



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED
JUNE 30, 2021 AND MARCH 31, 2021 AND FOR SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2021 and in the first half 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 June 30, 2021 and 2020, and March 31, 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 second quarter of 2021 and in the first half 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 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	2,167	1,737	24.8%	3,904	2,797 ¹	39.6%
EBITDA	571	445	28.3%	1,016	479	>100%
Net income/loss attributable to Rosneft shareholders	233	149	56.4%	382	(113)	>100%
Capital expenditures	237	225	5.3%	462	367	25.9%
Free cash flow ²	315	190	65.8%	505	206	>100%
Operational results						
Hydrocarbon production (th. boe per day)	4,973	4,763	4.4%	4,869	5,402	(9.9)%
Liquids production (th. barrels per day)	3,898	3,749	4.0%	3,824	4,338	(11.8)%
Liquid hydrocarbons production (mln tonnes)	47.8	45.5	5.1%	93.3	106.5	(12.4)%
Gas production (th. boe per day)	1,075	1,014	6.1%	1,045	1,064	(1.8)%
Gas production (bcm)	16.07	14.98	7.3%	31.05	31.79	(2.3)%
Crude oil processing at refineries in Russia (th. tonnes per day)	258	268	(3.7)%	263	261	0.8%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	22.70	23.24	(2.3)%	45.94	46.00	(0.1)%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	3.00	2.41	24.5%	5.41	5.47	(1.1)%

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 second quarter of 2021; offsetting of RUB 12 billion and interests paid of RUB 1 billion in the first quarter of 2021; offsetting of RUB 10 billion and interests paid of RUB 11 billion in the first half of 2020.

For reference only: Financial highlights in USD terms

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
Financial results, USD billion¹						
Revenues and equity share in profits of associates and joint ventures	29.8	23.9	24.7%	53.7	42.5	26.4%
EBITDA	7.7	6.0	28.3%	13.7	7.4	85.1%
Net income/(loss) attributable to Rosneft shareholders	3.1	2.0	55.0%	5.1	(1.3)	-
Capital expenditures	3.1	3.0	3.3%	6.1	5.3	15.1%
Free cash flow	4.4	2.5	76.0%	6.9	3.4	>100%

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

Events after the reporting date

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.

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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 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
World market	(USD per barrel)			(USD per barrel)		
Brent	68.8	60.9	13.1%	64.9	39.7	63.5%
Urals (average Med and NWE)	66.7	59.3	12.4%	63.0	39.7	58.9%
Urals (FOB Primorsk)	66.0	58.5	12.8%	62.2	37.0	68.2%
Urals (FOB Novorossiysk)	66.2	58.7	12.8%	62.5	37.1	68.3%
Dubai	66.9	60.0	11.6%	63.5	40.6	56.3%
	(USD per tonne)			(USD per tonne)		
Naphtha (av. FOB/CIF Med)	580	528	9.9%	555	300	84.7%
Naphtha (av. FOB Rotterdam/CIF NWE)	593	541	9.7%	567	322	75.9%
Naphtha (CFR Japan)	606	557	8.8%	581	357	63.1%
Fuel oil (av. FOB/CIF Med)	370	341	8.4%	355	192	85.6%
Fuel oil (av. FOB Rotterdam/CIF NWE)	370	340	8.9%	355	191	85.8%
High sulphur fuel oil 180 cst (FOB Singapore)	388	359	8.1%	374	229	63.0%
Gasoil (av. FOB/CIF Med)	545	485	12.3%	515	358	44.0%
Gasoil (av. FOB Rotterdam/CIF NWE)	550	487	12.9%	519	368	41.0%
Gasoil (FOB Singapore)	533	477	11.8%	505	358	41.2%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent	5.11	4.52	12.9%	4.82	2.75	75.1%
Urals (average Med and NWE)	4.95	4.41	12.2%	4.68	2.75	70.2%
Urals (FOB Primorsk)	4.90	4.35	12.6%	4.62	2.57	80.1%
Urals (FOB Novorossiysk)	4.92	4.36	12.7%	4.64	2.58	80.2%
Dubai	4.97	4.46	11.4%	4.71	2.82	67.4%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	43.1	39.3	9.7%	41.2	20.8	97.8%
Naphtha (av. FOB Rotterdam/CIF NWE)	44.0	40.2	9.5%	42.1	22.4	88.4%
Naphtha (CFR Japan)	45.0	41.4	8.6%	43.2	24.7	74.6%
Fuel oil (av. FOB/CIF Med)	27.4	25.4	8.2%	26.4	13.3	98.8%
Fuel oil (av. FOB Rotterdam/CIF NWE)	27.5	25.3	8.7%	26.4	13.3	99.0%
High sulphur fuel oil 180 cst (FOB Singapore)	28.8	26.7	7.9%	27.7	15.9	74.5%
Gasoil (av. FOB/CIF Med)	40.5	36.1	12.2%	38.3	24.8	54.2%
Gasoil (av. FOB Rotterdam/CIF NWE)	40.8	36.2	12.8%	38.5	25.5	51.0%
Gasoil (FOB Singapore)	39.6	35.4	11.6%	37.5	24.8	51.2%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)		
Crude oil	28.4	25.5	11.3%	26.9	12.3	118.7%
Fuel oil	19.4	17.5	10.8%	18.5	7.2	157.2%
Summer diesel	43.3	40.0	8.3%	41.6	38.4	8.5%
Winter diesel	42.7	41.7	2.4%	42.2	39.4	7.2%
Jet fuel	37.7	33.5	12.6%	35.6	29.5	20.4%
High octane gasoline	46.6	44.6	4.5%	45.6	39.1	16.7%

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 0.2 % in the second quarter of 2021 compared to the first 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.

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 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
Producer price index (PPI ¹) y-o-y	31.1%	11.1%	20.8%	(6.4)%
Average USD/RUB exchange rate for the period ²	74.22	74.34	74.28	69.37
USD/RUB exchange rate at the end of the period	72.37	75.70	72.37	69.95
Average EUR/RUB exchange rate for the period	89.39	89.70	89.55	76.44
EUR/RUB exchange rate at the end of the period	86.20	88.88	86.20	78.68

Source: the Central Bank of the Russian Federation.

¹In the second quarter of 2021 PPI was 8.2%.

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 6 months ended June 30,		% change ¹
	June 30, 2021	March 31, 2021		2021	2020	
Mineral extraction tax						
Crude oil (RUB per tonne)	18,631	15,696	18.7%	17,172	7,722	122.4%
Export customs duty for crude oil						
Crude oil (USD per tonne)	57.1	44.0	29.8%	50.6	48.2	5.0%
Crude oil (RUB per tonne)	4,236	3,274	29.4%	3,758	3,271	14.9%
Crude oil (RUB per barrel)	572	442	29.4%	508	442	14.9%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	1,266	979	29.3%	1,123	978	14.8%
Naphtha (RUB per tonne)	2,322	1,795	29.4%	2,060	1,795	14.8%
Light and middle distillates (RUB per tonne)	1,266	979	29.3%	1,123	978	14.8%
Liquid fuels (fuel oil) (RUB per tonne)	4,236	3,274	29.4%	3,758	3,271	14.9%

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 54.1% in the first half of 2021, most part relates to mineral extraction tax, excess profit tax and the export customs duty accounted (for approximately 84.4%). The share of fiscal withdrawals in the Company's financial result (operating income before fiscal payments) amounted to 78.6% in the first half 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%.

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Consolidated statement of profit or loss for the six months ended June 30, 2021 and 2020 and for the three months ended March 31, 2021

in RUB billions

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
Revenues and equity share in profits of associates and joint ventures						
Oil, gas, petroleum products and petrochemicals sales	2,121	1,696	25.1%	3,817	2,741 ¹	39.3%
Support services and other revenues	25	27	(7.4)%	52	40	30.0%
Equity share in profits of associates and joint ventures	21	14	50.0%	35	16	>100%
Total revenues and equity share in profits of associates and joint ventures	2,167	1,737	24.8%	3,904	2,797	39.6%
Costs and expenses						
Production and operating expenses	171	111	54.1%	282	403	(30.0)%
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	370	291	27.1%	661	363 ¹	82.1%
General and administrative expenses	43	40	7.5%	83	46	80.4%
Transportation costs and other commercial expenses	164	151	8.6%	315	372	(15.3)%
Exploration expenses	3	1	>100%	4	6	(33.3)%
Depreciation, depletion and amortization	163	155	5.2%	318	341	(6.7)%
Taxes other than income tax	766	667	14.8%	1,433	1,017	40.9%
Export customs duty	120	78	53.8%	198	180	10.0%
Total costs and expenses	1,800	1,494	20.5%	3,294	2,728	20.4%
Operating income/(loss)	367	243	51.0%	610	69	>100%
Finance income	28	28	–	56	47	19.1%
Finance expenses	(52)	(58)	(10.3)%	(110)	(105)	4.8%
Other income	7	5	40.0%	12	3	>100%
Other expenses	(37)	(15)	>100%	(52)	(67)	(22.4)%
Foreign exchange differences	13	5	>100%	18	(66)	>100%
Realized foreign exchange differences on hedge instruments	–	–	–	–	1	–
Income/(loss) before income tax	326	208	56.7%	534	(118)	>100%
Income tax (expense)/benefit	(63)	(40)	57.5%	(103)	20	>100%
Net income/(loss)	263	168	56.5%	431	(98)	>100%
Net income/(loss) attributable to						
- Rosneft shareholders	233	149	56.4%	382	(113)	>100%
- non-controlling interests	30	19	57.9%	49	15	>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 below:

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
Operational results						
Hydrocarbon production (th. boe per day)	4,973	4,763	4.4%	4,869	5,402	(9.9)%
Liquids production (th. barrels per day)	3,898	3,749	4.0%	3,824	4,338	(11.8)%
Gas production (th. boe per day)	1,075	1,014	6.1 ¹ %	1,045	1,064	(1.8)%
Hydrocarbon production (mln boe) ²	424.3	403.4	5.2%	827.7	919.7	(10.0)%
Hydrocarbon production (mln toe)	61.1	57.8	5.6 ¹ %	118.9	132.7	(10.4)%
Financial results, RUB billions						
EBITDA	527	467	12.8%	994	462	>100%
Capital expenditures ³	223	205	8.8%	428	336	27.4%
Upstream operating expenses	82.2	78.1	5.2%	160.3	182.8	(12.3)%
Indicators per boe						
EBITDA, RUB/boe ^{1,4}	1,211	1,135	6.7%	1,174	499	>100%
Capital expenditures, RUB/boe	526	508	3.5%	517	365	41.6%
Upstream operating expenses, RUB/boe	194	194	–	194	199	(2.5)%
Upstream operating expenses, USD/boe ⁵	2.6	2.6	–	2.6	2.9	(10.3)%

¹Change of % is calculated from unrounded base

²Excluding effect of associates and joint ventures.

³Ref. to "Capital expenditures".

⁴Income from associates and joint ventures is excluded for calculation.

⁵Calculated using average monthly exchange rates of Bank of Russia for the reporting periods (Attachment 4).

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Upstream EBITDA

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
Revenues and equity share in profits of associates and joint ventures	1,345	1,138	18.2%	2,483	1,356	83.1%
<i>Including equity share in profits of associates and joint ventures</i>	<i>13</i>	<i>9</i>	<i>44.4%</i>	<i>22</i>	<i>3</i>	<i>>100%</i>
Expenses net of depreciation including	859	718	19.6%	1,577	963	63.8%
Upstream operating expenses	82	78	5.2% ¹	160	183	(12.3)%
Expenses associated with COVID-19	1	2	(50.0)%	3	2	50.0%
General and administrative expenses	14	14	–	28	31	(9.7)%
Hydrocarbon procurement costs	7	6	16.7%	13	6	>100%
Pipeline tariffs and transportation costs and other costs ²	26	18	44.4%	44	43	2.3%
Exploration expenses	5	3	66.7%	8	9	(11.1)%
Taxes other than income tax	723	605	19.5%	1,328	682	94.7%
Effect of increase in stock of crude oil	1	(8)	–	(7)	7	–
<i>Effect of prepayments offsetting</i>	<i>40</i>	<i>45</i>	<i>(11.1)%</i>	<i>85</i>	<i>67</i>	<i>26.9%</i>
EBITDA	526	465	13.1%	991	460	>100%
<i>Expenses associated with COVID-19</i>	<i>1</i>	<i>2</i>	<i>(50.0)%</i>	<i>3</i>	<i>2</i>	<i>50.0%</i>
Adjusted EBITDA	527	467	12.8%	994	462	>100%

¹Percentage is calculated based on the unrounded data.

²Other costs include revision of ecological reserves of RUB 0.4 billion in the second quarter of 2021 and RUB 0.3 billion in the first quarter of 2021, and RUB 0.3 billion in the first half of 2020.

Operating indicators

Production of liquid hydrocarbons

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

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

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
	(million of barrels)			(million of barrels)		
RN-Yuganskneftegaz (Western Siberia)	126.9	121.5	4.4%	248.4	235.2	5.6%
Samotlorneftegaz (Western Siberia)	30.7	30.8	(0.3)%	61.5	69.2	(11.1)%
Vostok Oil (Eastern Siberia) ¹	27.1	25.9	4.6%	53.0	59.1	(10.3)%
Samaraneftegaz (Ural-Volga)	20.0	19.8	1.0%	39.8	39.5 ⁴	0.8%
Bashneft-Dobycha (Ural-Volga)	20.1	16.6	21.1%	36.7	55.2	(33.5)%
Orenburgneft (Ural-Volga)	18.5	17.5	5.7%	36.0	36.0 ⁴	-
RN-Uvatneftegaz (Western Siberia)	16.2	16.3	(0.6)%	32.5	34.5	(5.8)%
Verkhnechonskneftegaz (Eastern Siberia)	12.4	12.7	(2.4)%	25.1	28.6	(12.2)%
Taas-Yuryakh (Far East)	9.6	9.3	3.2%	18.9	17.1	10.5%
RN-Nyaganneftegaz (Western Siberia)	7.9	7.3	8.2%	15.2	17.4 ⁴	(12.6)%
RN-Purneftegaz (Western Siberia)	5.9	5.7	3.5%	11.6	12.8	(9.4)%
Kondaneft (Western Siberia)	5.6	5.5	1.8%	11.1	10.1	9.9%
Tomskneft (Western Siberia)	5.2	5.3	(1.9)%	10.5	13.7	(23.4)%
Rospan International (Western Siberia)	6.9	3.3	109.1%	10.2	6.2	64.5%
Vostsibneftegaz (Eastern Siberia)	4.5	4.8	(6.2)%	9.3	11.7	(20.5)%
Offshore projects (Far East) ²	3.8	4.7	(19.1)%	8.5	9.8	(13.3)%
Bashneft-Polyus (Timan-Pechora) ³	2.4	2.3	4.3%	4.7	3.8	23.7%
Kharampurneftegaz (Western Siberia)	1.8	1.8	-	3.6	3.8	(5.3)%
Sorovskneft (Western Siberia)	1.1	1.0	10.0%	2.1	3.7	(43.2)%
Other	7.4	7.4	-	14.8	72.1 ⁴	(79.5)%
Liquids production by fully and proportionately consolidated entities	334.0	319.5	4.5%	653.5	739.5	(11.6)%
Slavneft (Western and Eastern Siberia)	8.9	6.6	34.8%	15.5	23.0	(32.6)%
Messoyakhaneftegaz (Western Siberia)	5.0	4.9	2.0%	9.9	10.3	(3.9)%
Udmurtneft (Ural-Volga)	5.0	4.8	4.2%	9.8	10.2	(3.9)%
Other	1.8	1.6	12.5%	3.4	6.5	(47.7)%
Total share in production of associates and JV	20.7	17.9	15.6%	38.6	50.0	(22.8)%
Total liquids production	354.7	337.4	5.1%	692.1	789.5	(12.3)%
Daily liquids production (th. barrels per day)	3,898	3,749	4.0%	3,824	4,338	(11.8)%

¹incl. Vankor projects

²Net of royalty and government share.

³Refers to 100% consolidated share in production.

⁴Including production volumes of Varyeganneftegaz, RN-Severnaya Neft and other low margin assets (disposed at the end of 2020) of 58.4 million of barrels in the first half of 2020.

In the second quarter of 2021 the liquid hydrocarbons production amounted to 354.7 mln barrels, an increase of 5.1% compared with the first quarter of 2021 in terms of reduction of cuts under revised OPEC+ Agreement.

Compared with the first half of 2020 average daily liquid hydrocarbons production decreased due to the disposal of a number of low-margin assets at the end of 2020. Excluding the effect of disposal of a number of low-margin assets, average daily liquids production decreased by 4.8% in the context of restrictions under the OPEC+ Agreement effective from May 2020.

Development drilling footage amounted 5.1 mln meters and the number of new wells commissioned amounted to 1.5 units, 69% of these wells are horizontal.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2021 and in the first half of 2021 and 2020

Production of Gas

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

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	December 31, 2020		2021	2020	
	bcm			bcm		
Sibneftegaz (Western Siberia)	2.70	2.51	7.6%	5.21	5.25	(0.8)%
Rospan International (Western Siberia)	3.01	1.71	76.0%	4.72	3.19	48.0%
Samotlorneftegaz (Western Siberia)	1.47	1.48	(0.7)%	2.95	3.02	(2.3)%
Vostok Oil (Eastern Siberia) ^{2,3}	1.43	1.33	7.5%	2.76	2.80	(1.4)%
Zohr project (Egypt) ⁴	1.20	1.35	(11.1)%	2.55	1.67	52.7%
RN-Yuganskneftegaz (Western Siberia)	1.14	1.23	(7.3)%	2.37	2.36	0.4%
RN-Purneftegaz (Western Siberia)	1.01	0.93	8.6%	1.94	2.03	(4.4)%
Offshore projects (Far East) ^{3,4}	0.49	0.85	(42.4)%	1.34	1.43	(6.3)%
RN-Krasnodarneftegaz (Southern Russia)	0.36	0.39	(7.7)%	0.75	0.81	(7.4)%
Verkhnechonskneftegaz (Eastern Siberia) ³	0.30	0.33	(9.1)%	0.63	0.67	(6.0)%
Kharampurneftegaz (Western Siberia)	0.24	0.24	-	0.48	0.48	-
Tomskneft (Western Siberia)	0.20	0.19	5.3%	0.39	0.43	(9.3)%
RN-Nyaganneftegaz (Western Siberia)	0.16	0.17	(5.9)%	0.33	0.58	(43.1)%
Rosneft Vietnam B.V. (Vietnam)	0.13	0.13	-	0.26	0.35	(25.7)%
Samaraneftegaz (Ural-Volga)	0.11	0.11	-	0.22	0.22	-
Orenburgneft (Ural-Volga)	0.10	0.10	-	0.20	0.21	(4.8)%
Bashneft-Dobycha (Ural-Volga) ³	0.08	0.09	(11.1)%	0.17	0.23	(26.1)%
RN-Uvatneftegaz (Western Siberia)	0.07	0.07	-	0.14	0.15	(6.7)%
Other	0.64	0.56	14.3%	1.20	3.71 ⁵	(67.7)%
Total gas production by fully and proportionately consolidated entities	14.84	13.77	7.8%	28.61	29.59	(3.3)%
Messoyakhaneftegaz (Western Siberia)	0.23	0.20	15.0%	0.43	0.06	>100%
Purgaz (Western Siberia)	0.88	0.91	(3.3)%	1.79	1.89	(5.3)%
Slavneft (Western and Eastern Siberia)	0.08	0.05	60.0%	0.13	0.20	(35.0)%
Other	0.04	0.05	(20.0)%	0.09	0.05	80.0%
Total share in production of associates and JV	1.23	1.21	1.7%	2.44	2.20	10.9%
Total gas production	16.07	14.98	7.3%	31.05	31.79	(2.3)%
Natural gas	9.51	8.11	17.3%	17.62	15.16	16.2%
Associated gas	6.56	6.87	(4.5)%	13.43	16.63	(19.2)%
Daily gas production (mcm per day)	176.6	166.4	6.1%	171.5	174.7	(1.8)%

¹ Production volume equals extracted volume minus flared volume and gas used for NGL production. Gross gas production amounted to 18.8 bcm in the second quarter of 2021 and 17.6 bcm in the first quarter of 2021; and 37.6 bcm in the first half of 2020.

² Incl. Vankor project.

³ Including gas injection to maintain reservoir pressure.

⁴ Net of royalty and government share.

⁵ Including production volumes of Varyeganneftegaz, RN-Severnaya Neft and RN-Sakhalinmorneftegaz (disposed at the end of 2020) of 3.15 bcm in the first half of 2020.

Gas production of the second quarter of 2021 increased by 7.3% (to 16.07 bcm) compared with the first quarter of 2021. The increase in gas production is mainly due to higher production of natural gas at Rospan International as a result of launch of the first startup complex of gas and condensate treatment unit of the Vostochno-Urengoy license area, and due to an increase in Sibneftegaz gas production as a result of the launch of a booster compressor station at the Beregovoye field in the first quarter of 2021.

In the first half of 2021 gas production amounted to 31.05 bcm, and average daily production was 171.5 mcm per day. Excluding the effect of disposal, the gas production growth was 8.4% compared to the level in the first half of 2020, and the increase in daily production was 9.1%.

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 13 billion and RUB 9 billion in the second quarter of 2021 and in the first quarter of 2021, respectively. Significant growth compared to the first half of 2020 (RUB +19 billion) is mainly due to the price factor.

Upstream production and operating expenses

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

In the second quarter of 2021 compared with the first quarter of 2021 upstream operating expenses increased to RUB 82.2 billion (or by 5.2%). Upstream operating expenses per boe in RUB terms remained at the same level of 194 RUB/boe (2.6 USD/boe).

In the first half of 2021 upstream production and operating expenses per boe in RUB terms decreased by 2.5% if compared to the first half of 2020, which was driven by implemented measures to improve efficiency in the context of production restrictions under the OPEC+ Agreement.

Exploration Expenses¹

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

Exploration expenses in the second quarter of 2021 and first quarter of 2021 were RUB 3 billion and RUB 1 billion, respectively. In the first half of 2020, exploration expenses amounted to RUB 6 billion.

¹ Net of intercompany turnover of RUB 2 billion in the second and first quarters of 2021. In the first half of 2020 intercompany turnover was RUB 3 billion.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2021 and in the first half of 2021 and 2020

Mineral extraction tax (MET) and Excess profit tax

MET

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

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
	(thousand RUB, except %)					
Average enacted mineral extraction tax rate (per tonne) ¹	18.63	15.70	18.7%	17.17	7.72	>100%
Actual mineral extraction tax expense per tonne of oil produced	12.08	10.38 ⁴	16.4%	11.25	6.00	87.5%
Actual mineral extraction tax expense per tonne of oil equivalent produced ²	9.70	8.33 ⁴	16.4%	9.03	4.90	84.3%
	(RUB, except %)					
Actual gas extraction tax rate per thousand cubic meters	611	586 ⁴	4.3%	600	528	13.6%
Actual extraction tax rate on gas condensate per tonne ³	8,361	7,543	10.8%	8,101	4,780	69.5%

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.

⁴Adjusted for the effect of disposed low-margin assets.

Excess profit tax

In the second quarter of 2021 and in the first quarter of 2021, excess profit tax amounted to RUB 148 billion and RUB 133 billion, respectively. In the first half of 2020, excess profit tax amounted to RUB 36 billion. A significant increase in the excess profit tax in 2021 is associated with changes in tax legislation, within the framework of which new subgroups of fields have the right to switch to excess profit tax regime starting from January 1, 2021.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2021 and in the first half of 2021 and 2020

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			For 6 months ended June 30,		
	June 30, 2021	March 31, 2021	% change	2021	2020	% change
Operational results, mln tonne						
Crude oil processing at refineries	26.36	26.35	0.0%	52.71	52.72	(0.0)%
<i>Processing at Company's refineries in Russia</i>	21.71	22.16	(2.0)%	43.87	44.09	(0.5)%
<i>Processing at Company's refineries outside Russia</i>	2.88	2.27	26.9%	5.15	5.28	(2.5)%
<i>Processing at Associates' refineries¹</i>	1.77	1.92	(7.8)%	3.69	3.35	10.1%
Financial results, RUB billion						
EBITDA	65	1	>100%	66	38	73.7%
Capital expenditures of refineries ²	10	9	11.1%	19	18	5.5%
Operating expenses of processing in Russia	33.9	32.9	3.0%	66.8	62.9	6.2%
Operating expenses of processing outside Russia	7.7	8.4	(8.3)%	16.1	12.1	33.1%
Indicators per tonne of the output, RUB per tonne³						
Capital expenditure of refineries	407	368	10.6%	388	365	6.3%
Operating expenses for processing in Russia	1,561	1,485	5.1%	1,523	1,427	6.7%
Operating expenses for processing outside Russia	2,674	3,700	(27.7)%	3,126	2,292	36.4%

¹Excluding processing at Nayara.

²Refer to "Capital expenditures".

³Calculated from unrounded data.

Downstream EBITDA

	For 3 months ended			For 6 months ended June 30,		
	June 30, 2021	March 31, 2021	% change	2021	2020	% change
RUB billion						
Revenues and equity share in profits of associates and joint ventures	2,168	1,749	24.0%	3,917	2,828¹	38.5%
<i>Including equity share in profits of associates and joint ventures</i>	7	5	40.0%	12	12	–
Expenses net of depreciation including	2,124	1,774	19.7%	3,898	2,740¹	42.3%
Operating expenses of processing in Russia	34	33	3.0%	67	63	6.2%
Operating expenses of processing outside Russia, cost of additives	21	18	16.7%	39	33	18.2%
Operating expenses of retail entities	11.1	10.7	3.7%	21.8	19.6	11.2%
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	1,724	1,399	23.2%	3,123	1,767 ¹	76.7%
Administrative expenses	10	11	(9.1)%	21	6	>100%
<i>including allowance for expected credit losses</i>	(1.5)	0.8	–	(0.7)	(16.2)	(95.7)%
Pipeline tariffs and transportation costs	161	150	7.3%	311	370	(15.9)%
Taxes other than income tax	43	74	(41.9)%	117	301	(61.1)%
Export customs duty	120	78	53.8%	198	180	10.0%
Expenses associated with COVID-19	–	–	–	–	0.15	–
EBITDA Downstream	44	(25)	–	19	88	(78.4)%
<i>Effect of intragroup inventory and others</i>	21	26	(19.2)%	47	(50)	–
Adjusted EBITDA	65	1	>100%	66	38	73.7%

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

Operating indicators

Petroleum Product Output

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

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

	For 3 months ended		%	For 6 months ended June 30,		%
	June 30, 2021	March 31, 2021		2021	2020	
	mln of tonnes			mln of tonnes		
Crude oil processing at refineries in Russia ¹	23.48	24.08	(2.5)%	47.56	47.44	0.3%
Crude oil processing at refineries outside Russia including crude oil processing in Germany ²	2.88	2.27	26.9%	5.15	5.28	(2.5)%
	2.88	2.27	26.9%	5.15	5.28	(2.5)%
Total Group crude oil processing	26.36	26.35	0.0%	52.71	52.72	(0.0)%
Petroleum product output:						
High octane gasoline	3.52	3.55	(0.8)%	7.07	6.22	13.7%
Low octane gasoline	0.01	0.01	0.0%	0.02	0.02	0.0%
Naphtha	1.39	1.43	(2.8)%	2.82	3.05	(7.5)%
Diesel	6.81	7.17	(5.0)%	13.98	14.20	(1.5)%
Low-viscosity marine fuel	0.80	0.90	(11.1)%	1.70	1.49	14.1%
Fuel oil	5.19	5.68	(8.6)%	10.87	11.36	(4.3)%
Jet fuel	0.77	0.52	48.1%	1.29	1.39	(7.2)%
Petrochemicals	0.35	0.39	(10.3)%	0.74	0.82	(9.8)%
Other	3.86	3.59	7.5%	7.45	7.45	–
Product output at Rosneft's refineries in Russia	22.70	23.24	(2.3)%	45.94	46.00	(0.1)%
Product output at refineries outside Russia including crude oil output in Germany	3.00	2.41	24.5%	5.41	5.47	(1.1)%
	3.00	2.41	24.5%	5.41	5.47	(1.1)%
Total Group product output	25.70	25.65	0.2%	51.35	51.47	(0.2)%

¹Including processing at YANOS refinery.

²Excluding additives received and other raw materials for processing.

The decrease of 2.5% to 23.48 mln tonnes, in production at the Company's own refineries in Russia in the second quarter 2021 as compared to the first quarter of 2021 was due to seasonal turnarounds.

Taking into account the schedule of seasonal turnarounds, the volume of processing in the first half of 2021 did not change compared to the first half of 2020.

Increased processing by 26.9% at German refineries in the second quarter of 2021 in comparison with the first quarter of 2021 is mainly driven by demand recovery after the lockdown period in Europe. The reduction of production compared to the first half of 2021 was driven by the lockdown due to the COVID pandemic and the decline in demand for petroleum products in Europe.

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Financial indicators

Revenues and equity share in profits of associates and joint ventures

Increase in revenues in the second quarter of 2021 of 24.8% compared with the first quarter of 2021 is due to a positive price impact (crude oil price up by 12.2% in RUB terms) and increased crude oil and petroleum products sales volumes. Increase in revenues in the first half of 2021 of 39.6% compared with the same period of 2020 is due to a crude oil price upturn by 70.2% which was in large part offset by a significant decline of crude oil and petroleum products export volumes caused by COVID-19 impact.

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 6 months ended June 30,				
	June 30, 2021		March 31, 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	869	40.0%	627	36.1%	38.6%	1,496	38.3%	1,050	37.6%	42.5%
Europe and other directions	434	19.9%	265	15.3%	63.8%	699	17.9%	429	15.4%	62.9%
Asia	435	20.1%	362	20.8%	20.2%	797	20.4%	621	22.2%	28.3%
International sales to CIS	39	1.8%	50	2.9%	(22.0)%	89	2.3%	21	0.8%	>100%
Domestic sales	52	2.4%	33	1.9%	57.6%	85	2.2%	37	1.3%	>100%
Total crude oil	960	44.2%	710	40.9%	35.2%	1,670	42.8%	1,108	39.7%	50.7%
Gas	66	3.0%	73	4.2%	(9.6)%	139	3.6%	116	4.1%	19.8%
Petroleum products										
International Sales to non-CIS	627	28.9%	510	29.3%	22.9%	1,137	29.1%	780	27.9%	45.8%
Europe and other directions	482	22.2%	382	21.9%	26.2%	864	22.1%	610	21.8%	41.6%
Asia	145	6.7%	128	7.4%	13.3%	273	7.0%	170	6.1%	60.6%
International Sales to CIS	19	0.9%	20	1.2%	(5.0)%	39	1.0%	39	1.4%	–
Domestic sales	398	18.4%	344	19.8%	15.7%	742	19.0%	638	22.8%	16.3%
Sales of bunker fuel to end-users	17	0.8%	11	0.6%	54.5%	28	0.7%	23	0.8%	21.7%
Total petroleum products	1,061	49.0%	885	50.9%	19.9%	1,946	49.8%	1,480	52.9%	31.5%
Petrochemical products	34	1.6%	28	1.6%	21.4%	62	1.6%	37	1.3%	67.6%
International sales	11	0.5%	10	0.6%	10.0%	21	0.5%	15	0.5%	40.0%
Domestic sales	23	1.1%	18	1.0%	27.8%	41	1.1%	22	0.8%	86.4%
Sales of petroleum products and petrochemicals	1,095	50.6%	913	52.5%	19.9%	2,008	51.4%	1,517	54.2%	32.4%
Support services and other revenues	25	1.2%	27	1.6%	(7.4)%	52	1.3%	40	1.4%	30.0%
Equity share in profits of associates and joint ventures	21	1.0%	14	0.8%	50.0%	35	0.9%	16	0.6%	>100%
Total revenues and equity share in profits of associates and joint ventures	2,167	100.0%	1,737	100.0%	24.8%	3,904	100.0%	2,797³	100.0%	39.6%

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 volumes:

	For 3 months ended					For 6 months ended June 30,				
	June 30, 2021		March 31, 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	194.6	47.3%	163.7	44.4%	18.9%	358.3	45.9%	457.5	51.4%	(21.7)%
Europe and other directions	94.0	22.9%	67.4	18.3%	39.5%	161.4	20.7%	194.7	21.9%	(17.1)%
Asia	100.6	24.4%	96.3	26.1%	4.5%	196.9	25.2%	262.8	29.5%	(25.1)%
International Sales to CIS	9.7	2.3%	13.3	3.6%	(27.1)%	23.0	2.9%	14.8	1.7%	55.4%
Domestic	11.8	2.9%	8.9	2.4%	32.6%	20.7	2.7%	20.0	2.2%	3.5%
Total crude oil	216.1	52.5%	185.9	50.4%	16.2%	402.0	51.5%	492.3	55.3%	(18.3)%
	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	26.3	47.3%	22.1	44.4%	18.9%	48.4	45.9%	61.8	51.4%	(21.7)%
Europe and other directions	12.7	22.9%	9.1	18.3%	39.5%	21.8	20.7%	26.3	21.9%	(17.1)%
Asia	13.6	24.4%	13.0	26.1%	4.5%	26.6	25.2%	35.5	29.5%	(25.1)%
International Sales to CIS	1.3	2.3%	1.8	3.6%	(27.1)%	3.1	2.9%	2.0	1.7%	55.4%
Domestic sales	1.6	2.9%	1.2	2.4%	32.6%	2.8	2.7%	2.7	2.2%	3.5%
Total crude oil	29.2	52.5%	25.1	50.4%	16.2%	54.3	51.5%	66.5	55.3%	(18.3)%
Petroleum products										
International Sales to non-CIS	15.4	27.7%	14.4	28.8%	6.9%	29.8	28.3%	32.0	26.7%	(6.9)%
Europe and other directions	11.4	20.5%	10.2	20.4%	11.8%	21.6	20.5%	23.5	19.6%	(8.1)%
Asia	4.0	7.2%	4.2	8.4%	(4.8)%	8.2	7.8%	8.5	7.1%	(3.5)%
International Sales to CIS	0.5	0.9%	0.5	1.0%	(16.2)% ¹	1.0	0.9%	1.9	1.6%	(47.4)%
Domestic sales	9.5	17.1%	8.9	17.9%	6.7%	18.4	17.4%	17.7	14.7%	4.0%
Sales of bunker fuel to end-users	0.47	0.8%	0.33	0.7%	42.4%	0.80	0.8%	0.86	0.7%	(7.0)%
Total petroleum products	25.9	46.5%	24.1	48.4%	7.5%	50.0	47.4%	52.5	43.7%	(4.8)%
Petrochemical products	0.58	1.0%	0.59	1.2%	(1.7)%	1.17	1.1%	1.24	1.0%	(5.6)%
International sales	0.18	0.3%	0.19	0.4%	(5.3)%	0.37	0.3%	0.41	0.3%	(9.8)%
Domestic sales	0.40	0.7%	0.40	0.8%	–	0.80	0.8%	0.83	0.7%	(3.6)%
Total crude oil, petroleum and petrochemical products	55.7	100.0%	49.8	100.0%	11.8%	105.5	100.0%	120.2	100.0%	(12.2)%
	bcm		bcm			bcm		bcm		
Gas	15.17		16.46		(7.8)%	31.63		27.97		13.1%

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 6 months ended June 30,				
	June 30, 2021		March 31, 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	4.70	34.8	4.11	30.4	14.5%	4.43	32.8	2.43	18.0	82.2%
Europe and other directions ²	4.62	34.2	3.96	29.3	16.7%	4.34	32.2	2.20	16.3	97.5%
Asia ²	4.79	35.5	4.23	31.3	13.4%	4.51	33.4	2.62	19.4	72.2%
Crude oil, CIS	4.09	30.3	3.80	28.1	7.8%	3.92	29.0	1.47	10.9	>100%
Petroleum products, non-CIS		40.7		35.4	15.0%		38.2		24.4	56.6%
Europe and other directions		42.5		37.3	13.9%		40.1		26.0	54.2%
Asia		35.8		30.7	16.6%		33.2		20.2	64.4%
Petroleum products, CIS		42.0		36.1	16.3%		38.8		20.4	90.2%
Petrochemical products		63.7		50.8	25.4%		57.0		34.4	65.7%
Average domestic prices										
Crude oil	4.22	31.3	3.86	28.6	9.4%	4.08	30.2	1.87	13.8	>100%
Petroleum products		41.7		38.9	7.2%		40.4		36.1	11.9%
Gas (th. RUB/th. cubic meter) ³		3.55		3.71	(4.3)%		3.64		3.49	4.3%
Petrochemical products		56.5		45.6	23.9%		51.0		26.2	94.7%
Sales of bunker fuel to end-users		36.3		33.4	8.7%		35.1		27.1	29.5%

¹ Average price is calculated from unrounded figures.

² Price excludes the effect of prepayments offsetting under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 48 billion in the second quarter of 2021 and RUB 43 billion in the first quarter of 2021; RUB 55 billion in the first half of 2020).

³ Including gas sales outside the Russian Federation average gas prices were 4.43 th. RUB/th. cubic meter in the second and first quarters of 2021; 4.39 th. RUB/th. cubic meter in the first half of 2021, and 4.13 th. RUB/th. cubic meter in the first half of 2020.

International Crude Oil Sales to non-CIS

Revenue increase in international crude oil sales to non-CIS countries in the second quarter of 2021 compared to the first quarter of 2021 was due to the increase in sales volume of 18.9% (positive impact on revenues of RUB 121 billion) and the upturn in average sales price of 14.5% (positive impact of RUB 116 billion).

Revenue increase in international crude oil sales to non-CIS countries in the first half of 2021 compared with the same period of 2020 was due to the average sales price upturn of 82.2% (positive impact of RUB 712 billion) which was partially offset by the decrease in sales volume of 21.7% (negative impact of RUB 247 billion).

International Crude Oil Sales to CIS

Revenue decrease in international crude oil sales to CIS countries in the second quarter of 2021 compared to the first quarter of 2021 was due to the decrease in sales volume of 27.1% (negative impact of RUB 13 billion) which was partially offset by the upturn in average sales price of 7.8% (positive impact of RUB 2 billion).

Revenue increase in international crude oil sales to CIS countries in the first half of 2021 compared with the same period of 2020 was due to the average sales price upturn (positive impact of RUB 56 billion) and the increase in sales volume of 55.4% (positive impact of RUB 12 billion).

Domestic Sales of Crude Oil

Revenue increase in domestic sales of crude oil in the second quarter of 2021 compared with the first quarter of 2021 was due to the increase in sales volume of 32.6% (positive impact of RUB 15 billion) and the upturn in average sales price of 9.4% (positive impact of RUB 4 billion).

Revenue increase in domestic sales of crude oil in the first half of 2021 compared with the same period of 2020 was due to the upturn in average sales price (positive impact of RUB 46 billion) and the increase in sales volume of 3.5% (positive impact of RUB 2 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 second and first quarters of 2021¹:

	For 3 months ended						% change		
	June 30, 2021			March 31, 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	0.2	47.7	4	0.1	39.1	50.0%	100.0%	22.0%
Naphtha	58	1.4	40.9	43	1.2	35.8	34.9%	16.7%	14.2%
Diesel (Gasoil)	146	3.8	38.4	129	3.8	33.7	13.2%	–	13.9%
Fuel oil	174	6.1	28.7	151	5.9	25.4	15.2%	3.4%	13.0%
Low-viscosity marine fuel	23	0.6	37.9	26	0.8	33.5	(11.5)%	(25.0)%	13.1%
Other	15	0.3	–	10	0.3	–	–	–	–
Petroleum products exported to non-CIS	422	12.4	34.2	363	12.1	30.0	16.3%	2.5%	14.0%
Petroleum products produced and purchased outside Russia	205	3.0	67.5	147	2.3	64.4	39.5%	30.4%	4.8%
Total petroleum products sold to non-CIS	627	15.4	40.7	510	14.4	35.4	22.9%	6.9%	15.0%

¹Average price is calculated from unrounded figures.

Revenue increase in international sales of petroleum products to non-CIS countries in the second quarter of 2021 compared to the first quarter of 2021 was due to the upturn in average sales price of 15.0% (positive impact of RUB 78 billion) and the increase in sales volume of 6.9% (positive impact of RUB 39 billion).

The table below sets forth Rosneft's revenues, volume and average price per tonne of petroleum products sold to non-CIS countries in the first half of 2021 and 2020¹:

	For 6 months ended June 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	10	0.3	43.7	7	0.2	28.0	42.9%	50.0%	56.1%
Naphtha	101	2.6	38.5	61	2.9	21.0	65.6%	(10.3)%	83.3%
Diesel (Gasoil)	275	7.6	36.0	168	7.4	22.8	63.7%	2.7%	57.9%
Fuel oil	325	12.0	27.1	181	12.7	14.3	79.6%	(5.5)%	89.5%
Low-viscosity marine fuel	49	1.4	35.5	24	1.2	20.6	>100%	16.7%	72.3%
Other	25	0.6	–	15	0.7	–	–	–	–
Petroleum products exported to non-CIS	785	24.5	32.1	456	25.1	18.2	72.1%	(2.4)%	76.4%
Petroleum products produced and purchased outside Russia	352	5.3	66.1	324	6.9	47.0	8.6%	(23.2)%	40.6%
Total petroleum products sold to non-CIS	1,137	29.8	38.2	780	32.0	24.4	45.8%	(6.9)%	56.6%

¹Average price is calculated from unrounded figures.

Revenue increase in international sales of petroleum products to non-CIS countries in the first half of 2021 compared to the same period of 2020 was due to the upturn in average sales price of 56.6% (positive impact of RUB 412 billion) which was partially offset by the sales volume decrease of 6.9% (negative impact of RUB 56 billion).

International Petroleum Product Sales to CIS

Revenue decrease in international sales of petroleum products to CIS countries in the second quarter of 2021 compared with the first quarter of 2021 was due to the sales volume decrease of 16.2% (negative impact of RUB 3 billion) which was partially offset by the average price upturn of 16.3% (positive impact of RUB 2 billion).

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Domestic Sales of Petroleum Products

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

	For 3 months ended						% change		
	June 30, 2021			March 31, 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	167	3.4	49.7	151	3.2	47.1	10.6%	6.2%	5.5%
Diesel (Gasoil)	153	3.4	45.5	140	3.2	44.2	9.3%	6.2%	2.9%
Fuel oil	12	0.6	19.8	16	0.9	17.5	(25.0)%	(33.3)%	13.1%
Jet fuel	29	0.7	39.2	17	0.5	34.3	70.6%	40.0%	14.3%
Other	37	1.4	–	20	1.1	–	–	–	–
Total	398	9.5	41.7	344	8.9	38.9	15.7%	6.7%	7.2%

¹ Average price is calculated from unrounded figures.

Revenue increase in sales of petroleum products on the domestic market in the second quarter of 2021 compared with the first quarter of 2021 was due to the average price upturn of 7.2% (positive impact of RUB 27 billion) and the increase in sales volume of 6.7% (positive impact of RUB 27 billion).

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

	For 6 months ended June 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	318	6.6	48.4	262	5.9	44.5	21.4%	11.9%	8.8%
Diesel (Gasoil)	293	6.6	44.9	284	6.6	43.2	3.2%	–	3.9%
Fuel oil	28	1.5	18.4	14	1.5	9.9	100.0%	–	85.9%
Jet fuel	46	1.2	37.2	46	1.3	34.6	–	(7.7)%	7.5%
Other	57	2.5	–	32	2.4	–	–	–	–
Total	742	18.4	40.4	638	17.7	36.1	16.3%	4.0%	11.9%

¹ Average price is calculated from unrounded figures.

Revenue increase in sales of petroleum products on the domestic market in the first half of 2021 compared with the same period 2020 was due to the average price upturn of 11.9% (positive impact of RUB 79 billion) and the increase in sales volume of 4.0% (positive impact of RUB 25 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 second quarter of 2021 compared with the first quarter of 2021 due to the increase in sales volume of 42.4% (positive impact of RUB 5 billion) which was accompanied by the average price upturn of 8.7% (positive impact of RUB 1 billion). Revenues from sales of bunker fuel increased in the first half of 2021 compared with the same period of 2020 due to the upturn in average sales price of 29.5% (positive impact of RUB 7 billion) which was partially offset by the decrease in sales volume of 7.0% (negative impact of RUB 2 billion).

Petrochemical Products Sales

Revenues from international sales of petrochemical products increased in the second quarter of 2021 compared with the first quarter of 2021 due to the upturn in average sales price of 25.4% (positive impact of RUB 2 billion) which was partially offset by the decrease in sales volume of 5.3% (negative impact of RUB 1 billion). Revenues from international sales of petrochemical products increased in first half of 2021 compared with the same period of 2020 due to the average sales price upturn of 65.7% (positive impact of RUB 7 billion) which was partially offset by the decrease in sales volume of 9.8% (negative impact of RUB 1 billion).

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Revenues from domestic sales of petrochemical products increased in the second quarter of 2021 compared with the first quarter of 2021 due to the average sales price upturn of 23.9% (positive impact of RUB 5 billion). Revenues from domestic sales of petrochemical products increased in first half of 2021 compared with the same period of 2020 due to the average sales price upturn of 94.7% (positive impact of RUB 20 billion) which was partially offset by the decrease in sales volume of 3.6% (negative impact of RUB 1 billion).

Gas Sales

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

	For 3 months ended			For 6 months ended		% change
	June 30, 2021	March 31, 2021	% change	June 30, 2021	June 30, 2020	
Revenue	RUB billion			RUB billion		
In the Russian Federation	49.2	55.7	(11.7)%	104.9	90.7	15.7%
Outside the Russian Federation	16.5	17.3	(4.6)%	33.8	24.9	35.7%
Total	65.7	73.0	(10.0)%	138.7	115.6	20.0%
Sales volumes	bcm			bcm		
In the Russian Federation	13.85	14.99	(7.6)%	28.84	25.97	11.1%
Outside the Russian Federation	1.32	1.47	(10.2)%	2.79	2.00	39.5%
Total	15.17	16.46	(7.8)%	31.63	27.97	13.1%
Average price	th. RUB/th. of cubic meters			th. RUB/th. of cubic meters		
In the Russian Federation	3.55	3.71	(4.3)%	3.64	3.49	4.3%
Outside the Russian Federation	12.52	11.74	6.6%	12.11	12.46	(2.8)%
Average price of the Company	4.43	4.43	-	4.39	4.13	6.3%

¹Average price is calculated from unrounded figures.

The decrease in gas sales volumes in the second quarter of 2021 compared with the first quarter of 2021 was driven by seasonal factor. Growth in volumes compared with the first half of 2020 was due to 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 6 months ended June 30,				% change
	June 30, 2021		March 31, 2021			2021		2020		
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
	billion RUB, except %									
Drilling services	1.9	7.7%	0.6	2.2%	>100%	2.5	4.8%	1.0	2.5%	>100%
Sales of materials	8.1	32.8%	7.4	27.5%	9.5%	15.5	30.0%	11.9	29.5%	30.3%
Repairs and maintenance services	1.3	5.3%	0.9	3.3%	44.4%	2.2	4.3%	1.6	4.0%	37.5%
Rent services	1.4	5.7%	1.5	5.6%	(6.7)%	2.9	5.6%	2.5	6.2%	16.0%
Transport services	3.9	15.8%	3.9	14.5%	-	7.8	15.1%	10.1	25.1%	(22.8)%
Electric power sales and transmission	4.8	19.4%	5.7	21.2%	(15.8)%	10.5	20.3%	5.9	14.6%	78.0%
Other revenues	3.3	13.3%	6.9	25.7%	(52.2)%	10.2	19.9%	7.3	18.1%	39.7%
Total	24.7	100.0%	26.9	100.0%	(8.2)%	51.6	100.0%	40.3	100.0%	28.0%

Financial result of associates and joint ventures

Net financial result (profits) of downstream associates and joint ventures amounts to RUB 7 billion in the second quarter of 2021 and RUB 5 billion in the first quarter of 2021, respectively.

Downstream production and operating costs

Downstream operating expenses include¹:

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
	billion RUB, except %					
Operating expenses at refineries in Russia	33.9	32.9	3.0%	66.8	62.9	6.2%
Operating expenses at refineries outside Russia	7.7	8.4	(8.3)%	16.1	12.1	33.1%
Additives and materials for processing at refineries outside Russia	13.0	9.8	32.7%	22.8	21.5	6.0%
Operating expenses of retail units	11.1	10.7	3.7%	21.8	19.6	11.2%
Downstream operating expenses	65.7	61.8	6.3%	127.5	116.1	9.8%

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 6.3% to RUB 65.7 billion in the second quarter of 2021 compared with the first quarter of 2021. Higher operating expenses are mainly driven by seasonal turnarounds in the second quarter of 2021.

The increase of 9.8% in the operating expenses of refineries and retail entities in the first half 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 17.1% and planned turnaround expenses in the first half of 2021.

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Operating expenses of Company’s refineries

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

	For 3 months ended		% change	For 6 months ended		% change
	June 30, 2021	March 31, 2021		June 30, 2021	2020	
Operating expenses at refineries in Russia (RUB billion)	33.9	32.9	3.0%	66.8	62.9	6.2%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,615	1,535	5.2%	1,575	1,472	7.0%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,561	1,485	5.1%	1,523	1,427	6.7%
Operating expenses at refineries outside Russia (RUB billion)¹	7.7	8.4	(8.3)%	16.1	12.1	33.1%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,567	3,485	(26.3)%	2,976	2,212	34.5%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,674	3,700	(27.7)%	3,126	2,292	36.4%
Total operating expenses at Rosneft’s refineries (RUB billion)	41.6	41.3	0.7%	82.9	75.0	10.5%

¹Refineries outside Russia also procured the additives and materials for processing: in the second quarter of 2021 – RUB 13 bln, in the first quarter of 2021 – RUB 9.8 billion; in the first half of 2021 and 2020 – RUB 22.8 billion and RUB 21.5 billion, respectively.

Operating expenses of Rosneft’s refineries in Russia increased by 3.0% to RUB 33.9 billion in the second quarter of 2021 compared with the first quarter of 2021 mainly due to higher scheduled turnarounds and salary indexation in the second quarter of 2021.

Operating expenses of Rosneft’s refineries in Russia increased by 6.2% in the first half of 2021 compared with the same period of 2020. Growth of the operating expenses per tonne of 6.7% (up to 1,523 RUB per ton) was due to higher turnaround costs along with the current demand for petroleum products.

Operating expenses of Rosneft’s refineries outside Russia decreased by 8.3% in comparison with RUB 8.4 billion in the first quarter of 2021 due to planned turnarounds in the first quarter of 2021 along with relatively low production output during this period.

In the first half of 2021 operating expenses per tonne of Rosneft’s refineries outside Russia grew by 33.1% if compared with the same period of 2020, which is due to scheduled turnaround expenses in the first half of 2021 and RUB depreciation against EUR of 17.1% in terms of lower refinery throughput.

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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 6 months ended		% change
	June 30, 2021	March 31, 2021		June 30, 2021	2020	
Crude oil and gas procurement						
Cost of crude oil and gas procured (RUB billion) ²	333	263	26.6%	596	252	>100%
<i>including Domestic market</i>	226	176	28.4%	402	122	>100%
<i>International market</i>	107	87	23.0%	194	130	49.2%
Volume of crude oil procured (millions of barrels)	78.6	68.5	14.7%	147.1	148.6	(1.0)%
<i>including Domestic market</i>	54.7	45.9	19.2%	100.6	61.4	63.8%
<i>International market</i>	23.9	22.6	5.8%	46.5	87.2	(46.7)%
Volume of gas procured (bcm)	3.15	5.82	(45.9)%	8.97	4.42	>100%
Petroleum products procurement						
Cost of petroleum products procured (RUB billion) ³	25	17	47.1%	42	89⁴	(52.8)%
Volume of petroleum products procured (millions of tonnes)	0.51	0.39	30.8%	0.90	2.28 ⁴	(60.5)%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil, gas and petroleum products under processing agreements (RUB billion)	6.8	7.4	(8.1)%	14.2	14.5	(2.1)%
Volumes of crude oil and petroleum products produced under processing agreements (millions of tonnes)	1.8	1.9	(5.3)%	3.7	3.5	5.7%
Volumes of gas produced under processing agreements (bcm)	2.5	2.4	4.2%	4.9	5.3	(7.5)%
Cost of purchase of goods for retail	4.7	3.8	23.7%	8.5	7.5	13.3%
Total cost of procured oil, gas and petroleum products, goods for retail and refining costs (RUB billion)	370	291	27.1%	661	363⁴	82.1%

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

²Including costs of Upstream segment in the amount of RUB 13 billion in the first half of 2021; RUB 6 billion in the first half of 2020.

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".

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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 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
	mln barrels			mln barrels		
International market	23.9	22.6	5.8%	46.5	87.2	(46.7)%
Udmurtneft	5.6	4.8	16.7%	10.4	10.8	(3.7)%
Slavneft	9.1	6.5	40.0%	15.6	25.7	(39.3)%
Messoyahaneftgaz	5.0	4.9	2.0%	9.9	10.2	(2.9)%
NNK Group	28.2	23.5	20.0%	51.7	–	–
Others	6.8	6.2	9.7%	13.0	14.7	(11.6)%
Total	78.6	68.5	14.7%	147.1	148.6	(1.0)%

In the second quarter of 2021 volumes of the crude oil procured outside the Russian Federation amounted to 23.9 mln barrels, which is 5.8% higher compared to the first quarter of 2021 due to the demand recovery.

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

The volume of swaps was 1.5 mln barrels in the second quarter of 2021 and 3.6 mln barrels in the first quarter of 2021, and 13.0 mln barrels in the first half of 2020.

Petroleum products procurement

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

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

	For 3 months ended						% change		
	June 30, 2021			March 31, 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	9	0.20		8	0.20				
High octane gasoline	3	0.07	48.3	3	0.06	46.0	–	16.7%	5.0%
Diesel	3	0.06	49.1	4	0.09	45.2	(25.0)%	(33.3)%	8.6%
Others	3	0.07		1	0.05				
Petroleum products and petrochemicals procured outside Russia	16	0.31	50.1	9	0.19	46.1	77.8%	63.2%	8.7%
Total	25	0.51		17	0.39		47.1%	30.8%	

¹ Calculated based on unrounded data.

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

	For 6 months ended June 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	17	0.40		11	0.31				
High octane gasoline	6	0.13	47.4	4	0.09	43.2	50.0%	44.4%	9.7%
Diesel	7	0.15	46.8	5	0.13	46.5	40.0%	15.4%	0.6%
Others	4	0.12		2	0.09				
Petroleum products and petrochemicals procured outside Russia²	25	0.50	48.3	78	1.97	42.7	(67.9)%	(74.6)%	13.1%
Total	42	0.90		89	2.28		(52.8)%	(60.5)%	

¹Calculated based on unrounded data.

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

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

Crude oil and gas processing, petroleum products processing

Associated petroleum gas sales to PJSC "Sibur" and purchases of dry stripped gas from PJSC "Sibur" are presented on a net basis in the Company's financial statements in processing costs in the amount of RUB 3.1 billion in the second quarter of 2021, RUB 3.5 RUB in the first quarter of 2021 and RUB 6.9 billion in the first half of 2020.

Transportation Costs and Other Commercial Expenses

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

The increase in transportation costs by 8.6% in the second quarter of 2021 compared with the first quarter of 2021 was mainly due to higher sales volumes.

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

	For 3 months ended				% change	
	June 30, 2021		March 31, 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	63.6	27.6	54.1	23.9	17.6%	15.5%
including "Pipeline costs"	62.2	26.1	52.6	22.3	18.3%	17.0%
Transportation to refineries	28.1	24.6	28.3	25.1	(0.7)%	(2.0)%
including "Pipeline costs"	26.7	23.8	27.3	24.4	(2.2)%	(2.5)%
PETROLEUM PRODUCTS						
Transportation costs in the international sales	43.9	16.4	41.5	15.4	5.8%	6.5%
including "Railroad and mixed"	40.5	12.7	36.6	11.0	10.7%	15.5%
Gas		bcm		bcm		
"Pipeline costs" ²	11.6	9.5	9.4	8.1	23.4%	17.3%
Other transportation costs³	16.8	–	17.7	–	(5.1)%	–
Total	164		151		8.6%	

¹ Calculated based on unrounded data.

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

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

Transportation costs in the sales of crude oil increased due to higher exports volumes. The growth of transportation costs in the sales of petroleum products was mainly due to changes in the transportation structure.

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

	For 6 months ended				% change	
	June 30, 2021		June 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	117.7	51.5	123.8	53.2	(4.9)%	(3.2)%
including "Pipeline costs"	114.8	48.4	120.2	50.4	(4.5)%	(4.0)%
Transportation to refineries	56.4	49.7	50.5	50.6	11.7%	(1.8)%
including "Pipeline costs"	54.0	48.2	47.5	48.8	13.7%	(1.2)%
PETROLEUM PRODUCTS						
Transportation costs in the international sales	85.4	31.8	94.1	30.6	(9.2)%	3.9%
including "Railroad and mixed"	77.1	23.7	85.0	22.3	(9.3)%	6.3%
Gas		bcm		bcm		
"Pipeline costs" ²	21.0	17.6	17.8	16.6	18.0%	6.0%
Freight and other commercial expenses	–	–	47.7	14.7	–	–
Other transportation costs³	34.5	–	37.9	–	(9.0)%	–
Total	315		372		(15.3)%	

¹ Calculated based on unrounded data.

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

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

Decrease in transportation costs in the first half of 2021 compared with the same period of 2020 was due to reduced demand in the pandemic period and change in the basis of product delivery. In the first half of 2021 indexation of gas transportation tariffs was not carried out.

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Excise Taxes

Excise tax in the second quarter of 2021 was RUB 26 billion compared with excise tax of RUB 59 billion in the first quarter of 2021. The decrease was mainly due to a positive effect of change in the damping component of "reverse excise tax" due to rise in the world prices for gasoline and diesel fuel.

Export Customs Duties

Export customs duties include crude oil and petroleum products export customs duties. Export customs duty rates are presented above under "Macroeconomic Factors Affecting the Results of Operations – MET, 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 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
	RUB billion, except %					
Export customs duty for crude oil	84	50	68.0%	134	148	(9.5)%
Export customs duty for petroleum products	36	28	28.6%	64	62	3.2%
Effect of export customs duty benefit of 2019	–	–	–	–	(30) ¹	–
Total export customs duty	120	78	53.8%	198	180	10.0%

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 second quarter of 2021 compared with the first quarter of 2021 due to the increase in oil exports and higher enacted export customs duty rates driven by the Urals price rise.

The change in export customs duties in the first half 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 largely offset by the tax maneuver and favorable duty lag effect as well as by lower export volumes.

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

	For 3 months ended		% change ¹	For 6 months ended June 30,		% change ¹
	June 30, 2021	March 31, 2021		2021	2020	
	th. RUB per tonne, except %					
Enacted export customs duty on crude oil	4.24	3.27	29.4%	3.76	3.27	14.9%
Actual customs duty on crude oil exports ²	3.52	2.58	36.2%	3.09	2.95	5.0%

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".

"Corporate and others" segment operating results

Segment includes corporate services activities and other operations.

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2021	March 31, 2021		2021	2020	
Financial results, RUB billion						
EBITDA	(21)	(23)	(8.7)%	(44)	(21)	>100%
Capital expenditures ¹	2	9	(77.8)%	11	9	22.2%

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 43.6 billion in the second quarter of 2021 and RUB 38.3 billion in the first quarter of 2021.

In the first half of 2021 general and administrative expenses, net of the allowance for expected credit losses amounted to RUB 81.9 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 second quarter of 2021 DDA amounted to RUB 163 billion, increase of 5.2% (increase is mainly related to oil equipment) if compared with the first quarter of 2021 (DDA was RUB 155 billion). The growth is mainly due to higher crude oil production in the context of new OPEC+ Agreement.

DDA reduction of 6.7% to RUB 318 billion, if compared with the first half of 2020 (DDA was RUB 341 billion), was due to lower crude oil production.

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 6 months ended		% change
	June 30, 2021	March 31, 2021		June 30, 2021	2020	
Mineral extraction tax	551	433	27.3%	984	627	56.9%
Excess profit tax	148	133	11.3%	281	36	>100%
Excise tax	26	59	(55.9)%	85	284	(70.1)%
<i>including accrued excise tax</i>	132	118	11.9%	250	229	9.2%
<i>including "reverse excise tax"</i>	(106)	(59)	79.7%	(165)	55	–
Insurance contributions	23	23	–	46	46	–
Property tax	11	10	10.0%	21	20	5.0%
Other taxes, interest, penalties and other payments to budget	7	9	(22.2)%	16	4	>100%
<i>including CO2 emissions tax</i>	7	6	16.7%	13	–	100%
Total taxes other than income tax	766	667	14.8%	1,433	1,017	40.9%

Taxes other than income tax in the second quarter of 2021 compared with the first quarter of 2021 increased by 14.8%. 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 second quarter of 2021, net finance expenses were RUB 24 billion compared with RUB 30 billion in the first quarter of 2021. Light decrease was caused mainly by the fair value re-measurement of derivative financial instruments.

In the first half of 2021 and 2020, net finance expenses were RUB 54 billion and RUB 58 billion, respectively.

Other Income and Expenses

In the second quarter of 2021, other income amounted to RUB 7 billion compared with RUB 5 billion in the first quarter of 2021. In the first half of 2020 other income was RUB 3 billion. The increase was due to the insurance recovery in the second quarter of 2021.

Other expenses include assets impairment, effect of fixed assets disposal in the course of operating activities and other expenses. In the second quarter of 2021 other expenses were RUB 37 billion compared with RUB 15 billion for the first quarter of 2021. The impairment of upstream production assets was recognized in the second quarter of 2021. In the first half of 2020 other expenses were RUB 67 billion.

Foreign Exchange Differences

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

Income from foreign exchange effects was RUB 13 billion in the second quarter of 2021 compared with the income of RUB 5 billion in the first quarter of 2021. In the first half of 2020 expenses from foreign exchange effects was RUB 66 billion resulted from a significant RUB depreciation mainly in the first quarter 2020. Increase in foreign exchange income resulted from the revaluation of foreign currency assets and liabilities of the first half of 2021 if compared to the same period of 2020 was due to RUB appreciation as of the reporting date.

Capitalized exchange differences resulting from foreign currency borrowings used for capital construction projects and the acquisition of property, plants and equipment were RUB 13 billion in the first half 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 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
Effective rate of income tax (IFRS)	19.3%	19.2%	19.3%	17.0%

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/(Loss)

In the second quarter of 2021, net income was RUB 263 billion (RUB 233 billion of income attributable to Rosneft shareholders) in comparison with the income of RUB 168 billion (RUB 149 billion of income attributable to Rosneft shareholders) in the first quarter of 2021.

The significant increase in net income (up to RUB 382 billion attributable to Rosneft shareholders) in the first half of 2021 was mainly driven by increase in operating income and lower negative impact of non-monetary factors. In the first half of 2020 net loss amounted to RUB 98 billion (RUB 113 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 6 months ended		%
	June 30, 2021	March 31, 2021		June 30, 2021	June 30, 2020	
	RUB billion			RUB billion		
Net cash provided by operating activities	293	160	83.1%	453	383	18.3%
Net cash used in investing activities	(244)	(165)	47.9%	(409)	(365)	12.1%
Net cash used in financing activities	(155)	(168)	(7.7)%	(323)	(41)	>100%

Net cash provided by operating activities

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

	For 3 months ended		%	For 6 months ended		%
	June 30, 2021	March 31, 2021		June 30, 2021	June 30, 2020	
	RUB billion			RUB billion		
Net cash provided by operating activity	293	160	83.1%	453	383	18.3%
<i>Offset of prepayments received under long term supply contracts at average ex.rate</i>	119	126	(5.6)%	245	193	26.9%
<i>Offset of other financial liabilities</i>	42	39	7.7%	81	74	9.5%
<i>Interest expense for prepayments under long term oil and petroleum products supply contracts¹</i>	11	13	(15.4)%	24	21	14.3%
<i>Financing of future deliveries under the long term oil and oil products supply contracts</i>	68	24	>100%	92	12	>100%
<i>Net (increase)/decrease in assets and liabilities of subsidiary bank</i>	19	53	(64.2)%	72	(110)	-
Adjusted net cash provided by operating activity	552	415	33.0%	967	573	68.8%

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 second quarter of 2021; offsetting of RUB 12 billion and interests paid of RUB 1 billion in the first quarter of 2021; offsetting of RUB 10 billion and interests paid of RUB 11 billion in the first half of 2020

Net cash used in investing activity

In the second quarter of 2021 the Company's cash flow from investing activity increased compared to the first quarter of 2021 and amounted to RUB 244 billion. In the first half of 2021 the Company's cash flow from investing activity mainly referred to the higher capital expenditures.

Net cash used in financing activities

The decrease in cash used from financial activities in the second quarter of 2021 compared to the first quarter of 2021 was due to reduction of both proceeds and scheduled repayments of loans and borrowings. At the same time, the amount of dividends paid by the Company in the second quarter of 2021 was RUB 30 billion (incl. RUB 22 billion attributable to Rosneft's shareholders).

In the first half of 2021, the net increase in cash used in 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.

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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 6 months ended		% change
	June 30, 2021	March 31, 2021		June 30, 2021	2020	
	RUB billion			RUB billion		
Vostok Oil ¹	75	47	59.6%	122	30	>100.0%
RN-Yuganskneftegaz	59	58	1.7%	117	78	50.0%
Samotlorneftegaz	17	18	(5.6)%	35	31	12.9%
RN-Uvatneftegaz	8	7	14.3%	15	13	15.4%
Bashneft-Dobycha	6	7	(14.3)%	13	13	–
RN-Purneftegaz ²	6	6	–	12	10	20.0%
Orenburgneft	5	7	(28.6)%	12	13	(7.7)%
Vostsibneftegaz	4	5	(20.0)%	9	11	(18.2)%
Samaraneftegaz	4	5	(20.0)%	9	11	(18.2)%
RN-Nyaganneftegaz	4	4	–	8	12	(33.3)%
Kharampurneftegaz	2	5	(60.0)%	7	5	40.0%
Rospan International	3	4	(25.0)%	7	7	–
Taas-Yuryakh Neftegazodobycha	4	3	33.3%	7	8	(12.5)%
Bashneft-Polyus	2	4	(50.0)%	6	11	(45.5)%
Verkhnechonskneftegaz	1	3	(66.7)%	4	9	(55.6)%
Tyumenneftegaz	1	3	(66.7)%	4	8	(50.0)%
Kondaneft	2	2	–	4	10	(60.0)%
Upstream projects (Sakhalin-1)	2	1	100.0%	3	5	(40.0)%
Sorovskneft	2	1	100.0%	3	4	(25.0)%
Upstream projects (Zohr)	1	1	–	2	10	(80.0)%
Sibneftegaz	1	1	–	2	2	–
Tomskneft VNK	–	1	–	1	4	(75.0)%
Other	14	12	16.7%	26	32 ³	(18.8)%
Government grants	–	–	–	–	(1)	–
Total upstream segment	223	205	8.8%	428	336	27.4%
Novokuibyshevsk refinery	–	2	–	2	3	(33.3)%
Bashneft refineries	1	1	–	2	2	–
Achinsk refinery	1	1	–	2	1	100.0%
Syzran refinery	1	1	–	2	1	100.0%
Angarsk refinery	2	0	–	2	1	100.0%
Komsomolsk refinery	2	0	–	2	1	100.0%
Kuibyshev refinery	0	1	(100.0)%	1	1	–
Tuapse refinery	1	0	–	1	1	–
Ryazan refinery	1	0	–	1	1	–
Saratov refinery	0	0	–	0	1	(100.0)%
Other refineries	1	3	(66.7)%	4	5	(20.0)%
Marketing Business Units and others	2	2	–	4	4	–
Total downstream segment	12	11	9.1%	23	22	4.5%
Total other activities	2	9	(77.8)%	11	9	22.2%
Total capital expenditures	237	225	5.3%	462	367	25.9%
Acquisition of licenses	1	7	(85.7)%	8	3	>100%
Return of auction advances	(3)	–	–	(3)	–	–

¹Including Vankor projects

²Including Sevkommeftegaz

³Including capital expenditures of RN-Severnaya Neft and Varyeganneftegaz, (disposed at the end of 2020) of RUB 5 bln and RUB 9 bln in the first half of 2020, respectively.

Capital expenditures in the second quarter of 2021 amounted to RUB 237 billion, (an increase of 5.3%), if compared with RUB 225 billion in the first quarter of 2021. Capital expenditures in the first half of 2021 amounted to RUB 462 billion. The growth by 25.9% in the first half of 2021 compared with the same period of 2020 was mainly due to the planned development phase of the “Vostok Oil” project and growth of drilling volumes 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 5 billion in the second quarter of 2021 referred to the acquisition of new licenses for research, exploration and production mainly in the Krasnoyarsk Territory, Samara region, Yamalo-Nenets Autonomous District and the Republic of Sakha (Yakutia).

Financial liabilities and liquid funds

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

As of the date	<i>currency in bln</i>											
	June 30, 2021				March 31, 2021				June 30, 2020			
	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)
Financial liabilities	(22.4)	(2,475)	(2.7)	(0.9)	(23.0)	(2,480)	(3.2)	(1.0)	(25.7)	(2,121)	(4.3)	(0.5)
Liquid funds	8.0	548	3.0	2.6	11.2	398	2.2	2.7	4.4	481	0.3	2.3
Net financial liabilities	(14.4)	(1,927)	0.3	1.7	(11.8)	(2,082)	(1.0)	1.7	(21.3)	(1,640)	(4.0)	1.8

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 6 months ended June 30,	
	June 30, 2020	March 31, 2021	2021	2020
EBITDA margin	25.9%	25.0%	25.5%	16.7%
Net income margin attributable to Rosneft shareholders	10.8%	8.6%	9.8%	(4.0)%
Current ratio	0.92	0.96	0.92	0.62
			RUB/bbl	
EBITDA/bbl ¹	1,647	1,349	1,501	626
Upstream capital expenditures/bbl	667	641	655	454
Upstream operating expenses/bbl	246	244	245	247
Free cash flow/bbl	943	595	773	279
			RUB/boe	
EBITDA/boe ¹	1,296	1,069	1,185	503
Upstream capital expenditures/boe	526	508	517	365
Upstream operating expenses/boe	194	194	194	199
Free cash flow/boe	742	471	610	224

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 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
Liquids production (mln bbl)	334.0	319.5	653.5	739.5
Hydrocarbon production (mln boe)	424.3	403.4	827.7	919.7

*Excluding share in production of associates and joint ventures.

Calculation of EBITDA

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
			RUB billion	
Revenues and equity share in profits of associates and joint ventures	2,167	1,737	3,904	2,797
Effect of prepayments offsetting	40	45	85	67
Costs and expenses	(1,800)	(1,494)	(3,294)	(2,728)
Depreciation, depletion and amortization	163	155	318	341
EBITDA	570	443	1,013	477
Expenses associated with COVID-19	1	2	3	2
EBITDA adjusted	571	445	1,016	479

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Calculation of Free Cash Flow

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
	RUB billion			
Operating cash flow	293	160	453	383
Capital expenditures	(237)	(225)	(462)	(367)
Offset of prepayments under long-term supply agreements ¹	119	126	245	193
Offset of other financial liabilities	42	39	81	74
Interest expense on prepayments under long-term supply agreements ²	11	13	24	21
Financing of future deliveries	68	24	92	12
Net decrease/(increase) in assets and liabilities of subsidiary banks	19	53	72	(110)
Free cash flow (RUB equivalent)	315	190	505	206

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 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
	RUB billion (except %)			
EBITDA¹	571	445	1,016	479
Revenues and equity share in profits of associates and joint ventures	2,167	1,737	3,904	2,797
Effect of prepayments offsetting	40	45	85	67
Adjusted revenues	2,207	1,782	3,989	2,864
EBITDA margin	25.9%	25.0%	25.5%	16.7%

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 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
	RUB billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	233	149	382	(113)
Revenues and equity share in profits of associates and joint ventures	2,167	1,737	3,904	2,797
Net income margin	10.8%	8.6%	9.8%	(4.0)%

Calculation of Current ratio

As of the date	June 30, 2021	March 31, 2021	June 30, 2020
	RUB billion (except ratios)		
Current assets	3,072	3,015	1,833
Current liabilities	3,355	3,126	2,978
Current ratio	0.92	0.96	0.62

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Consolidated financial highlights (in USD terms)

Consolidated statement of profit or loss

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
	USD billion*			
Total revenues and equity share in profits of associates and joint ventures	29.8	23.9	53.7	42.5
Costs and expenses				
Production and operating expenses	2.3	1.5	3.8	5.7
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	5.0	3.9	8.9	5.6
General and administrative expenses	0.5	0.5	1.0	0.7
Transportation costs and other commercial expenses	2.2	2.0	4.2	5.4
Exploration expenses	0.1	–	0.1	0.1
Depreciation, depletion and amortization	2.2	2.1	4.3	5.0
Taxes other than income tax	10.3	9.0	19.3	15.0
Export customs duty	1.7	1.0	2.7	2.6
Total costs and expenses	24.3	20.0	44.3	40.1
Operating income	5.5	3.9	9.4	2.4
Finance income	0.4	0.4	0.8	0.7
Finance expenses	(0.7)	(0.8)	(1.5)	(1.5)
Other income	0.1	0.1	0.2	–
Other expenses	(0.5)	(0.2)	(0.7)	(0.9)
Foreign exchange differences	(0.4)	(0.6)	(1.0)	(2.0)
Income/(loss) before income tax	4.4	2.8	7.2	(1.3)
Income tax (expense)/benefit	(0.9)	(0.5)	(1.4)	0.2
Net income/(loss)	3.5	2.3	5.8	(1.1)
Net income/(loss) attributable to Rosneft shareholders	3.1	2.0	5.1	(1.3)

* 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 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
EBITDA margin	25.8%	25.1%	25.5%	17.4%
Net income margin attributable to Rosneft shareholders	10.4%	8.4%	9.5%	(3.1)%
Current ratio	0.92	0.96	0.92	0.62
	USD/bbl*			
EBITDA/bbl	22.2	18.2	20.2	9.6
Upstream capital expenditures/bbl	9.1	8.7	8.9	6.5
Upstream operating expenses/bbl	3.3	3.3	3.3	3.6
Free cash flow/bbl	13.0	7.8	10.6	4.5
	USD/boe			
EBITDA/boe	17.4	14.4	15.9	7.7
Upstream capital expenditures/boe	7.1	6.9	7.0	5.2
Upstream operating expenses/boe	2.6	2.6	2.6	2.9
Free cash flow/boe	10.3	6.1	8.3	3.7

* Calculated from unrounded data.

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Calculation of Free Cash Flow

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
	USD billion			
Operating cash flow	4.0	2.1	6.1	6.0
Capital expenditures	(3.1)	(3.0)	(6.1)	(5.3)
Offset of prepayments under long-term supply agreements	1.6	1.7	3.3	2.8
Offset of other financial liabilities	0.6	0.5	1.1	1.1
Interest expense on prepayments under long-term supply contracts	0.1	0.2	0.3	0.3
Financing of future deliveries	0.9	0.3	1.2	0.2
Net (increase)/decrease in assets and liabilities of subsidiary bank	0.3	0.7	1.0	(1.7)
Free cash flow	4.4	2.5	6.9	3.4

Calculation of EBITDA Margin

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
	USD billion (except %)			
Revenues and equity share in profits of associates and joint ventures	29.8	23.9	53.7	42.5
Operating expenses	(24.3)	(20.0)	(44.3)	(40.1)
Depreciation, depletion and amortization	2.2	2.1	4.3	5.0
EBITDA	7.7	6.0	13.7	7.4
<i>Expenses associated with COVID-19</i>	<i>0.01</i>	<i>0.03</i>	<i>0.04</i>	<i>0.03</i>
EBITDA adjusted	7.7	6.0	13.7	7.4
Revenues and equity share in profits of associates and joint ventures	29.8	23.9	53.7	42.5
EBITDA margin	25.8%	25.1%	25.5%	17.4%

Calculation of Net Income Margin

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
	USD billion (except %)			
Net income/(loss) attributable to Rosneft shareholders	3.1	2.0	5.1	(1.3)
Revenues and equity share in profits of associates and joint ventures	29.8	23.9	53.7	42.5
Net income margin	10.4%	8.4%	9.5%	(3.1)%

Calculation of Current ratio

As of the date	June 30, 2021	March 31, 2021	June 30, 2020
		USD billion (except ratios)	
Current assets	42.4	39.8	26.2
Current liabilities	46.4	41.3	42.6
Current ratio	0.92	0.96	0.62

Attachment 1: Risks and opportunities associated with climate change

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

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

In 2017, in order to further improve the effectiveness of activities in the field of industrial safety, labour protection and the environment, a Committee was formed on the industrial safety, labour protection and environment, within which a carbon management subcommittee was subsequently created to help achieve goals to face climate change. In 2021, the Subcommittee on Carbon Management was transformed into the Committee on Carbon Management in order to improve the monitoring and coordination of programs aimed at reducing greenhouse gas emissions.

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

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

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

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

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

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

International assessment of Rosneft activity in the field of sustainable development

In December 2018, the Board of Directors confirmed that commitment to the 17 UN sustainable development goals is part of the Company's strategy and approved the public position: "Rosneft: contribution to the implementation of the UN sustainable development goals" (updated annually). In its activities, the Company is committed to the highest principles of sustainable development, which is confirmed by the positive assessment of the world community.

Since 2007, Rosneft has published a report on sustainable development in accordance with the international standards of the Global reporting Initiative (GRI). Since 2010, the Company has been a member of the UN Global compact, and in June 2019, it joined the "Guidelines for reducing methane emissions".

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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:

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

919 – the base tax rate in RUB per tonne;

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

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

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

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

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

Where:

“P” – Urals price (see above);

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

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

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

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

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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 KHMAO – Yugra, the initial recoverable oil reserves of which amount to 450 million tonnes or more as of January 1, 2016 (the amount of the deduction is determined in aggregate for the specified fields and amounts to RUB 2,917 million for the tax period (calendar month)).</p> <p>2. At fields located entirely within the subsoil areas, simultaneously located within the borders of the Surgut and Khanta-Mansi districts of HMAO - Ugra, licenses for use of which are issued until 01.01.2018 and the initial recoverable oil reserves of each of which amount to 1,000 million tonnes or more as of 01.01.2018 in the amount of 3,830 million rubles/month before reaching the accumulated deduction amounting to RUB 460 billion. The deduction is applied on condition of concluding an agreement on oil production with the Ministry of Finance of Russia and the Ministry of Natural Resources of Russia, as well as exceeding the price of oil 'Urals' over the base price of oil for the purposes of the Budget of the Russian Federation (Article 96.6 of the Russian Budget Code) during the period of application of the deduction. In addition, the amount of the deduction may not exceed the amount of conditional additional income of the Russian budget from the application of the deduction, defined as the amount of MET and export duties from additional production as a result of the deduction (difference between the actual volume of production and the base (in the absence of a deduction) recorded in the agreement on production).</p>
Tax deduction in connection with the creation of infrastructure facilities	When extracting oil from subsurface areas that meet the requirements set out in clause 2 of article 343.5 of the tax code of the Russian Federation. The tax deduction is provided in the amount of actually paid expenses (including the listed advances) for the creation of road transport, engineering, and energy infrastructure necessary for the development of subsoil plots of the 5th group in excess profit tax, and may not exceed the maximum coefficient P_{vancor} calculated in accordance with paragraphs 7 and 8 of article 343.5 of the tax code of the Russian Federation. The right to deduction arises in tax periods in which Urals exceeds the base oil price set by the tax code of the Russian Federation. USD 25 per barrel-from 01.01.2021 for the entire period of the tax deduction).
Special tax regime for offshore projects in the Russian Federation	The offshore projects are categorized into one of four groups depending on its complexity and special MET rates for each project group ranging from 5% to 30% of hydrocarbon prices are applied.
Special tax regime exempting the Company from paying MET.	Exploration projects in the Sakhalin-1 PSA.

MET rate calculation for natural gas and gas condensate

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

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

Reducing coefficient in 2021	Applicable to the Company
0.5	License areas: Rospan, fields of the Volga and North Caucasus federal district
0.64	License areas: a number of fields of Sibneftegaz, and also at Yamalo-Nenets Autonomous District, the Chechen republic and Krasnodar region
0.1	License areas: Irkutsk region, Krasnoyarsk region and the region of Far East
0.21	License areas: Turon deposits reserves of the Kharampurskoye field
0.5-1	Fields with reserve depletion rate of over 70%.

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%
2		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 NCFD, Sakhalin region (except for marine deposits and the deposits partially located in borders of internal marine waters and-or the territorial sea Russian Federation) KHMAO, YANAO, Komi Republic, Tyumen, Orenburg	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. Without dependence from a degree of depletion. From 20% to 80% or from 10% to 80% provided that on 01.01.2011 worked out >1%. List of fields is determined by the Law.
4	Greenfields of Western Siberia and other regions KHMAO, YANAO, Komi Republic, Tyumen region, Orenburg and Samara regions	Not exceeding 5%. IRR < 45 million tonnes as of January 1, 2017. List of fields is determined by the Law.
Greenfields in Arctic zone		
5	North in the Krasnoyarsk territory, the Republic of Sakha (Yakutia), the Chukotka Autonomous district	Not exceeding 0.1% as of January 1, 2019

Excise tax

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

The Company as an owner of raw materials applies excises deductions for particular types of petroleum products (naphtha, benzene, paraxylol, orthoxylol, 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 certain subjects of Russian Federation);
- the approach for calculating the "damping component" of the excise deduction aimed at reducing the effect of macroeconomic fluctuations on the domestic market of motor fuels.

Export Customs Duty

Export Customs Duty on Crude Oil

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

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

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

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

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

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

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

By the Federal law No. 268-FZ, dated September 30, 2013, introducing a special tax regime in respect of the projects on the continental shelf of the Russian Federation a full exemption of hydrocarbons produced at offshore fields from the export customs duties is provided. Mainly thus exemption relates to the fields which commercial production starting from January 1, 2016. Such an exemption is set for various terms depending on complexity of a field development project.

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

Until 2021, the list of fields and the maximum accumulated volume of oil that could be exported using special formulas for calculating the export duty rate was fixed in the Russian Federation Customs Tariff Act. The law named the Vostochno-Messoyakhskoye field, the Srednebotuobinskoye field and the Kuyumbinskoye field.

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

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.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2021 and in the first half of 2021 and 2020

Attachment 3: EBITDA by segment

	<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>1</i>
EBITDA adjusted	527	65	(21)	–	571

	<i>For 3 months ended March 31, 2021</i>				
	Exploration and Production	Refining and distribution	Corporate segment	Intersegment	Consolidated P&L
Total revenues and equity share in profits of associates and joint ventures	1,138	1,749	47	(1,197)	1,737
Total costs and expenses	718	1,748	70	(1,197)	1,339
Effect of prepayments offsetting	45	–	–	–	45
EBITDA	465	1	(23)	–	443
<i>Expenses associated with COVID-19</i>	<i>2</i>	–	–	–	<i>2</i>
EBITDA adjusted	467	1	(23)	–	445

	<i>For 6 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	2,483	3,917	101	(2,597)	3,904
Total costs and expenses	1,577	3,851	145	(2,597)	2,976
Effect of prepayments offsetting	85	–	–	–	85
EBITDA	991	66	(44)	–	1,013
<i>Expenses associated with COVID-19</i>	<i>3</i>	–	–	–	<i>3</i>
EBITDA adjusted	994	66	(44)	–	1,016

	<i>For 6 months ended June 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	1,356	2,828	106	(1,493)	2,797
Total costs and expenses	963	2,790	127	(1,493)	2,387
Effect of prepayments offsetting	67	–	–	–	67
EBITDA	460	38	(21)	–	477
<i>Expenses associated with COVID-19</i>	<i>2</i>	–	–	–	<i>2</i>
EBITDA adjusted	462	38	(21)	–	479

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		71.29
August		73.80
September		75.66
October		77.59
November		77.05
December		74.06