)%	20.9	22.7	(7.9)%
Volumes of crude oil and petroleum products produced under processing agreements (millions of tonnes)	2.0	1.8	11.1%	5.7	5.7	–
Volumes of gas produced under processing agreements (bcm)	2.6	2.5	4.0%	7.5	7.8	(3.8)%
Cost of purchase of goods for retail	5.4	4.7	14.9%	13.9	12.2	13.9%
Total cost of procured oil, gas and petroleum products, goods for retail and refining costs (RUB billion)	407	370	10.0%	1,068	518⁴	>100%

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

²Including costs of Upstream segment in the amount of RUB 4 billion in the third quarter of 2021; RUB 17 billion and RUB 6 billion in the nine months of 2021 and 2020, respectively.

³Average 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.

⁴Revenues 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".

Crude oil procurement

Rosneft purchases crude oil on international and domestic markets from joint ventures, associates and third parties for refining and for exports. The structure of crude oil purchases is set in the table below:

	For 3 months ended		% change	For 9 months ended		% change
	September 30, 2021	June 30, 2021		September 30, 2021	2020	
	mln barrels			mln barrels		
International market	23.3	23.9	(2.5)%	69.8	114.6	(39.1)%
Udmurtneft	8.8	5.6	57.1%	19.2	15.0	28.0%
Slavneft	9.6	9.1	5.5%	25.2	32.1	(21.5)%
Messoyahaneftgaz	5.0	5.0	–	14.9	15.3	(2.6)%
NNK Group	28.7	28.2	1.8%	80.4	–	–
Others	8.1	6.8	19.1%	21.1	19.2	9.9%
Total	83.5	78.6	6.2%	230.6	196.2	17.5%

In the third quarter of 2021 volumes of the crude oil procured outside the Russian Federation amounted to 23.3 mln barrels, which is 2.5% lower compared to the second quarter of 2021.

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.

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The volume of swaps was 2.8 mln barrels in the third quarter of 2021 and 1.5 mln barrels in the second quarter of 2021, and 7.9 mln barrels and 15.3 mln barrels in the nine months of 2021 and 2020, respectively.

Petroleum products procurement

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

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

	For 3 months ended						% change		
	September 30, 2021			June 30, 2021			RUB billion	mln tonnes	th. RUB/tonne
	RUB billion	mln tonnes	th. RUB/tonne ¹	RUB billion	mln tonnes	th. RUB/tonne ¹			
Petroleum products procurement in Russia	13	0.27		9	0.20		44.4%	35.0%	
High octane gasoline	7	0.14	48.9	3	0.07	48.3	>100%	100.0%	1.2%
Diesel	3	0.06	50.9	3	0.06	49.1	–	–	3.7%
Others	3	0.07		3	0.07		–	–	
Petroleum products and petrochemicals procured outside Russia	12	0.23	57.2	16	0.31	50.1	(25.0)%	(25.8)%	14.2%
Total	25	0.50		25	0.51		–	(2.0)%	

¹ Calculated based on unrounded data.

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

	For 9 months ended September 30,						% change		
	2021			2020			RUB billion	mln tonnes	th. RUB/tonne
	RUB billion	mln tonnes	th. RUB/tonne ¹	RUB billion	mln tonnes	th. RUB/tonne ¹			
Petroleum products procurement in Russia	30	0.67		18	0.52		66.7%	28.8%	
High octane gasoline	13	0.27	48.2	7	0.15	45.5	85.7%	80.0%	5.9%
Diesel	10	0.21	48.0	9	0.19	47.0	11.1%	10.5%	2.1%
Others	7	0.19		2	0.18		>100%	5.6%	–
Petroleum products and petrochemicals procured outside Russia²	37	0.73	51.0	85	2.17	39.0	(56.5)%	(66.4)%	50.0%
Total	67	1.40		103	2.69		(35.0)%	(48.0)%	

¹ Calculated based on unrounded data.

² 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".

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 2.2 billion in the third quarter of 2021, RUB 3.1 billion in the second quarter of 2021, and RUB 8.8 billion and RUB 11 billion in the nine months of 2021 and 2020, respectively.

Transportation Costs and Other Commercial Expenses

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

Slight decrease in transportation costs of 1.8% in the third quarter of 2021 compared with the second quarter of 2021 was mainly due to seasonal factor and delivery structure.

The table below sets forth the transportation costs in the third quarter of 2021 and in the second quarter of 2021, respectively¹:

	For 3 months ended				% change	
	September 30, 2021		June 30, 2021		Cost	Volume
	Cost, bln RUB	Volume (mln tonnes, bcm)	Cost, bln RUB	Volume (mln tonnes, bcm)		
CRUDE OIL						
Transportation costs in the international sales	63.0	26.9	63.6	27.6	(0.9)%	(2.5)%
including "Pipeline costs"	62.6	26.0	62.2	26.1	0.6%	(0.4)%
Transportation to refineries	28.7	25.2	28.1	24.6	2.1%	2.4%
including "Pipeline costs"	26.5	24.1	26.7	23.8	(0.7)%	1.3%
PETROLEUM PRODUCTS						
Transportation costs in the international sales	37.3	15.1	43.9	16.4	(15.0)%	(7.9)%
including "Railroad and mixed"	35.5	11.8	40.5	12.7	(12.3)%	(7.1)%
Gas		bcm		bcm		
"Pipeline costs" ²	12.3	10.0	11.6	9.5	6.0%	5.3%
Other transportation costs³	19.8		16.8		17.9%	
Total	161		164		(1.8)%	

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.

The reduction of transportation costs in the sales of petroleum products was due to changes in the transportation structure and transportation routes.

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

	For 9 months ended				% change	
	September 30, 2021		September 30, 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	180.8	78.4	180.2	78.8	0.3%	(0.5)%
including "Pipeline costs"	177.5	74.6	175.3	74.2	1.3%	0.5%
Transportation to refineries	85.0	74.9	75.1	74.2	13.2%	0.9%
including "Pipeline costs"	80.5	72.3	71.2	71.7	13.1%	0.8%
PETROLEUM PRODUCTS						
Transportation costs in the international sales	122.7	46.8	123.5	44.2	(0.6)%	5.9%
including "Railroad and mixed"	112.6	35.5	111.5	32.8	1.0%	8.2%
Gas		bcm		bcm		
"Pipeline costs" ²	33.3	27.6	27.5	24.2	21.1%	14.0%
Freight and other commercial expenses	–	–	47.7	14.7	–	–
Other transportation costs³	54.3		56.6		(4.1)%	
Total	476		511		(6.8)%	

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 nine months of 2021 compared with the same period of 2020 was due to change in the basis of product delivery and transportation routes.

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Excise Taxes

In the third quarter of 2021 there was a significant growth in “reverse excise tax” due to rise in the world prices for gasoline and diesel fuel.

Accrued excise tax in the third quarter of 2021 was RUB 143 billion compared with accrued excise tax of RUB 132 billion in the second quarter of 2021. “Reverse excise tax” in the third quarter of 2021 was RUB 146 billion compared with “reverse excise tax” of RUB 106 billion in the second quarter of 2021.

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, 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 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
	RUB billion, except %					
Export customs duty for crude oil	85	84	1.2%	219	199	10.1%
Export customs duty for petroleum products	40	36	11.1%	104	84	23.8%
Effect of export customs duty benefit of 2019	–	–	–	–	(30) ¹	–
Total export customs duty	125	120	4.2%	323	253	27.7%

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

Export customs duty increased in the third quarter of 2021 compared with the second quarter of 2021 due to the higher enacted export customs duty rates driven by the Urals price rise.

The change in export customs duties in the nine months of 2021 compared with the same period of 2020 is a result of higher export customs duty rates due to Urals price rise and RUB depreciation, which was partially offset by the tax maneuver effect.

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

	For 3 months ended		% change ¹	For 9 months ended September 30,		% change ¹
	September 30, 2021	June 30, 2021		2021	2020	
	th. RUB per tonne, except %					
Enacted export customs duty on crude oil	4.75	4.24	12.1%	4.09	3.26	25.4%
Actual customs duty on crude oil exports ²	3.75	3.52	6.6%	3.45	2.81 ³	22.7%

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”.

³Excluding the one-off effect of the benefit related to 2019.

“Corporate and others” segment operating results

Segment includes corporate services activities and other operations.

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
Financial results, RUB billion						
EBITDA	(10)	(21)	52.4%	(54)	(32)	(68.8)%
Capital expenditures ¹	4	2	100%	15	14	7.1%

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 32.5 billion in the third quarter of 2021 and RUB 43.6 billion in the second quarter of 2021.

In the nine months of 2021 general and administrative expenses, net of the allowance for expected credit losses amounted to RUB 114.4 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 third quarter of 2021 DDA amounted to RUB 171 billion, increase of 4.9% (increase is mainly related to oil equipment) if compared with the second quarter of 2021 (DDA was RUB 163 billion). The growth is mainly due to higher crude oil production driven by reduction of cuts under OPEC+ Agreement.

DDA reduction of 2.4% to RUB 489 billion, if compared with the nine months of 2020 (DDA was RUB 501 billion), was due to lower liquid production in the framework of fulfilling the terms of the OPEC+ Agreement, effective from May 1, 2020.

Taxes Other than Income Tax

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

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

	For 3 months ended		% change	For 9 months ended		% change
	September 30, 2021	June 30, 2021		September 30, 2021	2020	
Mineral extraction tax	601	551	9.1%	1,585	957	65.6%
Excess profit tax	181	148	22.3%	462	64	>100%
Excise tax	(3)	26	–	82	442	(81.4%)
including accrued excise tax	143	132	8.3%	393	369	6.5%
including "reverse excise tax"	(146)	(106)	37.7%	(311)	73	–
Insurance contributions	20	23	(13.0%)	66	65	1.5%
Property tax	11	11	–	32	31	3.2%
Other taxes, interest, penalties and other payments to budget	11	7	57.1%	27	7	>100%
including CO2 emissions tax	8	7	14.3%	21	–	100%
Total taxes other than income tax	821	766	7.2%	2,254	1,566	43.9%

Taxes other than income tax in the third quarter of 2021 compared with the second quarter of 2021 increased by 7.2%. The growth was due to the increase in MET and excess profit tax driven by higher "Urals" price and production growth. 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 third quarter of 2021, net finance expenses were RUB 17 billion compared with RUB 24 billion in the second quarter of 2021. The decrease was caused mainly by the fair value re-measurement of derivative financial instruments.

In the nine months of 2021 and 2020, net finance expenses were RUB 71 billion and RUB 89 billion, respectively.

Other Income and Expenses

In the third quarter of 2021, other income amounted to RUB 16 billion compared with RUB 7 billion in the second quarter of 2021. Other income was RUB 28 billion and RUB 4 billion in the nine months of 2021 and 2020, respectively. The increase in other income was due to recognition of income from sale of shares in subsidiaries in the third quarter 2021.

Other expenses include assets impairment, effect of fixed assets disposal in the course of operating activities and other expenses. In the third quarter of 2021 other expenses were RUB 20 billion compared with RUB 37 billion for the second quarter of 2021. The impairment of upstream production assets was recognized in the second quarter of 2021. Other expenses were RUB 72 billion and RUB 93 billion in the nine months of 2021 and 2020, respectively.

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 10 billion in the third quarter of 2021 compared with the income of RUB 13 billion in the second quarter of 2021. In the nine months of 2021 the income from foreign exchange effect was RUB 28 billion compared to significant expenses from foreign exchange effects of RUB 227 billion in the nine months of 2020 driven by RUB depreciation in the first quarter of 2020.

Capitalized exchange differences resulting from foreign currency borrowings used for capital construction projects and the acquisition of property, plants and equipment were RUB 20 billion in the nine months 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 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
Effective rate of income tax (IFRS)	16.7%	19.3%	18.1%	16.0%

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

Net Income

In the third quarter of 2021, net income was RUB 345 billion (RUB 314 billion of income attributable to Rosneft shareholders) in comparison with the income of RUB 263 billion (RUB 233 billion of income attributable to Rosneft shareholders) in the second quarter of 2021.

The significant increase in net income (up to RUB 696 billion attributable to Rosneft shareholders) in the nine months of 2021 was mainly driven by higher operating income and lower negative impact of non-monetary factors. In the nine months of 2020 net loss amounted to RUB 148 billion (RUB 177 billion of loss attributable to Rosneft shareholders).

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 9 months ended		%
	September 30, 2021	June 30, 2021		September 30, 2021	2020	
	RUB billion			RUB billion		
Net cash provided by operating activities	477	293	62.8%	930	625	48.8%
Net cash used in investing activities	(483)	(244)	98.0%	(892)	(639)	39.6%
Net cash used in financing activities	374	(155)	–	51	46	10.9%

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 9 months ended		%
	September 30, 2021	June 30, 2021		September 30, 2021	2020	
	RUB billion			RUB billion		
Net cash provided by operating activity	477	293	62.8%	930	625	48.8%
<i>Offset of prepayments received under long term supply contracts at average ex.rate</i>	121	119	1.7%	366	319	14.7%
<i>Offset of other financial liabilities</i>	31	42	(26.2)%	112	116	(3.4)%
<i>Interest expense for prepayments under long term oil and petroleum products supply contracts¹</i>	11	11	–	35	29	20.7%
<i>Financing of future deliveries under the long term oil and oil products supply contracts</i>	16	68	(76.5)%	108	12	>100%
<i>Net (increase)/decrease in assets and liabilities of subsidiary bank</i>	(54)	19	–	18	(180)	–
Adjusted net cash provided by operating activity	602	552	9.1%	1,569	921	70.4%

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 10 billion and interests paid of RUB 1 billion in the third quarter of 2021; offsetting of RUB 10 billion and interests paid of RUB 1 billion in the second quarter of 2021; offsetting of RUB 32 billion and interests paid of RUB 3 billion in the nine months of 2021 and offsetting of RUB 17 billion and interests paid of RUB 12 billion in the nine months of 2020.

Net cash used in investing activity

In the third quarter of 2021 the Company's cash flow used in investing activity increased compared to the second quarter of 2021 and amounted to RUB 483 billion due to settlement of cash consideration payable in the context of the acquisition of assets in 2020 and acquisition of short-term financial assets.

In the nine months of 2021 the Company's cash flow used in investing activity mainly referred to the higher capital expenditures and acquisitions of long and short-term investments and settlement of cash consideration payable in the context of the acquisition of assets in 2020.

Net cash provided/(used) in financing activities

The increase in cash provided by financial activities in the third quarter of 2021 compared to the second quarter of 2021 was due to proceeds from sale on non-controlling share in subsidiary. In the nine months of 2021, the net increase in cash provided by financial activities was caused by a significant change in the volume of external financing attracted and scheduled repayments compared to the same period in 2020 and proceeds from sale on non-controlling share in subsidiary.

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Capital Expenditures

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

	For 3 months ended		% change	For 9 months ended September 30,		% change
	September 30, 2021	June 30, 2021		2021	2020	
	RUB billion			RUB billion		
RN-Yuganskneftegaz	60	59	1.7%	177	119	48.7%
Vostok Oil project ¹	35	75	(53.3)%	157	45	>100%
Samotlorneftegaz	23	17	35.3%	58	47	23.4%
Bashneft-Dobycha	10	6	66.7%	23	21	9.5%
RN-Uvatneftegaz	6	8	(25.0)%	21	19	10.5%
RN-Purneftegaz ²	7	6	16.7%	19	16	18.8%
Orenburgneft	6	5	20.0%	18	19	(5.3)%
Samaraneftegaz	8	4	100.0%	17	17	-
Vostsibneftegaz	5	4	25.0%	14	17	(17.6)%
RN-Nyaganneftegaz	5	4	25.0%	13	18	(27.8)%
Rospan International	5	3	66.7%	12	11	9.1%
Kharampurneftegaz	4	2	100.0%	11	7	57.1%
Taas-Yuryakh Neftegazodobycha	4	4	-	11	13	(15.4)%
Tyumenneftegaz	4	1	>100.0%	8	11	(27.3)%
Bashneft-Polyus	1	2	(50.0)%	7	17	(58.8)%
Kondaneft	3	2	50.0%	7	14	(50.0)%
Verkhnechonskneftegaz	3	1	>100%	7	15	(53.3)%
Upstream projects (Sakhalin-1)	2	2	-	5	7	(28.6)%
Sorovskneft	1	2	(50.0)%	4	6	(33.3)%
Upstream projects (Zohr)	2	1	100.0%	4	12	(66.7)%
Sibneftegaz	1	1	-	3	3	-
Tomskneft VNK ³	1	-	-	2	6	(66.7)%
Other	9	14	(35.7)%	35	62 ⁴	(43.5)%
Government grants	-	-	-	-	(1)	-
Total upstream segment	205	223	(8.1)%	633	521	21.5%
Novokuibyshevsk refinery	2	-	-	4	4	-
Bashneft refineries	1	1	-	3	3	-
Achinsk refinery	1	1	-	3	2	50.0%
Syzran refinery	-	1	(100.0)%	2	2	-
Kuibyshev refinery	1	-	-	2	1	100.0%
Angarsk refinery	1	2	(50.0)%	3	2	50.0%
Komsomolsk refinery	1	2	(50.0)%	3	2	50.0%
Tuapse refinery	1	1	-	2	2	-
Ryazan refinery	1	1	-	2	1	100.0%
Saratov refinery	1	-	-	1	1	-
Other refineries	5	1	>100%	9	7	28.6%
Marketing Business Units and others	3	2	50.0%	7	7	-
Total downstream segment	18	12	50.0%	41	34	20.6%
Total other activities	4	2	100.0%	15	14	7.1%
Total capital expenditures	227	237	(4.2)%	689	569	21.1%
Acquisition of licenses	18	1	>100%	26	3	>100%
Return of auction advances	-	(3)	-	(3)	-	-

¹Including Vankor projects.

²Including Sevkomneftegaz.

³The disposal of unit was in August 2021.

⁴Including capital expenditures of RN-Severnaya Neft and Varyeganneftegaz (disposed at the end of 2020) of RUB 6 bln and RUB 15 bln in the nine months of 2020, respectively.

Capital expenditures in the nine months of 2021 amounted to RUB 689 billion. The growth by 21.1% in the nine months of 2021 compared with the same period of 2020 was mainly due to the planned development phase of the "Vostok Oil" project and expansion of the development program at Yuganskneftegaz.

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

The license acquisition costs of RUB 23 billion in the nine months of 2021 referred to the acquisition of new licenses for research, exploration and production mainly in Yamalo-Nenets Autonomous District, the Krasnoyarsk Territory, Samara region, 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*:

As of the date	September 30, 2021				June 30, 2021				September 30, 2020			
	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)
	Financial liabilities	(25.2)	(2,471)	(2.3)	(0.8)	(22.4)	(2,475)	(2.7)	(0.9)	(24.8)	(2,513)	(4.1)
Liquid funds	13.0	592	4.2	2.1	8.0	548	3.0	2.6	4.9	536	0.3	3.6
Net financial liabilities	(12.2)	(1,879)	1.9	1.3	(14.4)	(1,927)	0.3	1.7	(19.9)	(1,977)	(3.8)	2.5

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.

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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 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
EBITDA margin	27.0%	25.9%	26.0%	19.4%
Net income margin attributable to Rosneft shareholders	13.5%	10.8%	11.2%	(4.2)%
Current ratio	1.02	0.92	1.02	0.72
			RUB/bbl	
EBITDA/bbl ¹	1,792	1,647	1,602	748
Upstream capital expenditures/bbl	595	667	634	481
Upstream operating expenses/bbl	249	246	247	250
Free cash flow/bbl	1,089	943	882	325
			RUB/boe	
EBITDA/boe ¹	1,405	1,296	1,262	601
Upstream capital expenditures/boe	467	526	500	387
Upstream operating expenses/boe	195	194	194	201
Free cash flow/boe	854	742	695	261

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 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
Liquids production (mln bbl)	344.3	334.0	997.8	1,082.4
Hydrocarbon production (mln boe)	439.0	424.3	1,266.7	1,346.6

^{*}Excluding share in production of associates and joint ventures.

Calculation of EBITDA

	For 3 months ended		For 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
			RUB billion	
Revenues and equity share in profits of associates and joint ventures	2,320	2,167	6,224	4,236
Effect of prepayments offsetting	41	40	126	111
Costs and expenses	(1,895)	(1,800)	(5,189)	(4,008)
Depreciation, depletion and amortization	171	163	489	501
EBITDA	637	570	1,650	840
<i>Expenses associated with COVID-19</i>	<i>1</i>	<i>1</i>	<i>4</i>	<i>5</i>
EBITDA adjusted	638	571	1,654	845

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Calculation of Free Cash Flow

	For 3 months ended		For 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
	RUB billion			
Operating cash flow	477	293	930	625
Capital expenditures	(227)	(237)	(689)	(569)
Offset of prepayments under long-term supply agreements ¹	121	119	366	319
Offset of other financial liabilities	31	42	112	116
Interest expense on prepayments under long-term supply agreements ²	11	11	35	29
Financing of future deliveries	16	68	108	12
Net decrease /(increase) in assets and liabilities of subsidiary banks	(54)	19	18	(180)
Free cash flow (RUB equivalent)	375	315	880	352

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.

Calculation of EBITDA Margin

	For 3 months ended		For 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
	RUB billion (except %)			
EBITDA¹	638	571	1,654	845
Revenues and equity share in profits of associates and joint ventures	2,320	2,167	6,224	4,236
Effect of prepayments offsetting	41	40	126	111
Adjusted revenues	2,361	2,207	6,350	4,347
EBITDA margin	27.0%	25.9%	26.0%	19.4%

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 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
	RUB billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	314	233	696	(177)
Revenues and equity share in profits of associates and joint ventures	2,320	2,167	6,224	4,236
Net income margin	13.5%	10.8%	11.2%	(4.2)%

Calculation of Current ratio

As of the date	September 30, 2021	June 30, 2021	September 30, 2020
	RUB billion (except ratios)		
Current assets	3,686	3,072	2,020
Current liabilities	3,623	3,355	2,820
Current ratio	1.02	0.92	0.72

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Consolidated financial highlights (in USD terms)

Consolidated statement of profit or loss

	For 3 months ended		For 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
	USD billion*			
Total revenues and equity share in profits of associates and joint ventures	32.2	29.8	85.9	62.6
Costs and expenses				
Production and operating expenses	2.4	2.3	6.2	8.0
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	5.5	5.0	14.4	7.7
General and administrative expenses	0.6	0.5	1.6	1.1
Transportation costs and other commercial expenses	2.2	2.2	6.4	7.3
Exploration expenses	–	0.1	0.1	0.2
Depreciation, depletion and amortization	2.3	2.2	6.6	7.1
Taxes other than income tax	11.1	10.3	30.4	22.4
Export customs duty	1.7	1.7	4.4	3.6
Total costs and expenses	25.8	24.3	70.1	57.4
Operating income	6.4	5.5	15.8	5.2
Finance income	0.5	0.4	1.3	1.0
Finance expenses	(0.7)	(0.7)	(2.2)	(2.2)
Other income	0.2	0.1	0.4	0.1
Other expenses	(0.3)	(0.5)	(1.0)	(1.3)
Foreign exchange differences	(0.5)	(0.4)	(1.5)	(4.8)
Income/(loss) before income tax	5.6	4.4	12.8	(2.0)
Income tax (expense)/benefit	(0.9)	(0.9)	(2.3)	0.3
Net income/(loss)	4.7	3.5	10.5	(1.7)
Net income/(loss) attributable to Rosneft shareholders	4.3	3.1	9.4	(2.1)

* 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 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
EBITDA margin	27.0%	25.8%	26.1%	19.8%
Net income margin attributable to Rosneft shareholders	13.4%	10.4%	10.9%	(3.4)%
Current ratio	1.02	0.92	1.02	0.72
	USD/bbl*			
EBITDA/bbl	24.4	22.2	21.6	11.0
Upstream capital expenditures/bbl	8.1	9.1	8.5	6.8
Upstream operating expenses/bbl	3.4	3.3	3.3	3.5
Free cash flow/bbl	14.8	13.0	12.0	4.9
	USD/boe			
EBITDA/boe	19.1	17.4	17.1	8.8
Upstream capital expenditures/boe	6.4	7.1	6.8	5.4
Upstream operating expenses/boe	2.7	2.6	2.6	2.8
Free cash flow/boe	11.6	10.3	9.5	3.9

* Calculated from unrounded data.

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Calculation of Free Cash Flow

	For 3 months ended		For 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
	USD billion			
Operating cash flow	6.6	4.0	12.7	9.3
Capital expenditures	(3.2)	(3.1)	(9.3)	(8.0)
Offset of prepayments under long-term supply agreements	1.7	1.6	5.0	4.5
Offset of other financial liabilities	0.5	0.6	1.6	1.7
Interest expense on prepayments under long-term supply contracts	0.1	0.1	0.4	0.4
Financing of future deliveries	0.2	0.9	1.4	0.2
Net (increase)/decrease in assets and liabilities of subsidiary banks	(0.8)	0.3	0.2	(2.7)
Free cash flow	5.1	4.4	12.0	5.4

Calculation of EBITDA Margin

	For 3 months ended		For 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
	USD billion (except %)			
Revenues and equity share in profits of associates and joint ventures	32.2	29.8	85.9	62.6
Operating expenses	(25.8)	(24.3)	(70.1)	(57.4)
Depreciation, depletion and amortization	2.3	2.2	6.6	7.1
EBITDA	8.7	7.7	22.4	12.3
<i>Expenses associated with COVID-19</i>	–	0.01	0.01	0.13
EBITDA adjusted	8.7	7.7	22.4	12.4
Revenues and equity share in profits of associates and joint ventures	32.2	29.8	85.9	62.6
EBITDA margin	27.0%	25.8%	26.1%	19.8%

Calculation of Net Income Margin

	For 3 months ended		For 9 months ended September 30,	
	September 30, 2021	June 30, 2021	2021	2020
	USD billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	4.3	3.1	9.4	(2.1)
Revenues and equity share in profits of associates and joint ventures	32.2	29.8	85.9	62.2
Net income margin	13.4%	10.4%	10.9%	(3.4)%

Calculation of Current ratio

As of the date	September 30, 2021	June 30, 2021	September 30, 2020
	USD billion (except ratios)		
Current assets	50.7	42.4	25.3
Current liabilities	49.8	46.4	35.4
Current ratio	1.02	0.92	0.72

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.

In June-September 2021, Rosneft signed 10 agreements on cooperation in the field of carbon management with leading Russian and international companies, including Baker Hughes, Schlumberger, Vestas Rus, SUEZ Water Technologies & Solutions SA, Equinor, ExxonMobil, PJSC Rosseti, PJSC Inter RAO, PJSC RusHydro, as well as the Ministry of Economy Trade and Industry of Japan (METI). The agreements provide for the realization of the potential of cooperation in the field of reducing methane emissions, carbon capture, utilization and storage, low-carbon technologies, circulation of carbon units and other aspects of carbon management.

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 November 4, 2020, the President of the Russian Federation signed a decree "On the reduction of greenhouse gas emissions", which provides for a reduction of greenhouse gas emissions to 70 percent by 2030 relative to the 1990 level, taking into account the maximum possible absorption capacity of forests and other ecosystems and subject to sustainable and balanced socio-economic development of the Russian Federation. The decree also provides for the development, taking into account the specifics of economic sectors, of a Strategy for the socio-economic development of the Russian Federation with low Greenhouse Gas Emissions until 2050 and its approval.

On July 2, 2021, the President of the Russian Federation signed Federal Law No. 296-FZ "On Limiting Greenhouse Gas Emissions". In accordance with part 2 of Article 8 of the Federal Law, on October 22, 2021, the Decree of the Government of the Russian Federation No. 2979-r was adopted, containing a list of greenhouse gases for which state records of greenhouse gas emissions and maintaining a greenhouse gas inventory is carried out. The Order comes into force on December 30, 2021. Thus, Russia continues to create a balanced system of carbon regulation in order to create favorable conditions for the sustainable development of the Russian economy.

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.

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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.

On 28 October 2021, "Rosneft" Chief Executive Officer delivered a keynote speech at the Eurasian Economic Forum in Verona, Italy. During the meeting, the Director said that the Company is developing a new strategy, "the main priorities of which will be adaptation to the challenges of the energy transition and integration of the green agenda into business."

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".

In September 2021, Rosneft became the only Russian oil and gas corporation to receive the status of a leading company in the field of sustainable development and was included in the Global Compact LEAD initiative for its continued commitment to the United Nations Global Compact and its Ten Principles of Responsible Business. The announcement of the Company's inclusion in the membership took place within the framework of the 76th session of the UN General Assembly.

In June 2021, 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:

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

919 – the base tax rate in RUB per tonne;

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

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

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

K_{man} and K_{abdt} 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: $(P - 15) \times 7.3 \times 0.5 \times “K” \times “\text{Exchange rate}” - “\text{Export duty}” \times “\text{Exchange rate}” + [K_{abdt} \times It-r]$ ¹

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”)²;

“It-r” = 0 for subsoil plots of group 5 excess profit tax; “It-r” = 1 for subsoil plots of 1-4 groups of excess profit tax:

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 The component is included in the formula from 01.09.2021.

² 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).

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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 KHAMAO – 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.

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Reducing coefficient/tax deduction 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%. From 01.09.2021, this decreasing coefficient is also used in the extraction of gas from deposits classified as productive deposits of the Berezovsky formation.
Tax deduction from the MET of gas condensate in connection with the receipt of a wide fraction of light hydrocarbons during the processing of gas condensate.	The amount of the tax deduction is determined by the formula calculated in accordance with Art. 343.4 of the Tax Code of the Russian Federation. The broad fraction of light hydrocarbons also includes technical propane-butane, obtained during the processing of gas condensate (subject to certain other conditions of the legislation).

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 ⁰ n., Krasnoyarsk region, the Caspian Sea	Not exceeding 5%
		Regardless of the degree of depletion, for subsurface areas containing reserves of 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	Sives \geq 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.
	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)	Without dependence from a degree of depletion.
	KHMAO, YANAO, Komi Republic, Tyumen, Orenburg	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.

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The Company as an owner of raw materials applies excises deductions for particular types of petroleum products (naphtha, benzene, paraxyol, orthoxyol, kerosene, medium distillates) 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 curtain 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 linked 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.

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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. Export customs duties calculated for the next calendar month are reported through official information sources no later than four days before the date of the beginning of the application of these rates.

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 2021 and 2020, marginal export customs duties are set for estimation of customs duty, depending on the type of oil product.

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

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

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Attachment 3: EBITDA by segment

	<i>For 3 months ended September 30, 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	1,459	2,315	57	(1,511)	2,320
Total costs and expenses	929	2,239	67	(1,511)	1,724
Effect of prepayments offsetting	41	–	–	–	41
EBITDA	571	76	(10)	–	637
<i>Expenses associated with COVID-19</i>	<i>–</i>	<i>1</i>	<i>–</i>	<i>–</i>	<i>1</i>
EBITDA adjusted	571	77	(10)	–	638

	<i>For 3 months ended June 30, 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	1,345	2,168	54	(1,400)	2,167
Total costs and expenses	859	2,103	75	(1,400)	1,637
Effect of prepayments offsetting	40	–	–	–	40
EBITDA	526	65	(21)	–	570
<i>Expenses associated with COVID-19</i>	<i>1</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>1</i>
EBITDA adjusted	527	65	(21)	–	571

	<i>For 9 months ended September 30, 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	3,942	6,232	158	(4,108)	6,224
Total costs and expenses	2,506	6,090	212	(4,108)	4,700
Effect of prepayments offsetting	126	–	–	–	126
EBITDA	1,562	142	(54)	–	1,650
<i>Expenses associated with COVID-19</i>	<i>3</i>	<i>1</i>	<i>–</i>	<i>–</i>	<i>4</i>
EBITDA adjusted	1,565	143	(54)	–	1,654

	<i>For 9 months ended September 30, 2020</i>				
	Exploration and Production	Refining and distribution	Corporate segment	Intersegment	Consolidated P&L
Total revenues and equity share in profits of associates and joint ventures	2,161	4,283	159	(2,367)	4,236
Total costs and expenses	1,473	4,209	192	(2,367)	3,507
Effect of prepayments offsetting	111	–	–	–	111
EBITDA	799	74	(33)	–	840
<i>Expenses associated with COVID-19</i>	<i>4</i>	<i>–</i>	<i>1</i>	<i>–</i>	<i>5</i>
EBITDA adjusted	803	74	(32)	–	845

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	76.10	75.23
May	74.04	72.62
June	72.51	69.22
July	73.92	71.29
August	73.59	73.80
September	72.89	75.66
October		77.59
November		77.05
December		74.06