



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED  
JUNE 30, 2020 AND MARCH 31, 2020  
AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

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*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, 2020 and 2019 and March 31, 2020 (the "Interim Consolidated Financial Statements"). Such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean PJSC Rosneft Oil Company and its consolidated subsidiaries, and its equity share in associates and joint ventures. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.*

*Except as otherwise indicated, oil and gas reserves are presented pro-rata for associates and joint ventures and 100% for fully consolidated subsidiaries.*

*Except as otherwise indicated, all amounts are provided in billions of RUB. All figures are rounded, however, figures per unit of production are provided based on the actual data.*

*To convert tonnes of liquid hydrocarbon (except gas condensate of JSC "Rospan International") to barrels a 7.404 ratio is used. To convert Rospan gas condensate to barrels a 8.3 ratio is used. To convert a thousand of cubic meters of gas to barrels of oil equivalent a 6.09 ratio is used.*

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## Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively

### Overview

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

According to oil, condensate, NGL and marketable gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, proved hydrocarbon reserves reached 42 billion boe per SEC classification and 47 billion boe per PRMS classification as of December 31, 2019 and amounted to 41 billion boe per SEC classification and 47 billion boe per PRMS classification as of December 31, 2018.

For the first half of 2020 the liquid hydrocarbons production of the Company amounted to 106.5 mln tonnes. The production of natural and associated gas for the first half of 2020 was 31.79 bcm.

For the second half of 2020, the Company's total crude oil processing amounted to 52.72 mln tonnes at the refineries in Russia and abroad. The remaining volumes of crude oil are exported to Europe, Asia and the CIS.

### Financial and operating highlights

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
<b>Financial results, RUB billion</b>						
Revenues and equity share in profits of associates and joint ventures	1,039	1,765	(41.1)%	2,804	4,212	(33.4)%
EBITDA <sup>1</sup>	170	309	(45.0)%	479	1,063	(54.9)%
Net income attributable to Rosneft shareholders	43	(156)	–	(113)	325	–
Capital expenditures	182	185	(1.6)%	367	436	(15.8)%
Free cash flow <sup>2,3</sup>	(13)	219	–	206	349	(41.0)%
<b>Operational results</b>						
Hydrocarbon production (th. boe per day)	5,051	5,753	(12.2)%	5,402	5,806	(7.0)%
Liquids production (th. barrels per day)	4,036	4,640	(13.0)%	4,338	4,681	(7.3)%
Gas production (th. boe per day)	1,015	1,113	(8.8)%	1,064	1,125	(5.4)%
Crude oil processing at refineries in Russia (th. tonnes per day)	236	285	(17.2)%	261	262	(0.4)%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	20.93	25.07	(16.5)%	46.00	45.76	0.5%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	2.54	2.93	(13.3)%	5.47	4.70	16.4%

<sup>1</sup>EBITDA adjusted for costs associated with COVID 19 in 2020 (RUB 2 billion in the first half of 2020).

<sup>2</sup>Free cash flow estimation includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 1 billion and interests paid of RUB 8 billion in the second quarter of 2020; offsetting of RUB 9 billion and interests paid of RUB 3 billion in the first quarter of 2020; offsetting of RUB 36 billion and interests paid of RUB 4 billion in the first half of 2019.

<sup>3</sup>Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity.

### For reference only: Financial highlights in USD terms

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
<b>Financial results, USD billion*</b>						
Revenues and equity share in profits of associates and joint ventures	14.9	27.6	(46.0)%	42.5	65.5	(35.1)%
EBITDA	2.5	4.9	(49.0)%	7.4	16.3	(54.6)%
Net income attributable to Rosneft shareholders	0.7	(2.0)	–	(1.3)	4.9	–
Capital expenditures	2.5	2.8	(10.7)%	5.3	6.7	(20.9)%
Free cash flow	(0.1)	3.5	–	3.4	5.3	(35.8)%

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

**Events after reporting date**

***Rosneft completed dividend payments for 2019***

On July 14, 2020, Rosneft completed dividend payments for 2019 approved by the Annual General Shareholder Meeting of Rosneft Oil Company on June 2, 2020. Total dividend payment amounted to RUB 191,466.31 million.

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**Macroeconomic factors affecting results of operations**

Main factors affecting Rosneft's results of operations are:

- COVID-19 economic impact;
- Changes in crude oil, gas and petroleum products prices;
- USD/RUB and EUR/RUB exchange rates and inflation;
- Compliance with new restrictions of crude oil production reached by OPEC+ Agreement;
- Changes in taxation of mineral extraction tax, excess profit tax, export customs duty and excises;
- Changes in tariffs of natural monopolies (for pipeline and railway transport);
- Changes in electricity prices.

**Changes in Crude Oil, Petroleum Product and Gas Prices**

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

	For 3 months ended		% Change	For 6 months ended June 30,		% Change
	June 30, 2020	March 31, 2020		2020	2019	
<b>World market</b>	<b>(USD per barrel)</b>			<b>(USD per barrel)</b>		
Brent	29.2	50.1	(41.8)%	39.7	66.0	(39.9)%
Urals (average Med and NWE)	31.2	48.1	(35.1)%	39.7	65.5	(39.5)%
Urals (FOB Primorsk)	27.8	46.2	(40.0)%	37.0	64.5	(42.6)%
Urals (FOB Novorossiysk)	28.1	46.2	(39.1)%	37.1	64.5	(42.5)%
Dubai	30.5	50.7	(39.7)%	40.6	65.4	(38.0)%
	<b>(USD per tonne)</b>			<b>(USD per tonne)</b>		
Naphtha (av. FOB/CIF Med)	212	389	(45.6)%	300	495	(39.4)%
Naphtha (av. FOB Rotterdam/CIF NWE)	234	410	(42.8)%	322	510	(36.9)%
Naphtha (CFR Japan)	274	439	(37.7)%	357	530	(32.7)%
Fuel oil (av. FOB/CIF Med)	151	232	(35.2)%	192	382	(49.9)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	158	225	(30.0)%	191	380	(49.6)%
High sulphur fuel oil 180 cst (FOB Singapore)	184	275	(33.2)%	229	410	(44.1)%
Gasoil (av. FOB/CIF Med)	258	458	(43.7)%	358	587	(39.0)%
Gasoil (av. FOB Rotterdam/CIF NWE)	274	462	(40.8)%	368	590	(37.7)%
Gasoil (FOB Singapore)	265	450	(41.2)%	358	570	(37.3)%
	<b>(th. RUB per barrel)</b>			<b>(th. RUB per barrel)</b>		
Brent	2.11	3.33	(36.5)%	2.75	4.31	(36.2)%
Urals (average Med and NWE)	2.26	3.19	(29.2)%	2.75	4.28	(35.8)%
Urals (FOB Primorsk)	2.01	3.07	(34.6)%	2.57	4.21	(39.1)%
Urals (FOB Novorossiysk)	2.03	3.06	(33.7)%	2.58	4.22	(38.9)%
Dubai	2.21	3.36	(34.3)%	2.82	4.28	(34.1)%
	<b>(th. RUB per tonne)</b>			<b>(th. RUB per tonne)</b>		
Naphtha (av. FOB/CIF Med)	15.3	25.8	(40.7)%	20.8	32.4	(35.7)%
Naphtha (av. FOB Rotterdam/CIF NWE)	17.0	27.2	(37.7)%	22.4	33.3	(33.0)%
Naphtha (CFR Japan)	19.8	29.2	(32.1)%	24.7	34.6	(28.6)%
Fuel oil (av. FOB/CIF Med)	10.9	15.4	(29.4)%	13.3	25.0	(46.8)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	11.4	14.9	(23.6)%	13.3	24.8	(46.5)%
High sulphur fuel oil 180 cst (FOB Singapore)	13.3	18.2	(27.2)%	15.9	26.8	(40.6)%
Gasoil (av. FOB/CIF Med)	18.7	30.4	(38.6)%	24.8	38.3	(35.2)%
Gasoil (av. FOB Rotterdam/CIF NWE)	19.8	30.7	(35.5)%	25.5	38.6	(33.9)%
Gasoil (FOB Singapore)	19.2	29.9	(35.9)%	24.8	37.3	(33.4)%
<b>Russian market (net of VAT, including excise tax)</b>	<b>(th. RUB per tonne)</b>			<b>(th. RUB per tonne)</b>		
Crude oil	10.4	14.2	(26.9)%	12.3	21.5	(42.8)%
Fuel oil	5.7	8.7	(34.4)%	7.2	14.9	(51.8)%
Summer diesel	39.1	37.6	3.8%	38.4	39.6	(3.2)%
Winter diesel	38.2	40.6	(5.8)%	39.4	41.3	(4.7)%
Jet fuel	24.7	34.4	(28.4)%	29.5	37.3	(20.9)%
High octane gasoline	39.0	39.1	(0.3)%	39.1	36.8	6.2%

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

The difference between price movements denominated in USD and those denominated in RUB is due to nominal RUB depreciation against USD of 8.3% in the second quarter of 2020 compared to the first quarter of 2020. Against the background of the general volatility of energy prices on world markets, gas prices on the domestic market demonstrate positive dynamics.

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 starting from August 2020. Starting from July 1, 2019, indexation of gas price was 1.4%.

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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, 2020	March 31, 2020	2020	2019
Producer price index (PPI) y-o-y	(11.6)%	(1.7)%	(6.4)%	8.9%
Average RUB/USD exchange rate for the period*	72.36	66.38	69.37	65.34
RUB/USD exchange rate at the end of the period	69.95	77.73	69.95	63.08
Average RUB/EUR exchange rate for the period	79.65	73.23	76.44	73.84
RUB/EUR exchange rate at the end of the period	78.68	85.74	78.68	71.82

Source: the Central Bank of the Russian Federation.

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

### Mineral Extraction Tax, Excess Profit Tax, Export Duties and Excise Taxes

The table below provides information on actual tax rates of mineral extraction tax and export customs duty of crude oil and petroleum products:

	For 3 months ended		% change*	For 6 months ended June 30,		% change*
	June 30, 2020	March 31, 2020		2020	2019	
<b>Mineral extraction tax</b>						
Crude oil (RUB per tonne)	4,874	10,569	(53.9)%	7,722	13,563	(43.1)%
<b>Export customs duty for crude oil</b>						
Crude oil (USD per tonne)	22.2	74.1	(70.0)%	48.2	95.7	(49.7)%
Crude oil (RUB per tonne)	1,647	4,894	(66.3)%	3,271	6,246	(47.6)%
Crude oil (RUB per barrel)	222	661	(66.3)%	442	844	(47.6)%
<b>Export customs duty for petroleum products</b>						
Gasoline (RUB per tonne)	491	1,464	(66.5)%	978	1,872	(47.8)%
Naphtha (RUB per tonne)	904	2,686	(66.4)%	1,795	3,432	(47.7)%
Light and middle distillates (RUB per tonne)	491	1,464	(66.5)%	978	1,872	(47.8)%
Liquid fuels (fuel oil) (RUB per tonne)	1,647	4,894	(66.3)%	3,271	6,246	(47.6)%

\*Calculated 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, 2019	Since January 1 through December 31, 2020
<b>High octane gasoline</b>		
High octane gasoline non-compliant with euro-5	13,100	13,100
High octane gasoline euro-5	12,314	12,752
<b>Naphtha</b>	13,912	14,720
<b>Diesel</b>	8,541	8,835
<b>Jet fuel</b>	2,800	2,800
<b>Lubricants</b>	5,400	5,616
<b>Benzol, paraxylene, ortoxylyene</b>	2,929	3,058
<b>Middle distillates</b>	9,241	9,535*

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

The Company's tax burden on revenues was 48.7% in the first half of 2020, most part relates to mineral extraction tax, excess profit tax and the export customs duty accounted (for approximately 70.2%). The share of fiscal withdrawals in the Company's financial result (operating income before fiscal payments) amounted to 94.2% for the first half of 2020.

### **Changes in Transport Tariffs of Pipeline and Railway Monopolies**

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

#### *Recent changes of Transneft transportation tariffs*

##### *Crude oil*

Starting from January 1, 2020 Transneft tariffs for oil pipeline transportation increased by 3.4%. Starting from February 1, 2020 transit tariffs through the territory of the Republic of Belarus increased by 6.6%.

#### *Recent changes in railroad transportation tariffs*

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

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Consolidated statement of profit or loss for the three months ended June 30, 2020 and March 31, 2020 and for the six months ended June 30, 2020 and 2019, respectively.

in RUB billions

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
<b>Revenues and equity share in profits of associates and joint ventures</b>						
Oil, gas, petroleum products and petrochemicals sales	1,016	1,732	(41.3)%	2,748	4,116	(33.2)%
Support services and other revenues	18	22	(18.2)%	40	44	(9.1)%
Equity share in profits of associates and joint ventures	5	11	(54.5)%	16	52	(69.2)%
<b>Total revenues and equity share in profits of associates and joint ventures</b>	<b>1,039</b>	<b>1,765</b>	<b>(41.1)%</b>	<b>2,804</b>	<b>4,212</b>	<b>(33.4)%</b>
<b>Costs and expenses</b>						
Production and operating expenses	201	202	(0.5)%	403	305	32.1%
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	90	280	(67.9)%	370	746	(50.4)%
General and administrative expenses	17	29	(41.4)%	46	111	(58.6)%
Transportation costs and other commercial expenses	157	215	(27.0)%	372	324	14.8%
Exploration expenses	4	2	100.0%	6	4	50.0%
Depreciation, depletion and amortization	165	176	(6.3)%	341	338	0.9%
Taxes other than income tax	384	633	(39.3)%	1,017	1,331	(23.6)%
Export customs duty	53	127	(58.3)%	180	391	(54.0)%
<b>Total costs and expenses</b>	<b>1,071</b>	<b>1,664</b>	<b>(35.6)%</b>	<b>2,735</b>	<b>3,550</b>	<b>(23.0)%</b>
<b>Operating income</b>	<b>(32)</b>	<b>101</b>	<b>–</b>	<b>69</b>	<b>662</b>	<b>(89.6)%</b>
Finance income	23	24	(4.2)%	47	77	(38.9)%
Finance expenses	(25)	(80)	(68.8)%	(105)	(120)	(12.5)%
Other income	1	2	(50.0)%	3	4	(25.0)%
Other expenses	(21)	(46)	(54.3)%	(67)	(121)	(44.6)%
Foreign exchange differences	111	(177)	>100%	(66)	30	>100%
Realized foreign exchange differences on hedge instruments	1	-		1	(73)	
<b>Income/(loss) before income tax</b>	<b>58</b>	<b>(176)</b>	<b>–</b>	<b>(118)</b>	<b>459</b>	<b>–</b>
Income tax (expense)/benefit	(13)	33	>100%	20	(83)	>100%
<b>Net income/(loss)</b>	<b>45</b>	<b>(143)</b>	<b>–</b>	<b>(98)</b>	<b>376</b>	<b>–</b>
<b>Net income attributable to</b>						
- Rosneft shareholders	43	(156)	–	(113)	325	–
- non-controlling interests	2	13	(84.6)%	15	51	(70.6)%

## **Business Segments and Intersegment Sales**

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

### **Operating Segments**

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

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

### **Intersegment Sales**

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

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

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## Upstream Operating Results

The segment includes Rosneft Group entities that provide operating services, the independent enterprises that produce oil, gas and gas condensate in Russia and abroad, the joint ventures and exploration units in Russia and abroad, oil service entities. The segment includes revenues generated by the transfer of oil, gas and NGL to the Downstream segment for subsequent processing and sales to third parties and all operating costs associated with production and exploration, and also revenues and costs of oil service entities that provide services to the Group entities. The results are set in the table below:

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
<b>Operational results</b>						
Hydrocarbon production (th. boe per day)	5,051	5,753	(12.2)%	5,402	5,806	(7.0)%
Liquids production (th. barrels per day)	4,036	4,640	(13.0)%	4,338	4,681	(7.3)%
Gas production (th. boe per day)	1,015	1,113	(8.8)%	1,064	1,125	(5.4)%
Hydrocarbon production (mln boe)*	431.1	488.6	(11.8)%	919.7	978.2	(6.0)%
Hydrocarbon production (mln toe)	62.0	70.7	(12.3)%	132.7	141.8	(6.4)%
<b>Financial results, RUB billions</b>						
EBITDA	193	269	(28.3)%	462	1 049	(56.0)%
Capital expenditures**	166	170	(2.4)%	336	395	(14.9)%
Upstream operating expenses	89.6	93.2	(3.9)%	182.8	194.8	(6.2)%
<b>Indicators per boe</b>						
EBITDA, RUB/boe*	445	546	(18.5)%	499	1,031	(51.6)%
Capital expenditures, RUB/boe	385	348	10.6%	365	404	(9.7)%
Upstream operating expenses, RUB/boe	208	191	8.9%	199	199	–
Upstream operating expenses, USD/boe***	2.9	2.9	–	2.9	3.1	(6.5)%

\*Excluding effect of associates and joint ventures.

\*\*Ref. to "Capital expenditures".

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

## Upstream EBITDA

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
<b>Revenues and equity share in profits of associates and joint ventures</b>	<b>493</b>	<b>863</b>	<b>(42.9)%</b>	<b>1,356</b>	<b>2,473</b>	<b>(45.2)%</b>
<i>Including equity share in profits of associates and joint ventures</i>	<i>1</i>	<i>2</i>	<i>(50.0)%</i>	<i>3</i>	<i>40</i>	<i>(92.5)%</i>
<b>Expenses net of depreciation including</b>	<b>337</b>	<b>626</b>	<b>(46.2)%</b>	<b>963</b>	<b>1,487</b>	<b>(35.2)%</b>
Upstream operating expenses*	90	93	(3.9)%	183	195	(6.2)%
Expenses associated with COVID-19	2	–	–	2	–	–
General and administrative expenses	16	15	6.7%	31	34	(8.8)%
Hydrocarbon procurement costs	2	4	(50.0)%	6	14	(57.1)%
Pipeline tariffs and transportation costs and other costs**	23	20	15.0%	43	19	>100%
Exploration expenses	6	3	100.0%	9	6	50.0%
Taxes other than income tax	204	478	(57.3)%	682	1 231	(44.6)%
Effect of increase in stock of crude oil	(6)	13	–	7	(12)	–
<i>Effect of prepayments offsetting</i>	<i>35</i>	<i>32</i>	<i>9.4%</i>	<i>67</i>	<i>63</i>	<i>6.3%</i>
<b>EBITDA</b>	<b>191</b>	<b>269</b>	<b>(29.0)%</b>	<b>460</b>	<b>1,049</b>	<b>(56.1)%</b>
<i>Expenses associated with COVID-19</i>	<i>2</i>	<i>–</i>	<i>–</i>	<i>2</i>	<i>–</i>	<i>–</i>
<b>Adjusted EBITDA</b>	<b>193</b>	<b>269</b>	<b>(28.3)%</b>	<b>462</b>	<b>1,049</b>	<b>(56.0)%</b>

\*Percentage is calculated based on the unrounded data.

\*\*Other costs include revision of ecological reserves of RUB 0.2 billion in the second quarter of 2020 and RUB 0.1 billion in the first quarter of 2020, and RUB 0.7 billion in the first half of 2019.

## Operating indicators

### Production of liquid hydrocarbons

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

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

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
	(million of barrels)			(million of barrels)		
RN-Yuganskneftegaz (Western Siberia)	107.7	127.5	(15.5)%	235.2	255.5	(7.9)%
Samotlorneftegaz (Western Siberia)	33.7	35.5	(5.1)%	69.2	71.5	(3.2)%
Projects of the Vankor group (Eastern Siberia)	27.9	31.2	(10.6)%	59.1	68.3	(13.5)%
Bashneft-Dobycha (Ural-Volga)	24.7	30.5	(19.0)%	55.2	60.0	(8.0)%
Orenburgneft (Ural-Volga)	22.8	26.4	(13.6)%	49.2	53.8	(8.6)%
Samaraneftegaz (Ural-Volga)	21.7	23.8	(8.8)%	45.5	45.4	0.2%
RN-Uvatneftegaz (Western Siberia)	16.0	18.5	(13.5)%	34.5	37.7	(8.5)%
Verkhnechonskneftegaz (Eastern Siberia)	14.0	14.6	(4.1)%	28.6	28.7	(0.3)%
RN-Nyaganneftegaz (Western Siberia)	9.8	13.0	(24.6)%	22.8	25.1	(9.2)%
Varyeganneftegaz (Western Siberia)	11.0	11.0	–	22.0	23.2	(5.2)%
Taas-Yuryakh (Far East)	8.7	8.4	3.6%	17.1	13.8	23.9%
Tomskneft (Western Siberia)	6.1	7.6	(19.7)%	13.7	15.3	(10.5)%
RN-Purneftegaz (Western Siberia)	6.4	6.4	–	12.8	13.2	(3.0)%
Vostsibneftegaz (Eastern Siberia)	5.6	6.1	(8.2)%	11.7	15.4	(24.0)%
Kondaneft (Western Siberia)	4.5	5.6	(19.6)%	10.1	9.6	5.2%
Offshore projects (Far East)*	4.8	5.0	(4.0)%	9.8	9.7	1.0%
RN-Severnaya Neft (Timan-Pechora)	3.0	4.5	(33.3)%	7.5	10.1	(25.7)%
Rospan International (Western Siberia)	3.0	3.2	(6.3)%	6.2	5.8	6.9%
Bashneft-Polyus (Timan-Pechora)**	1.7	2.1	(19.0)%	3.8	4.0	(5.0)%
Kharampurneftegaz (Western Siberia)	1.9	1.9	–	3.8	4.6	(17.4)%
Sorovskneft (Western Siberia)	1.4	2.3	(39.1)%	3.7	5.0	(26.0)%
Other	8.8	9.2	(4.3)%	18.0	14.7	22.4%
<b>Liquids production by fully and proportionately consolidated enterprises</b>	<b>345.2</b>	<b>394.3</b>	<b>(12.5)%</b>	<b>739.5</b>	<b>790.4</b>	<b>(6.4)%</b>
Slavneft (Western and Eastern Siberia)	10.3	12.7	(18.9)%	23.0	25.4	(9.4)%
Udmurtneft (Ural-Volga)	4.7	5.5	(14.5)%	10.2	10.7	(4.7)%
Messoyakhaneftegaz (Western Siberia)	5.1	5.2	(1.9)%	10.3	9.4	9.6%
Other	2.0	4.5	(55.6)%	6.5	11.3	(42.5)%
<b>Total share in production of associates and JV</b>	<b>22.1</b>	<b>27.9</b>	<b>(20.8)%</b>	<b>50.0</b>	<b>56.8</b>	<b>(12.0)%</b>
<b>Total liquids production</b>	<b>367.3</b>	<b>422.2</b>	<b>(13.0)%</b>	<b>789.5</b>	<b>847.2</b>	<b>(6.8)%</b>
<b>Daily liquids production (th. barrels per day)</b>	<b>4,036</b>	<b>4,640</b>	<b>(13.0)%</b>	<b>4,338</b>	<b>4,681</b>	<b>(7.3)%</b>

\*Net of royalty and government share.

\*\*Refers to 100% consolidated share in production.

In the second quarter of 2020, the average daily liquid hydrocarbons production amounted to 4.04 million barrels per day, having decreased by 13.0% compared with the first quarter of 2020 as a result of compliance with the new OPEC+ Agreement obligations from May 2020.

The decrease in daily production of 7.3% compared with the first half of 2019 is mainly due to higher production cuts in the first quarter of 2020 under the new OPEC+ Agreement.

In the first half of 2020 development drilling footage amounted to 4.8 mln meters and the number of new wells commissioned amounted to 1.1 thousand units. The number of newly commissioned horizontal wells amounted to 756 units and slightly decreased compared to the same period of the last year. Meanwhile, the share of such wells has increased by 1.4 p.p. year-on-year up to 68% of the total number of new wells commissioned.

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The share of newly commissioned horizontal wells with multistage hydro fracturing has reached 41% of the total number of new wells commissioned.

### Production of Gas

The table below sets forth Rosneft's used gas\* production:

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
	bcm			bcm		
Sibneftegas (Western Siberia)	2.61	2.64	(1.1)%	5.25	5.64	(6.9)%
Rospan International (Western Siberia)	1.55	1.64	(5.5)%	3.19	3.34	(4.5)%
Samotlorneftegaz (Western Siberia)	1.43	1.59	(10.1)%	3.02	3.03	(0.3)%
Projects of the Vankor group (Eastern Siberia)**	1.38	1.42	(2.8)%	2.80	3.24	(13.6)%
RN-Yuganskneftegaz (Western Siberia)	1.08	1.28	(15.6)%	2.36	2.32	1.7%
Varyeganneftegaz (Western Siberia)	1.03	1.04	(1.0)%	2.07	1.99	4.0%
RN-Purneftegaz (Western Siberia)	1.01	1.02	(1.0)%	2.03	2.16	(6.0)%
Zohr project (Egypt)***	0.76	0.91	(16.5)%	1.67	1.99	(16.1)%
Offshore projects (Far East)**, ***	0.57	0.86	(33.7)%	1.43	1.10	30.0%
RN-Nyaganneftegaz (Western Siberia)	0.41	0.56	(26.8)%	0.97	1.06	(8.5)%
RN-Krasnodarneftegaz (Southern Russia)	0.38	0.43	(11.6)%	0.81	0.94	(13.8)%
Verkhnechonskneftegaz (Eastern Siberia)	0.32	0.35	(8.6)%	0.67	0.61	9.8%
Orenburgneft (Ural-Volga)	0.31	0.31	–	0.62	0.60	3.3%
Kharampurneftegaz (Western Siberia)	0.24	0.24	–	0.48	0.45	6.7%
Tomskneft (Western Siberia)	0.19	0.24	(20.8)%	0.43	0.48	(10.4)%
Rosneft Vietnam B.V. (Vietnam)	0.16	0.19	(15.8)%	0.35	0.41	(14.6)%
Samaraneftegaz (Ural-Volga)	0.10	0.13	(23.1)%	0.23	0.25	(8.0)%
Bashneft-Dobycha (Ural-Volga)**	0.10	0.13	(23.1)%	0.23	0.25	(8.0)%
RN-Sakhalinmorneftegaz (Far East)	0.10	0.10	–	0.20	0.20	–
RN-Uvatneftegaz (Western Siberia)	0.07	0.08	(12.5)%	0.15	0.15	–
RN-Severnaya Neft (Timan-Pechora)	0.03	0.04	(25.0)%	0.07	0.08	(12.5)%
Other	0.27	0.29	(6.9)%	0.56	0.55	1.8%
<b>Total gas production by fully and proportionately consolidated enterprises</b>	<b>14.10</b>	<b>15.49</b>	<b>(9.0)%</b>	<b>29.59</b>	<b>30.84</b>	<b>(4.1)%</b>
Purgaz (Western Siberia)	0.93	0.96	(3.1)%	1.89	2.20	(14.1)%
Slavneft (Western and Eastern Siberia)	0.08	0.12	(33.3)%	0.20	0.24	(16.7)%
Other	0.05	0.06	(16.7)%	0.11	0.15	(26.7)%
<b>Total share in production of associates and JV</b>	<b>1.06</b>	<b>1.14</b>	<b>(7.0)%</b>	<b>2.20</b>	<b>2.59</b>	<b>(15.1)%</b>
<b>Total gas production</b>	<b>15.16</b>	<b>16.63</b>	<b>(8.8)%</b>	<b>31.79</b>	<b>33.43</b>	<b>(4.9)%</b>
Natural gas	7.41	7.75	(4.4)%	15.16	16.48	(8.0)%
Associated gas	7.75	8.88	(12.7)%	16.63	16.95	(1.9)%
<b>Daily gas production (mcm per day)</b>	<b>166.6</b>	<b>182.7</b>	<b>(8.8)%</b>	<b>174.7</b>	<b>184.7</b>	<b>(5.4)%</b>

\*Production volume equals extracted volume minus flared volume and gas used for NGL production. Gross gas production amounted to 18.0 bcm for the second quarter of 2020; 19.6 bcm for the first quarter of 2020; 37.6 bcm and 38.0 bcm for the first half of 2020 and 2019, respectively.

\*\*Including gas injection to maintain reservoir pressure.

\*\*\* Net of royalty and government share.

Gas production for the second quarter of 2020 amounted to 15.16 bcm, having decreased by 8.8% compared with the first quarter of 2020. The decrease in production was mainly due to reduced crude oil production driven by OPEC+ Agreement, due to a decrease in demand resulted from COVID-19 and seasonal factor and due to maintenance works in the second quarter of 2020.

## Financial indicators

### Equity share in financial results of upstream associates and joint ventures

The equity share in financial results of upstream associates and joint ventures was RUB 3 billion and RUB 40 billion, in the first half of 2020 and 2019, respectively. The decrease is mainly due to lower oil prices and demand because of the impact of COVID-19.

### 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 2020 compared with the first quarter of 2020 upstream operating expenses decreased by 3.9% to RUB 89.6 billion. Upstream operating expenses per boe increased by 8.9% in RUB terms to 208 RUB/boe (2.9 USD/boe, remaining unchanged in USD terms) mainly due to scheduled seasonal growth of maintenance and repair of pipelines and oilfield equipment, along with lower oil production in accordance with new OPEC+ Agreement.

Upstream production and operating expenses decreased by 6.2% (199 RUB/boe did not change if compared to the same period of 2019) in terms of lower oil production in accordance with new OPEC+ Agreement.

### Exploration Expenses<sup>1</sup>

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 2020 and first quarter of 2020 were RUB 4 billion and RUB 2 billion, respectively. In the first half of 2020 and 2019 exploration expenses amounted to RUB 6 billion and RUB 4 billion, respectively.

### Expenses associated with COVID -19

The Company incurred additional expenses associated with COVID -19 of RUB 2 billion in the first half of 2020. These expenses are mainly associated with costs of implementing quarantine measures, including payments for staff observation, support of additional medical facilities, disinfection of premises, purchase of additional materials and protective equipment for operating personnel.

### 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		%	For 6 months ended June 30,		%
	June 30, 2020	March 31, 2020		2020	2019	
	(thousand RUB, except %)					
Average enacted mineral extraction tax rate (per tonne)	4.87	10.57	(53.9)%	7.72	13.56	(43.1)%
Actual mineral extraction tax expense per tonne of oil produced	3.71	8.01	(53.7)%	6.00	10.81	(44.5)%
Actual mineral extraction tax expense per tonne of oil equivalent produced*	3.04	6.54	(53.5)%	4.90	8.81	(44.4)%
	(RUB, except %)					
Actual gas extraction tax rate per thousand cubic meters	526	529	(0.6)%	528	572	(7.7)%
Actual extraction tax rate on gas condensate per tonne**	4,166	5,348	(22.1)%	4,780	5,647	(15.4)%

\*Including consolidated oil and gas volumes.

\*\*The 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.

<sup>1</sup> Net of intercompany turnover of RUB 2 billion and RUB 1 billion in the second and the first quarters of 2020, respectively. In the first half of 2019 intercompany turnover was RUB 2 billion.

## **Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

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The actual MET rate is lower than the average enacted tax rate for the periods analysed because of tax incentives and application of excess profit tax starting from the first quarter of 2019, according to which a lower MET rate is applied compared to generally enacted rates. Tax incentives are established in accordance with the tax law in the form of reduced rates and tax deductions (See Attachment 2).

### ***Excess profit tax***

Excess profit tax is enacted since January 1, 2019 and is used at certain Company's fields. The amount of excess profit tax is determined as the difference between estimated revenue and production, preparation and transportation costs by applying a rate of 50%. In the first half of 2020 and 2019 excess profit tax expense amounted to RUB 36 billion and RUB 35 billion respectively.



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## Downstream Operating Results

The segment includes Group entities that provide services for oil and gas processing, petrochemical production in Russia and abroad, joint ventures, sales units of oil, gas and petroleum products to counterparties in Russia and abroad. The segment includes revenue generated from the sale of oil, gas, petrochemical products and petroleum products to third parties, and all operating costs associated with processing, trading and logistics.

The results are set in the table below:

	For 3 months ended			For 6 months ended June 30,		
	June 30, 2020	March 31, 2020	% change	2020	2019	% change
<b>Operational results, mln tonne</b>						
Crude oil processing at refineries	24.00	28.72	(16.4)%	52.72	51.83	1.7%
<i>Processing at Company's own refineries in Russia</i>	20.05	24.04	(16.6)%	44.09	43.88	0.5%
<i>Processing at Company's own refineries outside Russia</i>	2.51	2.77	(9.4)%	5.28	4.43	19.2%
<i>Processing at Associates' refineries<sup>1</sup></i>	1.44	1.91	(24.6)%	3.35	3.52	(4.8)%
<b>Financial results, RUB billion</b>						
EBITDA	(18)	56	–	38	34	11.8%
Capital expenditures of refineries <sup>2</sup>	9	9	–	18	24	(25.0)%
Operating expenses of processing in Russia	30.7	32.2	(4.7)%	62.9	62.4 <sup>3</sup>	0.8%
Operating expenses of processing outside Russia	5.8	6.3	(7.9)%	12.1	11.1	9.0%
<b>Indicators per tonne of the output, RUB per tonne<sup>4</sup></b>						
Capital expenditure of refineries	399	336	18.8%	365	517	(29.4)%
Operating expenses for processing in Russia	1,531	1,339	14.3%	1,427	1,422	0.4%
Operating expenses for processing outside Russia <sup>5</sup>	2,311	2,274	1.6%	2,292	2,957	(22.5)%

<sup>1</sup>Excluding processing at Nayara.

<sup>2</sup>Refer to "Capital expenditures".

<sup>3</sup>Adjusted for intra-group purchases of raw materials.

<sup>4</sup>Calculated from unrounded data.

<sup>5</sup>For 6 months ended June 30, 2019, one-off effect of cost adjustment relating to year 2018 of RUB 2 billion (USD 28.6 million) is excluded.

## Downstream EBITDA

	For 3 months ended			For 6 months ended June 30,		
	June 30, 2020	March 31, 2020	% change	2020	2019	% change
	RUB billion			RUB billion		
<b>Revenues and equity share in profits of associates and joint ventures</b>	<b>1,057</b>	<b>1,778</b>	<b>(40.6)%</b>	<b>2,835</b>	<b>4,188</b>	<b>(32.3)%</b>
<i>Including equity share in profits of associates and joint ventures</i>	4	8	(50.0)%	12	10	20.0%
<b>Expenses net of depreciation including</b>	<b>1,047</b>	<b>1,700</b>	<b>(38.4)%</b>	<b>2,747</b>	<b>4,118</b>	<b>(33.3)%</b>
Operating expenses of processing in Russia	31	32	(4.7)%	63	62	0.8%
Operating expenses of processing outside Russia, cost of additives	15	18	(16.7)%	33	20	65.0%
Operating expenses of retail entities	9.8	9.8	–	19.6	18.6	5.4%
Expenses associated with COVID-19	0.15	–	–	0.15	–	–
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	612	1,162	(47.3)%	1,774	3,140	(43.5)%
Administrative expenses, including loss allowance for expected credit losses	1	5	(80.0)%	6	27	(77.8)%
Pipeline tariffs and transportation costs	156	214	(27.1)%	370	323	14.6%
Taxes other than income tax	169	132	28.0%	301	136	>100%
Export customs duty	53	127	(58.3)%	180	391	(54.0)%
<b>EBITDA Downstream</b>	<b>10</b>	<b>78</b>	<b>(87.2)%</b>	<b>88</b>	<b>70</b>	<b>25.7%</b>
<i>Effect of intragroup inventory and others</i>	(28)	(22)	(27.3)%	(50)	(9)	–
<i>Reclass of allowance for expected credit losses from Corporate segment</i>	–	–	–	–	(27)	–
<i>Expenses associated with COVID-19</i>	0.15	–	–	0.15	–	–
<b>Adjusted EBITDA</b>	<b>(18)</b>	<b>56</b>	<b>–</b>	<b>38</b>	<b>34</b>	<b>11.8%</b>

## Operating indicators

### Petroleum Product Output

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

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

	For 3 months ended		%	For 6 months ended June 30,		%
	June 30, 2020	March 31, 2020		2020	2019	
	mln of tonnes			mln of tonnes		
Crude oil processing at refineries in Russia*	21.49	25.95	(17.2)%	47.44	47.37	0.1%
Crude oil processing at refineries outside Russia	2.51	2.77	(9.4)%	5.28	4.46	18.4%
<i>including crude oil processing in Germany**</i>	2.51	2.77	(9.4)%	5.28	4.43	19.2%
<i>including crude oil processing in Belarus</i>	–	–	–	–	0.03	(100.0)%
<b>Total Group crude oil processing</b>	<b>24.00</b>	<b>28.72</b>	<b>(16.4)%</b>	<b>52.72</b>	<b>51.83</b>	<b>1.7%</b>
<b>Petroleum product output:</b>						
High octane gasoline	2.65	3.57	(25.8)%	6.22	7.47	(16.7)%
Low octane gasoline	0.01	0.01	–	0.02	0.02	–
Naphtha	1.44	1.61	(10.6)%	3.05	2.47	23.5%
Diesel	7.19	8.50	(15.4)%	15.69	15.58	0.7%
Fuel oil	5.00	6.36	(21.4)%	11.36	11.20	1.4%
Jet fuel	0.62	0.77	(19.5)%	1.39	1.62	(14.2)%
Petrochemicals	0.39	0.43	(9.3)%	0.82	0.82	–
Other	3.63	3.82	(5.0)%	7.45	6.58	13.2%
<b>Product output at Rosneft's refineries in Russia</b>	<b>20.93</b>	<b>25.07</b>	<b>(16.5)%</b>	<b>46.00</b>	<b>45.76</b>	<b>0.5%</b>
<b>Product output at refineries outside Russia</b>	<b>2.54</b>	<b>2.93</b>	<b>(13.3)%</b>	<b>5.47</b>	<b>4.70</b>	<b>16.4%</b>
<i>including crude oil output in Germany</i>	2.54	2.93	(13.3)%	5.47	4.67	17.1%
<i>including product output in Belarus</i>	–	–	–	–	0.03	(100.0)%
<b>Total Group product output</b>	<b>23.47</b>	<b>28.00</b>	<b>(16.2)%</b>	<b>51.47</b>	<b>50.46</b>	<b>2.0%</b>

\*Including processing at YANOS refinery.

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

The decrease of 17.2% to 21.49 mln tonnes, in production at the Company's own refineries in Russia in the second quarter 2020 as compared to the first quarter of 2020 is driven by optimization of production capacities in the context of the current petroleum products demand.

Rosneft's total refinery throughput in Russia in the first half of 2020 amounted to 47.44 mln tonnes, increasing by 0.1% if compared to the same period of 2019.

Increase in processing by 19.2% at German refineries in the first half of 2020 in comparison with the same period of 2019 mainly caused by scheduled turnarounds at PCK Raffinerie GmbH in the first half of 2019 and due to incomplete utilization of production capacity at Bayernoil Raffineriegesellschaft GmbH caused by an incident in September 1, 2018.

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

**Financial indicators**

**Revenues and equity share in profits of associates and joint ventures**

Decrease in revenues in the second quarter of 2020 compared with the first quarter of 2020 is mainly due to negative market impact (crude oil price down by 35.1%) and lower export volumes of crude oil caused by COVID-19 impact. Decrease in revenues by 33.4% in the first half of 2020 compared with the first half of 2019 is mainly due to the downturn of crude oil price.

The table below presents revenues from sales of crude oil, gas, petroleum, petrochemical products, and other revenues in billions of RUB<sup>1, 2</sup>:

	For 3 months ended					For 6 months ended June 30,				
	June 30, 2020		March 31, 2020		% change	2020		2019		% change
	% of revenue	% of revenue	% of revenue	% of revenue		% of revenue	% of revenue			
<b>RUB billion, except %</b>										
<b>Crude oil</b>										
International Sales to non-CIS	324	31.3%	726	41.2%	(55.4)%	1,050	37.6%	1,950	46.3%	(46.2)%
Europe and other directions	133	12.9%	296	16.8%	(55.1)%	429	15.5%	910	21.6%	(52.9)%
Asia	191	18.4%	430	24.4%	(55.6)%	621	22.1%	1,040	24.7%	(40.3)%
International sales to CIS	21	2.0%	–	–	–	21	0.7%	101	2.4%	(79.2)%
Domestic sales	14	1.3%	23	1.3%	(39.1)%	37	1.3%	62	1.5%	(40.3)%
<b>Total crude oil</b>	<b>359</b>	<b>34.6%</b>	<b>749</b>	<b>42.5%</b>	<b>(52.1)%</b>	<b>1,108</b>	<b>39.6%</b>	<b>2,113</b>	<b>50.2%</b>	<b>(47.6)%</b>
<b>Gas</b>	<b>53</b>	<b>5.1%</b>	<b>63</b>	<b>3.6%</b>	<b>(15.9)%</b>	<b>116</b>	<b>4.1%</b>	<b>130</b>	<b>3.1%</b>	<b>(10.8)%</b>
<b>Petroleum products</b>										
International Sales to non-CIS	278	26.8%	509	28.9%	(45.4)%	787	28.0%	982	23.3%	(19.9)%
Europe and other directions	218	21.0%	392	22.3%	(44.4)%	610	21.7%	759	18.0%	(19.6)%
Asia	60	5.8%	117	6.6%	(48.7)%	177	6.3%	223	5.3%	(20.6)%
International Sales to CIS	17	1.6%	22	1.2%	(22.7)%	39	1.4%	70	1.7%	(44.3)%
Domestic sales	285	27.4%	353	20.0%	(19.3)%	638	22.8%	734	17.4%	(13.1)%
Sales of bunker fuel to end-users	10	1.0%	13	0.7%	(23.1)%	23	0.8%	41	1.0%	(43.9)%
<b>Total petroleum products</b>	<b>590</b>	<b>56.8%</b>	<b>897</b>	<b>50.8%</b>	<b>(34.2)%</b>	<b>1,487</b>	<b>53.0%</b>	<b>1,827</b>	<b>43.4%</b>	<b>(18.6)%</b>
<b>Petrochemical products</b>	<b>14</b>	<b>1.3%</b>	<b>23</b>	<b>1.3%</b>	<b>(39.1)%</b>	<b>37</b>	<b>1.3%</b>	<b>46</b>	<b>1.1%</b>	<b>(19.6)%</b>
International sales	5	0.4%	10	0.6%	(50.0)%	15	0.5%	17	0.4%	(11.8)%
Domestic sales	9	0.9%	13	0.7%	(30.8)%	22	0.8%	29	0.7%	(24.1)%
<b>Sales of petroleum products and petrochemicals</b>	<b>604</b>	<b>58.1%</b>	<b>920</b>	<b>52.1%</b>	<b>(34.3)%</b>	<b>1,524</b>	<b>54.3%</b>	<b>1,873</b>	<b>44.5%</b>	<b>(18.6)%</b>
<b>Support services and other revenues</b>	<b>18</b>	<b>1.7%</b>	<b>22</b>	<b>1.2%</b>	<b>(18.2)%</b>	<b>40</b>	<b>1.4%</b>	<b>44</b>	<b>1.0%</b>	<b>(9.1)%</b>
<b>Equity share in profits of associates and joint ventures</b>	<b>5</b>	<b>0.5%</b>	<b>11</b>	<b>0.6%</b>	<b>(54.5)%</b>	<b>16</b>	<b>0.6%</b>	<b>52</b>	<b>1.2%</b>	<b>(69.2)%</b>
<b>Total revenues and equity share in profits of associates and joint ventures</b>	<b>1,039</b>	<b>100.0%</b>	<b>1,765</b>	<b>100.0%</b>	<b>(41.1)%</b>	<b>2,804</b>	<b>100.0%</b>	<b>4,212</b>	<b>100.0%</b>	<b>(33.4)%</b>

<sup>1</sup>Under IFRS consolidated financial statements.

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

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

**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, 2020		March 31, 2020		% change	2020		2019		% change
	mln bbl	% of total volume	mln bbl	% of total volume		mln bbl	% of total volume	mln bbl	% of total volume	
<b>Crude oil</b>										
International Sales to non-CIS	191.0	47.9%	266.5	54.1%	(28.3)%	457.5	51.3%	500.5	53.1%	(8.6)%
Europe and other directions	80.7	20.3%	114.0	23.1%	(29.2)%	194.7	21.8%	225.8	24.0%	(13.8)%
Asia	110.3	27.6%	152.5	31.0%	(27.7)%	262.8	29.5%	274.7	29.1%	(4.3)%
International Sales to CIS	14.8	3.7%	–	–	–	14.8	1.7%	30.4	3.2%	(51.3)%
Domestic	9.6	2.4%	10.4	2.1%	(7.7)%	20.0	2.2%	19.3	2.0%	3.6%
<b>Total crude oil</b>	<b>215.4</b>	<b>54.0%</b>	<b>276.9</b>	<b>56.2%</b>	<b>(22.2)%</b>	<b>492.3</b>	<b>55.2%</b>	<b>550.2</b>	<b>58.3%</b>	<b>(10.5)%</b>
	<b>mln tonnes</b>		<b>mln tonnes</b>			<b>mln tonnes</b>		<b>mln tonnes</b>		
International Sales to non-CIS	25.8	47.9%	36.0	54.1%	(28.3)%	61.8	51.3%	67.6	53.1%	(8.6)%
Europe and other directions	10.9	20.3%	15.4	23.1%	(29.2)%	26.3	21.8%	30.5	24.0%	(13.8)%
Asia	14.9	27.6%	20.6	31.0%	(27.7)%	35.5	29.5%	37.1	29.1%	(4.3)%
International Sales to CIS	2.0	3.7%	–	–	–	2.0	1.7%	4.1	3.2%	(51.3)%
Domestic sales	1.3	2.4%	1.4	2.1%	(7.7)%	2.7	2.2%	2.6	2.0%	3.6%
<b>Total crude oil</b>	<b>29.1</b>	<b>54.0%</b>	<b>37.4</b>	<b>56.2%</b>	<b>(22.2)%</b>	<b>66.5</b>	<b>55.2%</b>	<b>74.3</b>	<b>58.3%</b>	<b>(10.5)%</b>
<b>Petroleum products</b>										
International Sales to non-CIS	14.8	27.5%	17.4	26.1%	(14.9)%	32.2	26.8%	28.7	22.4%	12.2%
Europe and other directions	10.8	20.1%	12.7	19.0%	(15.0)%	23.5	19.6%	21.5	16.8%	9.3%
Asia	4.0	7.4%	4.7	7.1%	(14.9)%	8.7	7.2%	7.2	5.6%	20.8%
International Sales to CIS	1.0	1.9%	0.9	1.4%	11.1%	1.9	1.6%	2.0	1.6%	(5.0)%
Domestic sales	8.0	14.8%	9.7	14.6%	(17.5)%	17.7	14.7%	19.5	15.3%	(9.2)%
Sales of bunker fuel to end-users	0.5	0.9%	0.4	0.6%	18.5% <sup>1</sup>	0.9	0.7%	1.6	1.3%	(43.8)%
<b>Total petroleum products</b>	<b>24.3</b>	<b>45.1%</b>	<b>28.4</b>	<b>42.7%</b>	<b>(14.4)%</b>	<b>52.7</b>	<b>43.8%</b>	<b>51.8</b>	<b>40.6%</b>	<b>1.7%</b>
<b>Petrochemical products</b>	<b>0.5</b>	<b>0.9%</b>	<b>0.7</b>	<b>1.1%</b>	<b>(17.3)%<sup>1</sup></b>	<b>1.2</b>	<b>1.0%</b>	<b>1.4</b>	<b>1.1%</b>	<b>(14.3)%</b>
International sales	0.2	0.3%	0.2	0.3%	(25.7)% <sup>1</sup>	0.4	0.3%	0.5	0.4%	(20.0)%
Domestic sales	0.3	0.6%	0.5	0.8%	(12.9)% <sup>1</sup>	0.8	0.7%	0.9	0.7%	(11.1)%
<b>Total crude oil and products, LNG</b>	<b>53.9</b>	<b>100.0%</b>	<b>66.5</b>	<b>100.0%</b>	<b>(18.9)%</b>	<b>120.4</b>	<b>100.0%</b>	<b>127.5</b>	<b>100.0%</b>	<b>(5.6)%</b>
	<b>bcm</b>		<b>bcm</b>			<b>bcm</b>		<b>bcm</b>		
<b>Gas sales volumes</b>	<b>13.06</b>		<b>14.91</b>		<b>(12.4)%</b>	<b>27.97</b>		<b>31.38</b>		<b>(10.9)%</b>

<sup>1</sup> Calculated from unrounded figures.

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

***Average Sales Prices***

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

	For 3 months ended					For 6 months ended June 30,				
	June 30, 2020		March 31, 2020		% change	2020		2019		% 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	
<b>Average prices on foreign markets</b>										
Crude oil, non-CIS	1.85	13.7	2.83	21.0	(34.8)%	2.43	18.0	4.02	29.8	(39.6)%
Europe and other directions**	1.65	12.2	2.59	19.2	(36.5)%	2.20	16.3	4.03	29.8	(45.3)%
Asia**	2.02	14.9	3.02	22.4	(33.5)%	2.62	19.4	4.02	29.8	(34.9)%
Crude oil, CIS	1.47	10.9	–	–	–	1.47	10.9	3.33	24.6	(55.7)%
Petroleum products, non-CIS		18.8		29.2	(35.6)%		24.4		34.5	(29.3)%
Europe and other directions		20.3		30.8	(34.1)%		26.0		35.5	(26.8)%
Asia		14.9		24.7	(39.7)%		20.2		31.5	(35.9)%
Petroleum products, CIS		16.8		24.5	(31.4)%		20.4		35.1	(41.9)%
Petrochemical products		27.2		40.5	(32.8)%		34.4		34.7	(0.9)%
<b>Average domestic prices</b>										
Crude oil	1.53	11.3	2.17	16.1	(29.8)%	1.87	13.8	3.24	24.0	(42.5)%
Petroleum products		35.5		36.5	(2.7)%		36.1		37.5	(3.7)%
Gas (th. RUB/th. cubic meter)***		3.35		3.61	(7.2)%		3.49		3.51	(0.6)%
Petrochemical products		24.2		28.0	(13.6)%		26.2		33.3	(21.3)%
<b>Sales of bunker fuel to end-users</b>		21.6		33.6	(35.7)%		27.1		26.3	3.0%

\*Average price is calculated from unrounded figures.

\*\*Price excludes the effect of prepayments offsetting under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 22 billion in the second quarter of 2020, RUB 33 billion in the first quarter of 2020, and RUB 76 billion in the first half of 2019).

\*\*\*Including gas sales outside the Russian Federation average gas prices were 4.02 th. RUB/th. cubic meter in the second quarter of 2020, 4.23 th. RUB/th. cubic meter in the first quarter of 2020, 4.13 th. RUB/th. cubic meter in the first half of 2020 and 4.16 th. RUB/th. cubic meter in the first half of 2019.

***International Crude Oil Sales to non-CIS***

Revenue decrease in international crude oil sales to non-CIS countries in the second quarter of 2020 compared to the first quarter of 2020 was due to the downturn in sales volume of 28.3% (negative impact on revenues of RUB 214 billion) and the decrease in average sales price by 34.8% (negative impact of RUB 186 billion).

Revenue decrease in international crude oil sales to non-CIS countries in the first half of 2020 compared with the same period of 2019 was due to the average sales price downturn by 39.6% (negative impact of RUB 712 billion) and the decrease in sales volume by 8.6% (negative impact of RUB 174 billion).

***International Crude Oil Sales to CIS***

Revenue decrease in international crude oil sales to non-CIS countries in the second half of 2020 compared with the same period of 2019 was due to the downturn in sales volume of 51.3% (negative impact of RUB 52 billion) and the decrease in average sales price of 55.7% (negative impact of RUB 28 billion).

***Domestic Sales of Crude Oil***

Revenue decrease in domestic sales of crude oil in the second quarter of 2020 compared with the first quarter of 2020 was due to the downturn in average sales price by 29.8% (negative impact of RUB 7 billion) and the decrease in sales volume of 7.7% (negative impact of RUB 2 billion).

Revenue decrease in domestic sales of crude oil in the first half of 2020 compared with the same period of 2019 was due to the downturn in average sales price by 42.5% (negative impact of RUB 27 billion) which was partially offset by the sales volume increase of 3.6% (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 2020\*:

	For 3 months ended						% change		
	June 30, 2020			March 31, 2020			RUB billion	mln of tonnes	Average price th.RUB/tonne
	RUB billion	mln of tonnes	Average price th.RUB/tonne	RUB billion	mln of tonnes	Average price th.RUB/tonne			
High octane gasoline	3	0.1	19.2	4	0.1	39.8	(25.0)%	0.0%	(51.8)%
Naphtha	23	1.4	15.8	38	1.5	26.1	(39.5)%	(6.7)%	(39.5)%
Diesel (Gasoil)	58	3.5	17.0	110	3.9	28.0	(47.3)%	(10.3)%	(39.3)%
Fuel oil	78	6.9	11.5	127	7.0	18.0	(38.6)%	(1.4)%	(36.1)%
Other	5	0.3	–	10	0.4	–	–	–	–
<b>Petroleum products exported to non-CIS</b>	<b>167</b>	<b>12.2</b>	<b>13.8</b>	<b>289</b>	<b>12.9</b>	<b>22.3</b>	<b>(42.2)%</b>	<b>(5.4)%</b>	<b>(38.1)%</b>
Petroleum products sold from German refineries	111	2.6	42.3	135	2.6	51.9	(17.8)%	–	(18.5)%
Petroleum products bought and sold outside Russia	–	–	–	85	1.9	45.4	–	–	–
<b>Trading of petroleum products outside Russia</b>	<b>111</b>	<b>2.6</b>	<b>42.3</b>	<b>220</b>	<b>4.5</b>	<b>49.2</b>	<b>(49.5)%</b>	<b>(42.2)%</b>	<b>(14.0)%</b>
<b>Total</b>	<b>278</b>	<b>14.8</b>	<b>18.8</b>	<b>509</b>	<b>17.4</b>	<b>29.2</b>	<b>(45.4)%</b>	<b>(14.9)%</b>	<b>(35.6)%</b>

\*Average price is calculated from unrounded figures.

Revenue decrease in international sales of petroleum products to non-CIS countries in the second quarter of 2020 compared to the first quarter of 2020 was due to the downturn in average sales price of 35.6% (negative impact of RUB 151 billion) and the sales volume decrease of 14.9% (negative impact of RUB 79 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 2020 and 2019\*:

	For 6 months ended June 30,						% change		
	2020			2019			RUB billion	million of tonnes	Average Price th.RUB/tonne
	RUB billion	million of tonnes	Average price th.RUB/tonne	RUB billion	million of tonnes	Average price th.RUB/tonne			
High octane gasoline	7	0.2	28.0	14	0.4	39.3	(50.0)%	(50.0)%	(28.8)%
Naphtha	61	2.9	21.0	69	2.2	31.5	(11.6)%	31.8%	(33.3)%
Diesel (Gasoil)	168	7.4	22.8	241	6.6	36.6	(30.3)%	12.1%	(37.7)%
Fuel oil	205	13.9	14.8	295	11.8	25.5	(30.5)%	17.8%	(42.0)%
Other	15	0.7	–	11	0.4	–	–	–	–
<b>Petroleum products exported to non-CIS</b>	<b>456</b>	<b>25.1</b>	<b>18.2</b>	<b>630</b>	<b>21.4</b>	<b>29.8</b>	<b>(27.6)%</b>	<b>17.3%</b>	<b>(38.9)%</b>
Petroleum products sold from German refineries	246	5.2	47.0	225	4.1	55.0	9.3%	26.8%	(14.5)%
Petroleum product purchased and sold outside Russia	85	1.9	45.7	127	3.2	39.2	(33.1)%	(40.6)%	16.6%
<b>Trading of petroleum products outside Russia</b>	<b>331</b>	<b>7.1</b>	<b>46.6</b>	<b>352</b>	<b>7.3</b>	<b>48.2</b>	<b>(6.0)%</b>	<b>(2.7)%</b>	<b>(3.3)%</b>
<b>Total</b>	<b>787</b>	<b>32.2</b>	<b>24.4</b>	<b>982</b>	<b>28.7</b>	<b>34.5</b>	<b>(19.9)%</b>	<b>12.2%</b>	<b>(29.3)%</b>

\*Average price is calculated based on the unrounded figures.

Revenue decrease in international sales of petroleum products to non-CIS countries in the first half of 2020 compared with the same period of 2019 was due to the average price downturn of 29.3% (negative impact of RUB 322 billion) which was partially offset by the sales volume increase of 12.2% (positive impact of RUB 117 billion).

***International Petroleum Product Sales to CIS***

Revenue decrease in international sales of petroleum products to CIS countries in the second quarter of 2020 compared with the first quarter of 2020 was due to the average price downturn of 31.4% (negative impact of RUB 9 billion) which was partially offset by the sales volume increase of 11.1% (positive impact of RUB 4 billion).

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Revenue decrease in international sales of petroleum products to CIS countries in the first half of 2020 compared with the same period of 2019 was due to the average price downturn of 41.9% (negative impact of RUB 28 billion) and the sales volume decrease of 5.0% (negative impact of RUB 3 billion).

### Domestic Sales of Petroleum Products

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

	For 3 months ended						% change		
	June 30, 2020			March 31, 2020			RUB billion	mln of tonnes	Average price th. RUB/tonne
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne			
High octane gasoline	116	2.6	44.9	146	3.3	44.1	(20.5)%	(21.2)%	1.8%
Diesel (Gasoil)	132	3.1	42.3	152	3.5	44.0	(13.2)%	(11.4)%	(3.9)%
Fuel oil	3	0.5	7.5	11	1.0	10.8	(72.7)%	(50.0)%	(30.6)%
Jet fuel	17	0.6	28.5	29	0.7	39.6	(41.4)%	(14.3)%	(28.0)%
Other	17	1.2	–	15	1.2	–	–	–	–
<b>Total</b>	<b>285</b>	<b>8.0</b>	<b>35.5</b>	<b>353</b>	<b>9.7</b>	<b>36.5</b>	<b>(19.3)%</b>	<b>(17.5)%</b>	<b>(2.7)%</b>

\*Average price is calculated from unrounded figures.

Revenue decrease in sales of petroleum products on the domestic market in the second quarter of 2020 compared with the first quarter of 2020 was due to the downturn in sales volume of 17.5% (negative impact of RUB 62 billion) and the decrease in average sales price of 2.7% (negative impact of RUB 6 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 2020 and 2019\*:

	For 6 months ended June 30,						% change		
	2020			2019			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	262	5.9	44.5	301	7.1	42.5	(13.0)%	(16.9)%	4.7%
Diesel (Gasoil)	284	6.6	43.2	303	6.9	43.2	(6.3)%	(4.3)%	0.0%
Fuel oil	14	1.5	9.9	26	1.6	15.8	(46.2)%	(6.3)%	(37.3)%
Jet fuel	46	1.3	34.6	66	1.6	41.2	(30.3)%	(18.8)%	(16.0)%
Other	32	2.4	–	38	2.3	–	–	–	–
<b>Total</b>	<b>638</b>	<b>17.7</b>	<b>36.1</b>	<b>734</b>	<b>19.5</b>	<b>37.5</b>	<b>(13.1)%</b>	<b>(9.2)%</b>	<b>(3.7)%</b>

\*Average price is calculated from unrounded figures.

Revenue decrease in sales of petroleum products on the domestic market in the first half of 2020 compared with the same period of 2019 was due to the downturn in sales volume of 9.2% (negative impact of RUB 68 billion) and the decrease in average sales price of 3.7% (negative impact of RUB 28 billion).

### Sales of bunker fuel

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

Revenues from sales of bunker fuel decreased in the second quarter of 2020 compared with the first quarter of 2020 due to the average sales price downturn of 35.7% (negative impact of RUB 6 billion) which was partially offset by the increase in sales volume by 18.5% (positive impact of RUB 3 billion).

Revenues from sales of bunker fuel decreased in the first half of 2020 compared with the same period of 2019 due to the downturn in sales volume of 43.8% (negative impact of RUB 18 billion). The downturn in sales volume of bunker fuel was due to decreased demand for high-sulfur fuel oil caused by IMO restrictive requirements.

### Petrochemical Products Sales

Revenues from international sales of petrochemical products decreased in the second quarter of 2020 compared with the first quarter of 2020 due to the average sales price downturn by 32.8% (negative impact of RUB 3 billion) and the decrease in sales volume by 25.7% (negative impact of RUB 2 billion).



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Revenues from international sales of petrochemical products decreased in the first half of 2020 compared with the same period of 2019 due to the downturn in sales volume by 20.0% (negative impact of RUB 2 billion).

Revenues from domestic sales of petrochemical products decreased in the second quarter of 2020 compared with the first quarter of 2020 due to the average sales price downturn of 13.6% (negative impact of RUB 2 billion) and the decrease in sales volume of 12.9% (negative impact of RUB 2 billion). Revenues from domestic sales of petrochemical products decreased in the first half of 2020 compared with the same period of 2019 due to the average sales price downturn of 21.3% (negative impact of RUB 4 billion) and the decrease in sales volume of 11.1% (negative impact of RUB 3 billion).

Gas Sales

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

	For 3 months ended			For 6 months ended		% change
	June 30, 2020	March 31, 2020	% change	June 30, 2020	June 30, 2019	
<b>Revenue</b>	<b>RUB billion</b>			<b>RUB billion</b>		
In the Russian Federation	40.8	49.9	(18.2)%	90.7	101.8	(10.9)%
Outside the Russian Federation	11.7	13.2	(11.4)%	24.9	28.7	(13.2)%
<b>Total</b>	<b>52.5</b>	<b>63.1</b>	<b>(16.8)%</b>	<b>115.6</b>	<b>130.5</b>	<b>(11.4)%</b>
<b>Sales volumes</b>	<b>bcm</b>			<b>bcm</b>		
In the Russian Federation	12.14	13.83	(12.2)%	25.97	29.01	(10.5)%
Outside the Russian Federation	0.92	1.08	(14.8)%	2.00	2.37	(15.6)%
<b>Total</b>	<b>13.06</b>	<b>14.91</b>	<b>(12.4)%</b>	<b>27.97</b>	<b>31.38</b>	<b>(10.9)%</b>
<b>Average price</b>	<b>th. RUB/th. of cubic meters</b>			<b>th. RUB/th. of cubic meters</b>		
In the Russian Federation	3.35	3.61	(7.2)%	3.49	3.51	(0.6)%
Outside the Russian Federation	12.85	12.13	5.9%	12.46	12.14	2.6%
<b>Average price of the Company</b>	<b>4.02</b>	<b>4.23</b>	<b>(5.0)%</b>	<b>4.13</b>	<b>4.16</b>	<b>(0.7)%</b>

\*Average price is calculated from unrounded figures.

The decrease in gas sales revenue for the second quarter of 2020 compared to the first quarter of 2020 is due to a drop in gas demand due to the COVID-19 and seasonal factors. The decrease in the average selling price in the Russian Federation is due to the reallocation of sales channels in the second quarter.

Support Services and Other Revenues

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

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

	For 3 months ended					For 6 months ended June 30,				
	June 30, 2020		March 31, 2020		% change	2020		2019		% change
	% of total revenue	% of total revenue	% of total revenue	% of total revenue		% of total revenue	% of total revenue			
	<b>billion RUB, except %</b>									
Drilling services	0.6	3.3%	0.4	1.8%	50.0%	1.0	2.5%	1.6	3.6%	(37.5)%
Sales of materials	5.4	29.5%	6.5	29.5%	(16.9)%	11.9	29.5%	15.7	35.4%	(24.2)%
Repairs and maintenance services	0.8	4.4%	0.8	3.6%	0.0%	1.6	4.0%	1.8	4.1%	(11.1)%
Rent services	1.3	7.1%	1.2	5.5%	8.3%	2.5	6.2%	2.6	5.9%	(3.8)%
Transport services	4.5	24.6%	5.6	25.5%	(19.6)%	10.1	25.1%	9.8	22.1%	3.1%
Electric power sales and transmission	2.3	12.6%	3.6	16.4%	(36.1)%	5.9	14.6%	5.9	13.3%	–
Other revenues	3.4	18.5%	3.9	17.7%	(12.8)%	7.3	18.1%	6.9	15.6%	5.8%
<b>Total</b>	<b>18.3</b>	<b>100.0%</b>	<b>22.0</b>	<b>100.0%</b>	<b>(16.8)%</b>	<b>40.3</b>	<b>100.0%</b>	<b>44.3</b>	<b>100.0%</b>	<b>(9.0)%</b>



## Financial result of associates and joint ventures

Net financial result (profits) of downstream associates and joint ventures amounts to RUB 4 billion and RUB 8 billion in the second and first quarters of 2020, respectively. Net financial result (profits) of downstream associates and joint ventures were RUB 12 billion and RUB 10 billion in the first half of 2020 and 2019, respectively.

## Downstream production and operating costs

Downstream operating expenses include<sup>1</sup>:

	For 3 months ended		% change	For 6 months ended		% change
	June 30, 2020	March 31, 2020		June 30,		
				2020	2019	
	billion RUB, except %					
Operating expenses at refineries in Russia	30.7	32.2	(4.7)%	62.9	62.4 <sup>2</sup>	0.8%
Operating expenses at refineries outside Russia	5.8	6.3	(7.9)%	12.1	11.1	9.0%
Additives and materials for processing at refineries outside Russia	9.4	12.1	(22.3)%	21.5	9.0	>100.0%
Operating expenses of retail entities	9.8	9.8	–	19.6	18.6	5.4%
<b>Downstream operating expenses</b>	<b>55.7</b>	<b>60.4</b>	<b>(7.8)%</b>	<b>116.1</b>	<b>101.1</b>	<b>14.8%</b>

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

<sup>2</sup>Adjusted for intra-group purchases of raw materials.

Operating expenses of refineries and retail entities in the second quarter of 2020 compared with the first quarter of 2020 decreased by 7.8% to RUB 55.7 billion. Operating expenses at refineries in Russia decreased due to lower volumes of production in terms of reduced demand for supplies and seasonal reduction of energy costs.

The increase of 14.8% in the operating expenses of refineries and retail entities in the first half of 2020 compared with the same period of 2019 was mainly caused by the growth of tariffs of natural monopolies and indexation of wages and higher retail operating activity. Additives and materials expenses for processing at refineries outside Russia increased due to changes in fuel requirements of European Community (reduction greenhouse gas emissions by 6% from 2020 compared to 4%).

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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, 2020	March 31, 2020		June 30, 2020	2019	
<b>Operating expenses at refineries in Russia (RUB billion)</b>	<b>30.7</b>	<b>32.2</b>	<b>(4.7)%</b>	<b>62.9</b>	<b>62.4</b>	<b>0.8%</b>
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,573	1,387	13.4%	1,472	1,470	0.1%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,531	1,339	14.3%	1,427	1,422	0.4%
<b>Operating expenses at refineries outside Russia (RUB billion)*</b>	<b>5.8</b>	<b>6.3</b>	<b>(7.9)%</b>	<b>12.1</b>	<b>11.1</b>	<b>9.0%</b>
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,283	2,150	6.2%	2,212	2,805	(21.1)%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,311	2,274	1.6%	2,292	2,957	(22.5)%
<b>Total operating expenses at Rosneft’s refineries (RUB billion)</b>	<b>36.5</b>	<b>38.5</b>	<b>(5.2)%</b>	<b>75.0</b>	<b>73.5</b>	<b>2.0%</b>

\*Refineries outside Russia also procured the additives and materials for processing: in the second quarter of 2020 – RUB 9.4 billion, in the first quarter of 2020 – RUB 12.1 billion, in the first half of 2020 – RUB 21.5 billion; in the first half of 2019 – RUB 9.0 billion.

Operating expenses of Rosneft’s refineries in Russia in the second quarter of 2020 compared with the first quarter of 2020 decreased by 4.7% to RUB 30.7 billion mainly due to lower volumes of production and seasonal decrease in energy costs. Operating expenses per tonne increased in the second quarter of 2020 due to optimization of refining volumes in terms of current demand for petroleum products

Operating expenses of Rosneft’s refineries in Russia in the first half of 2020 compared with the same period of 2019 increased by 0.8% (operating expenses per tonne are up by 0.4%) due to growth of tariffs of natural monopolies and indexation of wages.

Operating expenses of Rosneft’s refineries outside Russia were RUB 5.8 billion in the second quarter of 2020. The decrease of 7.9% in operating expenses of refineries outside Russia compared with RUB 6.3 billion in the first quarter of 2020 was mainly driven by lower refinery throughput.

Operating expenses of Rosneft’s refineries outside Russia in the first half of 2020 compared with the same period of 2019 (excluding one-off effect of cost adjustment relating to year 2018 of RUB 2 billion (USD 28.6 million)) decreased by 7.6%. Operating expenses per tonne decreased by 22.5% mainly due to decline in production capacity in the first half of 2019.

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

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

	For 3 months ended		%	For 6 months ended		%
	June 30, 2020	March 31, 2020		June 30, 2020	June 30, 2019	
<b>Crude oil and gas procurement</b>						
Cost of crude oil and gas procured (RUB billion)**	<b>70</b>	<b>182</b>	<b>(61.5)%</b>	<b>252</b>	<b>596</b>	<b>(57.7)%</b>
<i>including Domestic market</i>	40	82	(51.2)%	122	221	(44.8)%
<i>International market</i>	30	100	(70.0)%	130	375	(65.3)%
Volume of crude oil procured (millions of barrels)	49.4	99.2	(50.2)%	148.6	172.7	(14.0)%
<i>including Domestic market</i>	29.1	32.3	(9.9)%	61.4	63.0	(2.5)%
<i>International market</i>	20.3	66.9	(69.7)%	87.2	109.7	(20.5)%
Volume of gas procured (bcm)	1.53	2.89	(47.1)%	4.42	6.3	(29.8)%
<b>Petroleum products procurement</b>						
Cost of petroleum products procured (RUB billion)***	<b>9</b>	<b>87</b>	<b>(89.7)%</b>	<b>96</b>	<b>128</b>	<b>(25.0)%</b>
Volume of petroleum products procured (millions of tonnes)	0.36	2.12	(83.0)%	2.48	3.50	(29.1)%
<b>Crude oil, gas and petroleum products refining services</b>						
Cost of refining of crude oil, gas and petroleum products under processing agreements (RUB billion)	<b>7.2</b>	<b>7.3</b>	<b>(1.4)%</b>	<b>14.5</b>	<b>14.6</b>	<b>(0.7)%</b>
Volumes of crude oil and petroleum products produced under processing agreements (millions of tonnes)	1.6	1.9	(15.8)%	3.5	3.9	(10.3)%
Volumes of gas produced under processing agreements (bcm)	2.6	2.7	(3.7)%	5.3	5.4	(1.9)%
<b>Cost of purchase of goods for retail****</b>	<b>3.8</b>	<b>3.7</b>	<b>2.7%</b>	<b>7.5</b>	<b>7.4</b>	<b>1.4%</b>
<b>Cost of products procured for blending on retail entities (RUB billion)</b>	<b>9.0</b>	<b>8.3</b>	<b>8.4%</b>	<b>17.3</b>	<b>22.1</b>	<b>(21.7)%</b>
<i>Including intercompany purchases (RUB billion)</i>	9.0	8.3	8.4%	17.3	22.0	(21.4)%
<b>Total cost of procured oil, gas and petroleum products, goods for retail and refining costs (RUB billion)</b>	<b>90</b>	<b>280</b>	<b>(67.9)%</b>	<b>370</b>	<b>746</b>	<b>(50.4)%</b>

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

\*\*Including costs of Upstream segment in the amount of RUB 2 billion in the second quarter of 2020, RUB 4 billion in the first quarter of 2020; RUB 14 billion in the first half of 2019, respectively.

\*\*\*Average procurement price of petroleum products purchased from third parties may be higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

\*\*\*\*Reclassification of the cost of goods for retail from "operating expenses" was carried out in the third quarter 2019. Previous periods have been revised considering this effect.

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**Crude oil procurement**

Rosneft purchases crude oil primarily from its associates to process at its own refineries or export.

The structure of crude oil purchases is set in the table below:

	For 3 months ended		% change	For 6 months ended		% change
	June 30, 2020	March 31, 2020		June 30, 2020	2019	
	mln barrels			mln barrels		
International market	20.3	66.9	(69.7)%	87.2	109.7	(20.5)%
Udmurtneft	4.5	6.3	(28.6)%	10.8	15.8	(31.6)%
Slavneft	12.2	13.5	(9.6)%	25.7	25.0	2.8%
Messoyahaneftgaz	5.0	5.2	(3.8)%	10.2	9.3	9.7%
Others	7.4	7.3	1.4%	14.7	12.9	14.0%
<b>Total</b>	<b>49.4</b>	<b>99.2</b>	<b>(50.2)%</b>	<b>148.6</b>	<b>172.7</b>	<b>(14.0)%</b>

In the second quarter of 2020 volumes of the crude oil procured outside the Russian Federation amounted to 20.3 mln barrels, which is 69.7% lower compared to 66.9 mln barrels procured in the first quarter of 2020. The decrease was due to reduced market demand, and as a result, a decrease in trading activity.

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 4.7 mln barrels in the second quarter of 2020 and 8.3 mln barrels in the first quarter of 2020, respectively, and 19.9 mln barrels in the first half of 2019.

**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 2020 and in the first quarter of 2020, respectively:

	For 3 months ended						% change		
	June 30, 2020			March 31, 2020			RUB billion	mln tonnes	th. RUB/ tonne
	RUB billion	mln tonnes	th. RUB/ tonne*	RUB billion	mln tonnes	th. RUB/ tonne*			
<b>Petroleum products procurement in Russia</b>	<b>5</b>	<b>0.14</b>		<b>6</b>	<b>0.17</b>		<b>(16.7)%</b>	<b>(19.3)%</b>	
High octane gasoline	2	0.05	44.1	2	0.04	44.1	–	25.0%	–
Diesel	2	0.05	42.1	3	0.08	43.5	(33.3)%	(37.5)%	(3.2)%
Others	1	0.04	22.3	1	0.05	28.6	–	(20.0)%	–
<b>Petroleum products and petrochemicals procured outside Russia</b>	<b>4</b>	<b>0.22</b>	<b>20.1</b>	<b>81</b>	<b>1.95</b>	<b>41.1</b>	–	–	–
<b>Total</b>	<b>9</b>	<b>0.36</b>		<b>87</b>	<b>2.12</b>		<b>(89.7)%</b>	<b>(83.0)%</b>	

\*Calculated based on unrounded data.

Decrease in purchase costs of petroleum products procured was driven by reduced demand due to COVID-19.

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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 2020 and 2019\*, respectively:

	For 6 months ended June 30,						% change		
	2020			2019			RUB billion	mln tonnes	th. RUB/ tonne
	RUB billion	mln tonnes	th. RUB/ tonne*	RUB billion	mln tonnes	th. RUB/ tonne*			
<i>Petroleum products procurement in Russia</i>	<b>11</b>	<b>0.31</b>		<b>12</b>	<b>0.32</b>		<b>(8.3)%</b>	<b>(3.2)%</b>	
High octane gasoline	4	0.09	43.2	5	0.12	44.7	(20.0)%	(25.0)%	(3.4)%
Diesel	5	0.13	46.5	6	0.14	46.5	(16.7)%	(7.1)%	–
Others	2	0.09	22.3	1	0.06	39.8	100.0%	50.0%	–
<i>Petroleum products and petrochemicals procured outside Russia</i>	<b>85</b>	<b>2.17</b>	<b>42.7</b>	<b>116</b>	<b>3.18</b>	<b>36.7</b>	<b>(26.7)%</b>	<b>(31.8)%</b>	<b>16.3%</b>
<b>Total</b>	<b>96</b>	<b>2.48</b>		<b>128</b>	<b>3.50</b>		<b>(25.0)%</b>	<b>(29.1)%</b>	

\*Calculated based on unrounded data.

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

*Crude oil and gas processing, petroleum products processing*

Associated petroleum gas sales to PJSC “Sibur” and purchases of dry stripped gas from PJSC “Sibur” are presented on a net basis in the Company’s financial statements in processing costs in the amount of RUB 3.7 billion in the second quarter of 2020, RUB 3.2 RUB in the first quarter of 2020 and RUB 6.9 billion in the first half of 2019.

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**Transportation Costs and Other Commercial Expenses**

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

The decrease in transportation costs by 27.0% in the second quarter of 2020 compared with the first quarter of 2020 was mainly due to lower sales volumes in terms reduced demand in the pandemic and start of river navigation period.

The table below sets forth the comparison of costs per tonne of crude oil and petroleum products transported by pipeline, railroad and mixed transportation and gas transportation costs via gas pipeline system in the second quarter of 2020 and in the first quarter of 2020:

	For 3 months ended								% change		
	June 30, 2019				March 31, 2020				Volume	Cost	Cost per tonne*
Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t				
<b>CRUDE OIL</b>											
<b>International sales</b>											
Pipeline	26.3	97.0%	59.5	2.26	25.2	96.6%	61.3	2.43	4.4%	(2.9)%	(6.9)%
Railroad and mixed	0.4	1.5%	1.1	2.75	0.5	1.9%	1.7	3.60	(20.0)%	(35.3)%	(23.6)%
Pipeline and FCA	0.4	1.5%	–	–	0.4	1.5%	–	–	–	–	–
<b>Transportation to refineries</b>											
Pipeline	21.5		22.1	0.83	27.3**		25.4	0.81	(21.2)%	(13.0)%	2.5%
Railroad and mixed	0.7		1.1	1.57	1.1		1.9	1.73	(36.4)%	(42.1)%	(9.2)%
<b>PETROLEUM PRODUCTS</b>											
<b>International sales</b>											
Pipeline	1.6	9.8%	4.1	2.56	1.8	12.6%	5.0	2.78	(11.1)%	(18.0)%	(7.8)%
Railroad and mixed	12.2	74.9%	41.0	3.36	10.1	70.6%	44.0	4.36	20.8%	(6.8)%	(22.9)%
Pipeline and FCA	2.5	15.3%	–	–	2.4	16.8%	–	–	4.2%		
<b>GAS</b>											
	bcm		RUB/ m3		bcm		RUB/ m3				
Pipeline***	8.1		8.9	1.10	8.5		8.9	1.05	(4.7)%	–	4.8%
<b>Freight and other commercial expenses</b>											
	–		–		14.7		47.7		–		–
<b>Other transportation expenses****</b>											
			19.1				18.8			1.6%	
<b>Total</b>	<b>65.6</b>		<b>157</b>		<b>83.5</b>		<b>215</b>		<b>(21.4)%</b>	<b>(27.0)%</b>	

\* Calculated based on unrounded data.

\*\* Including crude oil purchased on international market, which was delivered to the German refineries.

\*\*\* Part of gas volumes was dispatched on terms under which Rosneft does not bear transportation expenses.

\*\*\*\* Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling station.

Crude oil pipeline transportation cost per tonne of international sales decreased in the second quarter of 2020 compared with the first quarter of 2020 and amounted to RUB 2.26 thousand per tonne.

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries decreased by 9.2% in the second quarter of 2020 compared with the first quarter of 2020 that was caused by change in structure of transportation routes.

The decrease in railroad and mixed transportation per tonne of petroleum products international sales of 22.9% in the second quarter of 2020 compared with the first quarter of 2020 was mainly due to change of transportation structure.

In the first half of 2020 indexation of gas transportation tariffs was not carried out.

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

The table below sets forth comparison for costs per tonne of crude oil and petroleum products transported by pipeline, railway and mixed transportation and gas transportation costs via gas pipeline system in the first half of 2020 and 2019, respectively:

	For 6 months ended June 30,								% change		
	2020				2019				Volume	Cost	Cost per tonne <sup>2</sup>
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t <sup>2</sup>	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t <sup>2</sup>			
<b>CRUDE OIL</b>											
<b><u>International sales</u></b>											
Pipeline	51.5	96.8%	120.8	2.35	58.0	80.9%	131.5	2.27	(11.2)%	(8.1)%	3.3%
Railroad and mixed	0.9	1.7%	3.0	3.33	1.2	1.7%	4.3	3.61	(25.0)%	(30.2)%	(7.8)%
Pipeline and FCA	0.8	1.5%	–	–	12.5	17.4%	–	–	(93.6)%	–	–
<b><u>Transportation to refineries</u></b>											
Pipeline <sup>**</sup>	48.8		47.5	0.92	46.3		32.9	0.77	5.4%	44.4%	18.3%
Railroad and mixed	1.8		3.0	1.67	5.6		17.1	1.75	(67.9)%	(82.5)%	(4.8)%
<b>PETROLEUM PRODUCTS</b>											
<b><u>International sales</u></b>											
Pipeline	3.4	11.1%	9.1	2.68	3.8	11.7%	9.4	2.50	(10.5)%	(3.2)%	7.1%
Railroad and mixed	22.3	72.9%	85.0	3.81	24.9	76.3%	69.2	4.21	(10.4)%	22.8%	(9.5)%
Pipeline and FCA	4.9	16.0%	–	–	3.9	12.0%	–	–	25.6%	–	–
<b>GAS</b>											
Pipeline <sup>***</sup>	bcm			RUB/ m3	bcm			RUB/ m3			
	16.6		17.8	1.07	18.3		21.2	1.16	(9.3)%	(16.0)%	(7.8)%
<b>Freight and other commercial expenses</b>											
	14.7		47.7								
<b>Other transportation expenses<sup>****</sup></b>											
			37.9				38.0			(0.3)%	
<b>Total</b>	<b>149.1</b>		<b>372</b>		<b>156.2</b>		<b>324</b>		<b>(4.5)%</b>	<b>14.8%</b>	

<sup>1</sup>Calculated based on unrounded data.

<sup>2</sup>Including crude oil purchased on international market, which was delivered to German refineries.

<sup>3</sup>Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses.

<sup>4</sup>Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling stations.

Growth of transportation costs in the first half of 2020 compared with the same period of 2019 was due to tariff indexation and change of delivery basis.

## Excise Taxes

Excise tax in the second quarter of 2020 was RUB 159 billion (including excise tax related to processing outside Russia in the amount of RUB 49.8 billion) compared with excise tax of RUB 125 billion in the first quarter of 2020 due to significant reduction of "damping component" of the excise tax deduction in the second quarter of 2020 driven by lower prices of motor gasoline and due to depreciation of the RUB currency.

In the first half of 2020 the excise tax increased in comparison with the same period of 2019 (RUB 121 billion) due to lower "damping component" of the excise tax deduction and higher excise rates.

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**Export Customs Duties**

Export customs duties include crude oil and petroleum products export customs duties. Export customs duty rates are presented above under “Macroeconomic Factors Affecting the Results of Operations – MET, Excess Profit Tax, Export Duties and Excise Taxes” and more information on export duty taxation is provided further in the Attachment 2 “Taxation”.

The following table sets forth Rosneft’s export customs duties for the periods analyzed:

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
	<b>RUB billion, except %</b>					
Export customs duty for crude oil	38	110	(65.5)%	148	292	(49.3)%
Export customs duty for petroleum products	15	47	(68.1)%	62	99	(37.4)%
Effect of export customs duty benefit of 2019	–	(30) <sup>1</sup>	–	(30) <sup>1</sup>	–	–
<b>Total export customs duty</b>	<b>53</b>	<b>127</b>	<b>(58.3)%</b>	<b>180</b>	<b>391</b>	<b>(54.0)%</b>

<sup>1</sup>The 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 (without one-off effect of customs duty benefit) decreased in the second quarter of 2020 compared with the first quarter of 2020 due to lower enacted export customs duty rates driven by the reduction in the average Urals price and lack of negative effect of customs duty lag.

Export customs duty (without one-off effect of customs duty benefit) decrease in the first half of 2020 compared with the same period of 2019 was mainly caused by lower export customs duty rates driven by lower Urals price and the completion of the tax maneuver.

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

	For 3 months ended		% change <sup>1</sup>	For 6 months ended June 30,		% change <sup>1</sup>
	June 30, 2020	March 31, 2020		2020	2019	
	<b>th. RUB per tonne, except %</b>					
Enacted export customs duty on crude oil	1.65	4.89	(66.3)%	3.27	6.25	(47.6)%
Actual customs duty on crude oil exports	1.68	4.00	(57.9)%	2.95	5.64	(47.7)%

<sup>1</sup>Estimated from unrounded data

The 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”.



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**Operating results of segment “Corporate and others”**

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

	For 3 months ended		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
<b>Financial results, RUB billion</b>						
EBITDA	(5)	(16)	68.8%	(21)	(20)*	(5.0)%
Capital expenditures**	6	3	100.0%	9	7	28.6%

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

\*\*Refer to “Capital expenditures”.

## Separate indicators of the consolidated financial statements

### Costs and Expenses

#### General and Administrative Expenses

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

General and administrative expenses, net of the allowance for expected credit losses, were RUB 38.6 billion in the second quarter of 2020 and RUB 35.8 billion in the first quarter of 2020.

In the first half of 2020 general and administrative expenses, net of the allowance for expected credit losses decreased by 7.2% if compared to the same period of 2019. In the first half of 2019 general and administrative expenses, net of the allowance for expected credit losses, were RUB 80.2 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 2020 DDA amounted to RUB 165 billion decreased by 6.3% (decrease is mainly related to oil equipment) if compared with the first quarter of 2020 (DDA was RUB 176 billion). Reduction is driven by reduced crude oil production in terms of new OPEC+ Agreement.

In the first half of 2020 DDA increased insignificantly (by 0.9%) if compared with the same period of 2019 (DDA was RUB 338 billion).

#### 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, 2020	March 31, 2020		June 30, 2020	2019	
Mineral extraction tax	182	445	(59.1)%	627	1,115	(43.8)%
Excess profit tax*	7	29	(75.9)%	36	35	2.9%
Excise tax	159	125	27.2%	284	121	>100%
including accrued excise tax	108	121	(10.7)%	229	210	9.0%
including "reverse excise tax"	51	4	>100%	55	(89)	–
Insurance contributions	23	23	–	46	37	24.3%
Property tax	10	10	–	20	19	5.3%
Other taxes, interest, penalties and other payments to budget	3	1	>100%	4	4	–
<b>Total taxes other than income tax</b>	<b>384</b>	<b>633</b>	<b>(39.3)%</b>	<b>1,017</b>	<b>1,331</b>	<b>(23.6)%</b>

\* Enacted starting from January 2019.

Taxes other than income tax in the first half of 2020 compared with the first half of 2019 decreased by 23.6%. The decrease in mineral extraction tax was compensated by higher excise tax due to a change in the "reverse excise tax", which in the first quarter of 2020 became an accrued excise tax because of decline in world prices for gasoline and diesel fuel.

#### Finance Income and Expenses

In the second quarter of 2020, net finance expenses were RUB 2 billion compared with RUB 56 billion in the first quarter of 2020. In the first half of 2020 and 2019 net finance expenses were RUB 58 billion and RUB 43 billion, respectively. The changes were caused mainly by the re-measurement of other financial assets in accordance with IFRS 9 *Financial Instruments* and fair value re-measurement of derivative financial instruments..

## **Other Income and Expenses**

In the second quarter of 2020, other income amounted to RUB 1 billion compared with RUB 2 billion in the first quarter of 2020. In the first half of 2019 other income was RUB 4 billion.

Other expenses include assets impairment, effect of fixed assets disposal in the course of operating activities and other expenses. In the second quarter of 2020 other expenses were RUB 21 billion compared with RUB 46 billion for the first quarter of 2020. In the first half of 2019, other expenses were RUB 121 billion including the impairment of Downstream assets. Part of impairments recognized in the first quarter of 2019 was recovered in the fourth quarter of 2019.

## **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.

Profit from foreign exchange effects was RUB 111 billion in the second quarter of 2020 compared with the loss of RUB 177 billion in the first quarter of 2020, respectively. In the first half of 2019 profit from foreign exchange effects was RUB 30 billion. Sharp increase in foreign exchange loss in the first quarter of 2020 resulted from the revaluation of foreign currency assets and liabilities, was due to an increase in foreign exchange rate at 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 18 billion for the first half of 2020.

## **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, 2020	March 31, 2020	2020	2019
Effective rate of income tax (IFRS)	22.4%	18.8%	17.0%	18.1%

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 2020, net income was RUB 45 billion (RUB 43 billion of income attributable to Rosneft shareholders) in comparison with negative income of RUB 143 billion (RUB 156 billion of negative income attributable to Rosneft shareholders) in the first quarter of 2020. Decrease in net income in the first half of 2020 was mainly driven by lower operating income due to prices volatility, reduced demand impacted by COVID-19 and due to negative impact of foreign exchange differences.

In the first half of 2019, net income amounted to RUB 376 billion (RUB 325 billion 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		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
	RUB billion			RUB billion		
Net cash provided by operating activities	42	341	(87.7)%	383	462	(17.1)%
Net cash used in investing activities	(179)	(186)	(3.8)%	(365)	(389)	(6.2)%
Net cash provided by/(used in) financing activities	90	(131)	–	(41)	(633)	(93.5)%

### 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		% change	For 6 months ended June 30,		% change
	June 30, 2020	March 31, 2020		2020	2019	
	RUB billion			RUB billion		
<b>Net cash provided by operating activity</b>	<b>42</b>	<b>341</b>	<b>(87.7)%</b>	<b>383</b>	<b>462</b>	<b>(17.1)%</b>
<i>Offset of prepayments received under long term supply contracts at average ex.rate</i>	91	102	(10.8)%	193	156	23.7%
<i>Offset of other financial liabilities</i>	27	47	(42.6)%	74	66	12.1%
<i>Interest expense for prepayments under long term oil and petroleum products supply contracts<sup>1</sup></i>	9	12	(25.0)%	21	40	(47.5)%
<i>Financing against future deliveries under the long term oil and oil products supply contracts</i>	12	–	–	12	44	(72.7)%
<i>Net (increase)/decrease in assets and liabilities of subsidiary bank</i>	(12)	(98)	(87.8)%	(110)	17	–
<b>Adjusted net cash provided by operating activity<sup>2</sup></b>	<b>169</b>	<b>404</b>	<b>(58.2)%</b>	<b>573</b>	<b>785</b>	<b>(27.0)%</b>

<sup>1</sup>Free cash flow estimation includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 1 billion and interests paid of RUB 8 billion in the second quarter of 2020; offsetting of RUB 9 billion and interests paid of RUB 3 billion in the first quarter of 2020; offsetting of RUB 36 billion and interests paid of RUB 4 billion in the first half of 2019.

<sup>2</sup>Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity.

### Net cash used in investing activities

In the second quarter of 2020 the Company's investing activity mainly referred to capital expenditures.

Decrease in investing activity in the first half of 2020 in comparison with the same period of 2019, was mainly due to decreased proceeds from sales of current assets and lower capital expenditures.

### Net cash used in financing activities

In the second quarter of 2020 net cash of financing activities provided by long-term loans. In the first half of 2020 net cash used in financing activity amounted to RUB 41 billion.

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

## 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, 2020	March 31, 2020		June 30, 2020	2019	
	RUB billion			RUB billion		
RN-Yuganskneftegaz	40	38	5.3%	78	91	(14.3)%
Samotlorneftegaz	15	16	(6.3)%	31	34	(8.8)%
Vankor projects	13	17	(23.5)%	30	32	(6.3)%
Orenburgneft	6	7	(14.3)%	13	13	–
RN-Uvatneftegaz	7	6	16.7%	13	11	18.2%
Bashneft-Dobycha	7	6	16.7%	13	9	44.4%
RN-Nyaganneftegaz	6	6	–	12	11	9.1%
Samaraneftegaz	5	6	(16.7)%	11	14	(21.4)%
Vostsibneftegaz	5	6	(16.7)%	11	15	(26.7)%
Bashneft-Polyus	5	6	(16.7)%	11	11	–
Upstream projects (Zohr)	4	6	(33.3)%	10	32	(68.8)%
RN-Purneftegaz*	5	5	–	10	9	11.1%
Kondaneft	5	5	–	10	15	(33.3)%
Varyoganneftegaz	5	4	25.0%	9	10	(10.0)%
Verkhnechonskneftegaz	5	4	25.0%	9	10	(10.0)%
Taas-Yuryakh Neftegazodobycha	4	4	–	8	9	(11.1)%
Tyumenneftegaz	5	3	66.7%	8	8	–
Rospan International	4	3	33.3%	7	14	(50.0)%
Upstream projects (Sakhalin-1)	2	3	(33.3)%	5	7	(28.6)%
Kharampurneftegaz	3	2	50.0%	5	5	–
RN-Severnaya Neft	2	3	(33.3)%	5	7	(28.6)%
Tomskneft VNK	1	3	(66.7)%	4	4	–
Sorovskneft	2	2	–	4	3	33.3%
Sibneftegaz	1	1	–	2	3	(33.3)%
Other	9	9	–	18	20	(10.0)%
Government grants	–	(1)	(100.0)%	(1)	(2)	(50.0)%
<b>Total upstream segment</b>	<b>166</b>	<b>170</b>	<b>(2.4)%</b>	<b>336</b>	<b>395</b>	<b>(14.9)%</b>
Novokuibyshevsk refinery	2	1	100.0%	3	3	–
Bashneft refineries	1	1	–	2	5	(60.0)%
Komsomolsk refinery	0	1	(100.0)%	1	4	(75.0)%
Angarsk refinery	0	1	(100.0)%	1	1	–
Tuapse refinery	1	0	–	1	2	(50.0)%
Achinsk refinery	1	0	–	1	3	(66.7)%
Kuibyshev refinery	1	0	–	1	1	–
Syzran refinery	0	1	(100.0)%	1	1	–
Ryazan refinery	0	1	(100.0)%	1	1	–
Saratov refinery	0	1	(100.0)%	1	–	–
Other refineries	3	2	50.0%	5	3	66.7%
Marketing Business Units and others	1	3	(66.7)%	4	10	(60.0)%
<b>Total downstream segment</b>	<b>10</b>	<b>12</b>	<b>(16.7)%</b>	<b>22</b>	<b>34</b>	<b>(35.3)%</b>
<b>Total other activities</b>	<b>6</b>	<b>3</b>	<b>100.0%</b>	<b>9</b>	<b>7</b>	<b>28.6%</b>
<b>Total capital expenditures</b>	<b>182</b>	<b>185</b>	<b>(1.6)%</b>	<b>367</b>	<b>436</b>	<b>(15.8)%</b>
<b>Acquisition of licenses</b>	<b>2</b>	<b>1</b>	<b>100%</b>	<b>3</b>	<b>3</b>	<b>–</b>

\* Including Sevkomneftegaz.

## Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively

In the second quarter of 2020 capital expenditures amounted to RUB 182 billion (decrease by 1.6%) compared with RUB 185 billion in the first quarter of 2020.

Capital expenditures in Upstream segment decreased by 2.4% to RUB 166 billion if compared with the first quarter of 2020. The decrease of 14.9% in the first half of 2020 if compared with the same period of 2019 was due to optimization of the production drilling driven by negative market impact and reduction of crude oil production in term of new OPEC+ Agreement from April 2020.

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

The license acquisition costs of RUB 3 billion in the first half of 2020 referred to the acquisition of new licenses for research, exploration and production mainly at Khanty-Mansiysk autonomous region and Orenburg region.

### Financial liabilities and liquid funds

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

As of the date	<i>currency in bln</i>											
	June 30, 2020				March 31, 2020				June 30, 2019			
	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)
Financial liabilities	(25.7)	(2,121)	(4.3)	(0.5)	(24.9)	(1,928)	(4.3)	(0.9)	(26.8)	(1,826)	(3.5)	(0.7)
Liquid funds**	4.4	481	0.3	2.3	4.6	493	0.5	3.1	7.2	383	0.7	2.7
<b>Net financial liabilities</b>	<b>(21.3)</b>	<b>(1,640)</b>	<b>(4.0)</b>	<b>1.8</b>	<b>(20.3)</b>	<b>(1,435)</b>	<b>(3.8)</b>	<b>2.2</b>	<b>(19.6)</b>	<b>(1,443)</b>	<b>(2.8)</b>	<b>2.0</b>

\*Calculated based on unrounded data

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

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

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

**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, 2020	2020	2019
EBITDA margin	15.8%	17.2%	16.7%	24.9%
Net income margin attributable to Rosneft shareholders	4.1%	(8.8)%	(4.0)%	7.7%
Current ratio	0.62	0.79	0.62	0.88
			<b>RUB / bbl</b>	
EBITDA/bbl <sup>1</sup>	478	756	626	1,279
Upstream capital expenditures/bbl	481	431	454	500
Upstream operating expenses/bbl	260	236	247	247
Free cash flow/bbl <sup>2</sup>	(38)	555	279	442
			<b>RUB / boe</b>	
EBITDA/boe*	383	610	503	1,034
Upstream capital expenditures/boe	385	348	365	404
Upstream operating expenses/boe	208	191	199	199
Free cash flow/boe	(29)	448	224	357

<sup>1</sup>The effect of income from associates and joint ventures is excluded for calculation

<sup>2,3</sup>Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity

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, 2020	March 31, 2020	2020	2019
Liquids production (mln bbl)	345.2	394.3	739.5	790.4
Hydrocarbon production (mln boe)	431.1	488.6	919.7	978.2

\*Excluding share in production of associates and joint ventures.

**Calculation of EBITDA**

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
			<b>RUB billion</b>	
Revenues and equity share in profits of associates and joint ventures	1,039	1,765	2,804	4,212
Effect of prepayments offsetting	35	32	67	63
Costs and expenses	(1,071)	(1,664)	(2,735)	(3,550)
Depreciation, depletion and amortization	165	176	341	338
<b>EBITDA</b>	<b>168</b>	<b>309</b>	<b>477</b>	<b>1,063</b>
Expenses associated with COVID-19	2	–	2	–
<b>EBITDA adjusted</b>	<b>170</b>	<b>309</b>	<b>479</b>	<b>1,063</b>

**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

**Calculation of Free Cash Flow**

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
	<b>RUB billion</b>			
Operating cash flow	42	341	383	462
Capital expenditures	(182)	(185)	(367)	(436)
Offset of prepayments under long-term supply agreements*	91	102	193	156
Offset of other financial liabilities	27	47	74	66
Interest expense on prepayments under long-term supply agreements <sup>1</sup>	9	12	21	40
Financing of future deliveries	12	–	12	44
Net (increase)/decrease in assets and liabilities of subsidiary bank <sup>2</sup>	(12)	(98)	(110)	17
<b>Free cash flow (RUB equivalent)</b>	<b>(13)</b>	<b>219</b>	<b>206</b>	<b>349</b>

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

<sup>1</sup>Free cash flow estimation includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 1 billion and interests paid of RUB 8 billion in the second quarter of 2020; offsetting of RUB 9 billion and interests paid of RUB 3 billion in the first quarter of 2020; offsetting of RUB 36 billion and interests paid of RUB 4 billion in the first half of 2019

<sup>2</sup>Previous periods have been adjusted for comparability for net change of subsidiary bank operations in operating activity.

**Calculation of EBITDA Margin**

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
	<b>RUB billion (except %)</b>			
<b>EBITDA<sup>1</sup></b>	<b>170</b>	<b>309</b>	<b>479</b>	<b>1,063</b>
Revenues and equity share in profits of associates and joint ventures	1,039	1,765	2,804	4,212
Effect of prepayments offsetting	35	32	67	63
Adjusted revenues	1,074	1,797	2,871	4,275
<b>EBITDA margin</b>	<b>15.8%</b>	<b>17.2%</b>	<b>16.7%</b>	<b>24.9%</b>

<sup>1</sup>EBITDA adjusted for costs associated with COVID-19

**Calculation of Net Income Margin attributable to Rosneft shareholders**

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
	<b>RUB billion (except %)</b>			
<b>Net income/(loss) attributable to Rosneft shareholders</b>	<b>43</b>	<b>(156)</b>	<b>(113)</b>	<b>325</b>
Revenues and equity share in profits of associates and joint ventures	1,039	1,765	2,804	4,212
<b>Net income margin</b>	<b>4.1%</b>	<b>(8.8)%</b>	<b>(4.0)%</b>	<b>7.7%</b>

**Calculation of Current ratio**

As of the date	June 30, 2020	March 31, 2020	June 30, 2019
	<b>RUB billion (except ratios)</b>		
Current assets	1,833	2,358	2,537
Current liabilities	2,978	2,970	2,889
<b>Current ratio</b>	<b>0.62</b>	<b>0.79</b>	<b>0.88</b>



**Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively**

**Consolidated financial highlights (in USD terms)**

**Consolidated statement of profit or loss**

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
	USD billion*			
<b>Total revenues and equity share in profits of associates and joint ventures</b>	<b>14.9</b>	<b>27.6</b>	<b>42.5</b>	<b>65.5</b>
<b>Costs and expenses</b>				
Production and operating expenses	2.7	3.0	5.7	4.7
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs	1.3	4.3	5.6	11.4
General and administrative expenses	0.2	0.5	0.7	1.7
Transportation costs and other commercial expenses	2.1	3.3	5.4	5.0
Exploration expenses	0.1	–	0.1	0.1
Depreciation, depletion and amortization	2.3	2.7	5.0	5.2
Taxes other than income tax	5.3	9.7	15.0	20.3
Export customs duty	0.7	1.9	2.6	6.0
<b>Total costs and expenses</b>	<b>14.7</b>	<b>25.4</b>	<b>40.1</b>	<b>54.4</b>
<b>Operating income</b>	<b>0.2</b>	<b>2.2</b>	<b>2.4</b>	<b>11.1</b>
Finance income	0.3	0.4	0.7	1.2
Finance expenses	(0.3)	(1.2)	(1.5)	(1.8)
Other income	–	–	–	0.1
Other expenses	(0.2)	(0.7)	(0.9)	(2.0)
Foreign exchange differences	0.9	(2.9)	(2.0)	(0.5)
Cash flow hedges reclassified to profit or loss	–	–	–	(1.1)
<b>Income before income tax</b>	<b>0.9</b>	<b>(2.2)</b>	<b>(1.3)</b>	<b>7.0</b>
Income tax expense	(0.2)	0.4	0.2	(1.3)
<b>Net income/(loss)</b>	<b>0.7</b>	<b>(1.8)</b>	<b>(1.1)</b>	<b>5.7</b>
<b>Net income/(loss) attributable to Rosneft shareholders</b>	<b>0.7</b>	<b>(2.0)</b>	<b>(1.3)</b>	<b>4.9</b>

\* 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, 2020	March 31, 2020	2020	2019
EBITDA margin	16.8%	17.8%	17.4%	24.9%
Net income margin attributable to Rosneft shareholders	4.7%	(7.2)%	(3.1)%	7.5%
Current ratio	0.62	0.80	0.62	0.88
	USD/bbl*			
EBITDA/bbl	7.0	11.9	9.6	19.6
Upstream capital expenditures/bbl	6.6	6.4	6.5	7.7
Upstream operating expenses/bbl	3.6	3.6	3.6	3.8
Free cash flow/bbl	(0.5)	9.0	4.5	6.8
	USD/boe			
EBITDA/boe	5.6	9.6	7.7	15.8
Upstream capital expenditures/boe	5.3	5.2	5.2	6.2
Upstream operating expenses/boe	2.9	2.9	2.9	3.1
Free cash flow/boe	(0.4)	7.3	3.7	5.5

\* Calculated from unrounded data.

Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively

### Calculation of Free Cash Flow

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
	USD billion			
Operating cash flow	0.6	5.4	6.0	7.0
Capital expenditures	(2.5)	(2.8)	(5.3)	(6.7)
Offset of prepayments under long-term supply agreements	1.2	1.6	2.8	2.4
Offset of other financial liabilities	0.4	0.7	1.1	1.0
Interest expense on prepayments under long-term supply contracts	0.1	0.2	0.3	0.6
Financing of future deliveries	0.2	–	0.2	0.7
Net (increase)/decrease in assets and liabilities of subsidiary bank	(0.1)	(1.6)	(1.7)	0.3
<b>Free cash flow</b>	<b>(0.1)</b>	<b>3.5</b>	<b>3.4</b>	<b>5.3</b>

### Calculation of EBITDA Margin

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
	USD billion (except %)			
Revenues and equity share in profits of associates and joint ventures	14.9	27.6	42.5	65.5
Operating expenses	(14.7)	(25.4)	(40.1)	(54.4)
Depreciation, depletion and amortization	2.3	2.7	5.0	5.2
<b>EBITDA</b>	<b>2.5</b>	<b>4.9</b>	<b>7.4</b>	<b>16.3</b>
<i>Expenses associated with COVID-19</i>	<i>0.03</i>	<i>–</i>	<i>0.03</i>	<i>–</i>
<b>EBITDA adjusted</b>	<b>2.5</b>	<b>4.9</b>	<b>7.4</b>	<b>16.3</b>
Revenues and equity share in profits of associates and joint ventures	14.9	27.6	42.5	65.5
<b>EBITDA margin</b>	<b>16.8%</b>	<b>17.8%</b>	<b>17.4%</b>	<b>24.9%</b>

### Calculation of Net Income Margin

	For 3 months ended		For 6 months ended June 30,	
	June 30, 2020	March 31, 2020	2020	2019
	USD billion (except %)			
<b>Net income/(loss) attributable to Rosneft shareholders</b>	<b>0.7</b>	<b>(2.0)</b>	<b>(1.3)</b>	<b>4.9</b>
Revenues and equity share in profits of associates and joint ventures	14.9	27.6	42.5	65.5
<b>Net income margin</b>	<b>4.7%</b>	<b>(7.2)%</b>	<b>(3.1)%</b>	<b>7.5%</b>

### Calculation of Current ratio

As of the date	June 30, 2020	March 31, 2020	June 30, 2019
		USD billion (except ratios)	
Current assets	26.2	30.3	40.2
Current liabilities	42.6	38.1	45.8
<b>Current ratio</b>	<b>0.62</b>	<b>0.80</b>	<b>0.88</b>

## **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. At the moment, the Company's business development is focused on the world's best practices in combating climate change and is aimed at:

- increasing production of natural gas, the use of which in comparison with other types of fuels can significantly reduce greenhouse emissions;
- implementation of projects for the development of oil refineries( refineries), increasing the production of popular products, raw materials for petrochemicals;
- reducing emissions and improving efficiency at production facilities (in particular by reducing the APG combustion rate to less than 5 % in accordance with the target set by the Government of the Russian Federation as part of the implementation of the Investment gas program.);
- creation and production of new products that allow consumers to reduce emissions and improve fuel efficiency.

In 2017, in order to further improve the effectiveness of activities in the field of industrial safety, labour protection and the environment, a Committee was formed on the industrial safety, labour protection and environment, within which a carbon management subcommittee was subsequently created to help achieve goals to face climate change.

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

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 July 14, 2020, the Chief Executive officer approved the development of a plan for carbon management of Rosneft until 2035, taking into account the provisions of the "Energy strategy of the Russian Federation for the period up to 2035".

### *International assessment of Rosneft activity in the field of sustainable development*

In December 2018, the Board of Directors confirmed that commitment to the 17 UN sustainable development goals is part of the Company's strategy and approved the public position: "Rosneft: contribution to the implementation of the UN sustainable development goals". In its activities, the Company is committed to the highest principles of sustainable development, which is confirmed by the positive assessment of the world community. Since 2007, Rosneft has published a report on sustainable development in accordance with the international standards of the Global reporting Initiative (GRI). Since 2010, the Company has been a member of the UN Global compact, and in June 2019, it joined the "Guidelines for reducing methane emissions".

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

## Attachment 2: Taxation

### Mineral Extraction Tax (MET)

#### *MET rate calculation for crude oil*

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

Starting from 2019 the mineral extraction tax rate was calculated as follows:

$919 \times K_p - 559 \times K_p \times K_{rel} + K_k + K_{man} \times S_{vn} \text{ and } K_{abdt}$ , 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).

$K_{man} \times S_{vn} \text{ and } K_{abdt}$  have been added to the formula for calculating MET rate for oil in connection with the introduction of “reverse excise duty”.

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

Where:

“P” – Urals price (see above);

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

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

Groups	“K”	Note
1,2	0.4	prior to the expiration of the first 5 years of commercial production
	0.6	the 6 <sup>th</sup> year of commercial production
	0.8	the 7 <sup>th</sup> year of commercial production
	1.0	from the 8 <sup>th</sup> year of commercial production
3	1.0	Not applicable
4	0.5	before the end of the 1 <sup>st</sup> year of commercial production
	0.75	the 2 <sup>nd</sup> year of commercial production
	1.0	from the 3 <sup>rd</sup> year of commercial production
5*	0	before the end of the 11 years of commercial production
	0.2	12 <sup>th</sup> year of commercial production
	0.4	13 <sup>th</sup> year of commercial production
	0.6	14 <sup>th</sup> year of commercial production
	0.8	15 <sup>th</sup> year of commercial production
	1.0	from the 16 <sup>th</sup> year of commercial production

\*entered into force on 01.04.2020 in accordance with Federal law No. 65-FZ of 18.03.2020

## Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively

In 2020, the Company applies various tax incentives for production and special tax treatment for MET on crude oil:

MET incentives for production in 2020	Applicable to the Company
Reduced rate due to the P=0	Oil fields of bazhenov, abalak, khadum, domanic formations. Oil fields with high-viscosity crude oil (in-situ viscosity more than 10 000 mPa·s).
MET reduced by "Dm" coefficient, which characterizes crude oil production at a particular oil field	Oil fields located: <ul style="list-style-type: none"> <li>• In Irkutsk region, the Republic of Sakha (Yakutia) and Krasnoyarsk Territory which is applicable for the first 25 million tonnes of production</li> <li>• On the territory of the Nenets Autonomous district, Yamalo-Nenets Autonomous district – for the first 15 million tonnes of production</li> <li>• Okhotsk sea fields subject to zero mineral extraction tax rate which is applicable for the first 30 million tonnes of production</li> </ul> Oil fields with reserve depletion rate of over 80%. Oil fields with the volume of initial recoverable reserves being less than 5 million tonnes. Oil fields with high-viscosity crude oil (in-situ viscosity more than 200 mPa·s and less than 10 000 mPa·s) Oil fields with permeability less than $2 \times 10^{-3} \mu\text{m}^2$ and deposits of the Tyumen suite.
Tax deduction	At fields located entirely within the boundaries of the Nizhnevartovsk region of KHAMAO – Yugra, the initial recoverable oil reserves of which amount to 450 million tonnes or more as of January 1, 2016 (the amount of the deduction is determined in aggregate for the specified fields and amounts to RUB 2,917 million for the tax period (calendar month)). Oil production at fields with export duty exemptions under "general" tax regime. The deduction is aimed at compensating the loss of economic effect from the granted export duty benefits in connection with the completion of the tax maneuver (due to which the duties are gradually reduced to zero by 2024).
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 <sub>vancor</sub> 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 42.45 per barrel in 2020).
Special tax regime for offshore projects in the Russian Federation	The offshore projects are categorized into one of four groups depending on its complexity and special MET rates for each project group ranging from 5% to 30% of hydrocarbon prices are applied.
Special tax regime exempting the Company from paying mineral extraction tax.	Exploration projects in the Sakhalin-1 PSA.

\* entered into force on 01.04.2020 in accordance with Federal law No. 65-FZ of 18.03.2020

### 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 2020	Applicable to the Company
0.5	License areas: Rospan and Russko-Rechenskoe licensed fields and also at fields of Krasnodar and Stavropol regions
0.64	License areas: Kynsko-Chaselskoye fields and at a number of fields of Sibneftegaz, and also at Nenets Autonomous District, the Chechen republic and Krasnodar region
0.1	License areas: Irkutsk region, Krasnoyarsk region and the region of Far East or the sea of Okhotsk
0.21	License areas: Turon deposits reserves of the Kharampurskoye field
0.5-1	Fields with reserve depletion rate of over 70%.

## Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively

### Excess profit tax (Tax on additional income from hydrocarbons production)

Since January 1, 2019, the tax on additional income from production of hydrocarbons was enacted. The tax is charged at the rate of 50% of the hydrocarbons production income calculated as the difference between the estimated revenue and costs (losses). The new tax regime requires paying the MET but at a reduced rate and paying export duties with exemption from their payment for a certain period for Greenfields in Eastern Siberia and other new regions of oil production (groups 1-2).

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

Groups	Geographic location	Depletion as of 01.01.17
<b>Greenfields of Eastern Siberia and other new regions of oil production</b>		
1	The Republic of Sakha, Irkutsk region, NAO, KHMAO, the Caspian Sea, The Yamal-Nenets Autonomous district, Krasnoyarsk region	Not exceeding 5%
2		Deposits specified in the Note 8 to the Common Customs Tariff as of 01.01.2018.
<b>Brownfields of Western Siberia</b>		
3	KHMAO, YANAO, Komi Republic, Tyumen region	From 20% to 80% or from 10% to 80% provided that on 01.01.2011 worked out >1%. List of fields is determined by the Law.
<b>Greenfields of Western Siberia</b>		
4	KHMAO, YANAO, Komi Republic, Tyumen region	Not exceeding 5%. List of fields is determined by the Law.
<b>Greenfields in Arctic zone</b>		
5*	North in the Krasnoyarsk territory, the Republic of Sakha (Yakutia), the Chukotka Autonomous district	Not exceeding 0.1% as of January 1, 2019

\* entered into force on 01.04.2020 in accordance with Federal law No. 65-FZ of 18.03.2020

### Excise tax

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

The Company as an owner of raw materials applies excises deductions for particular types of petroleum products in the cases provided by the legislation, as well as "reverse excise" mechanism (deduction of the accrued excise tax with an increasing coefficient) for oil raw material.

Starting from January 1 2019 new excisable goods (oil raw material and dark bunker fuel) and new operations subject to excise taxation were introduced, with the possibility of applying the mechanism of "reverse excise" (deduction of the accrued excise tax with an increasing coefficient):

- for oil raw material (for the organizations-owners of crude oil raw material processed in the Russian Federation which received special certificate from the tax authorities);
- dark bunker fuel (when using fuel for bunkering (refuelling) of vessels and (or) machinery and constructions located in the internal sea waters and continental shelf of the Russian Federation, etc.).

From April 1, 2020 "dark bunker fuel" was excluded from the list of excisable goods, at the same time the concept of medium distillates was changed, as a result of which dark bunker fuel and a number of other dark oil products are recognized as medium distillates for the purposes of excise taxation.

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 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 1<sup>st</sup> 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 # 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 2020 is 0.667

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 USD 182.5 per ton. "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 N 268-FZ, dated September 30, 2013, introducing a special tax regime in respect of the projects on the continental shelf of the Russian Federation a full exemption of hydrocarbons produced at offshore fields from the export customs duties is provided. Mainly thus exemption relates to the fields which commercial production starting from January 1, 2016. Such an exemption is set for various terms depending on complexity of a field development project.

The law names the Vostochno-Messoyakhskoye field (the total volume of oil that can be exported from 01.01.2019 using a "preferential" rate is 32.08 million tons), the Srednebotuobinskoye field (32.742 million tons) and the kuyumbinskoye field (76.433 million tons).

According to the Federal law of 19.07.2018 № 201-FZ “On amendments to articles 3.1 and 35 of the Law of the Russian Federation “On customs tariff”, the export of oil produced in the subsoil areas that have passed on excess profit tax from production of hydrocarbons (1,2 group), since January 1, 2019 is exempt from payment of export customs duties before the expiration of 7 years of industrial production, after the expiration of the exemption - standard duty rates. Federal law No. 24-FZ of 18.02.2020 " On amendments to article 35 of The law of the Russian Federation "On customs tariff" clarified the procedure for applying this exemption, according to which persons who are not tax payers of excess profit tax in the relevant subsoil area can export oil with an exemption from payment of export customs duty if there is a corresponding written confirmation of the organization – taxpayer of excess profit tax. The provisions of Federal law No. 24-FZ of 18.02.2020 apply to legal relations that have arisen since 01.05.2019.

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

In accordance with the Eurasian Economic Agreement dated May 29, 2014 and effective from January 1, 2015 export duties are not payable on crude oil export to countries-participants of Eurasian Economic Agreement. Meanwhile, the Eurasian Economic Agreement enables some export limits on oil and oil products.

Export duties are not payable on crude oil exports to countries that are members of Eurasian Economic Agreement. At the same time quotes for tax-free sale of crude oil and petroleum products are set. In accordance with agreement with Armenia and the Kyrgyz republic all supplies above the quotes are subject for the duties.

In accordance with agreement between the Governments of Russian Federation and the Kazakhstan Republic on trade and economic cooperation in crude oil and petroleum products supplies dated December 9, 2010 the export ban was set for a specified list of petroleum products exported from Russian Federation to the Kazakhstan Republic.

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

***Export Customs Duty on Petroleum Products***

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

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

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

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

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

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

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



Management's discussion and analysis of financial condition and results of operations of Rosneft in the second quarter of 2020 and in the first half of 2020 and 2019, respectively

**Attachment 3: EBITDA by segment**

	<i>For 3 months ended June 30, 2020</i>				
	<b>Exploration and Production</b>	<b>Refining and distribution</b>	<b>Corporate segment</b>	<b>Intersegment</b>	<b>Consolidated P&amp;L</b>
<b>Total revenues and equity share in profits of associates and joint ventures</b>	493	1,057	54	(565)	1,039
<b>Total costs and expenses</b>	337	1,075	59	(565)	906
Effect of prepayments offsetting	35	–	–	–	35
<b>EBITDA</b>	<b>191</b>	<b>(18)</b>	<b>(5)</b>	–	<b>168</b>
<i>Expenses associated with COVID-19</i>	2	–	–	–	2
<b>EBITDA adjusted</b>	<b>193</b>	<b>(18)</b>	<b>(5)</b>	–	<b>170</b>

  

	<i>For 3 months ended March 31, 2020</i>				
	<b>Exploration and Production</b>	<b>Refining and distribution</b>	<b>Corporate segment</b>	<b>Intersegment</b>	<b>Consolidated P&amp;L</b>
<b>Total revenues and equity share in profits of associates and joint ventures</b>	863	1,778	52	(928)	1,765
<b>Total costs and expenses</b>	626	1,722	68	(928)	1,488
Effect of prepayments offsetting	32	–	–	–	32
<b>EBITDA</b>	<b>269</b>	<b>56</b>	<b>(16)</b>	–	<b>309</b>

  

	<i>For 6 months ended June 30, 2020</i>				
	<b>Exploration and Production</b>	<b>Refining and distribution</b>	<b>Corporate segment</b>	<b>Intersegment</b>	<b>Consolidated P&amp;L</b>
<b>Total revenues and equity share in profits of associates and joint ventures</b>	1,356	2,835	106	(1,493)	2,804
<b>Total costs and expenses</b>	963	2,797	127	(1,493)	2,394
Effect of prepayments offsetting	67	–	–	–	67
<b>EBITDA</b>	<b>460</b>	<b>38</b>	<b>(21)</b>	–	<b>477</b>
<i>Expenses associated with COVID-19</i>	2	–	–	–	2
<b>EBITDA adjusted</b>	<b>462</b>	<b>38</b>	<b>(21)</b>	–	<b>479</b>

  

	<i>For 6 months ended June 30, 2019</i>				
	<b>Exploration and Production</b>	<b>Refining and distribution</b>	<b>Corporate segment</b>	<b>Intersegment</b>	<b>Consolidated P&amp;L</b>
<b>Total revenues and equity share in profits of associates and joint ventures</b>	2,473	4,188	74	(2,523)	4,212
<b>Total costs and expenses</b>	1,487	4,154	94	(2,523)	3,212
Effect of prepayments offsetting	63	–	–	–	63
<b>EBITDA</b>	<b>1,049</b>	<b>34</b>	<b>(20)</b>	–	<b>1,063</b>

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

	2020	2019
	RUB/USD	
January	61.78	67.35
February	63.88	65.86
March	73.32	65.15
April	75.23	64.62
May	72.62	64.82
June	69.22	64.23
July		63.20
August		65.53
September		64.99
October		64.36
November		63.87
December		62.94