



Rosneft Oil Company

**Interim Condensed Consolidated Financial Statements
(unaudited)**

Three and nine months ended September 30, 2021

Rosneft Oil Company

Interim condensed consolidated financial statements (unaudited)

Three and nine months ended September 30, 2021

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Report on Review of Interim Financial Information

To the Shareholders and Board of Directors
of Rosneft Oil Company

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Rosneft Oil Company and its subsidiaries (hereinafter collectively referred to as the “Company”), which comprise the interim consolidated balance sheet as at September 30, 2021, the interim consolidated statement of profit or loss, interim consolidated statement of comprehensive income for the three and nine-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine-month period then ended and notes to interim condensed consolidated financial statements (interim financial information).

Management of the Company is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Совершенствуя бизнес,
улучшаем мир

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

D.E. Lobachev
Partner
Ernst & Young LLC

12 November 2021

Details of the entity

Name: Rosneft Oil Company
Record made in the State Register of Legal Entities on 12 August 2002, State Registration Number 1027700043502.
Address: Russia 115035, Moscow, Sofiyskaya embankment, 26/1.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Rosneft Oil Company
Interim consolidated balance sheet
(in billions of Russian rubles)

	Notes	September 30, 2021 (unaudited)	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	10	892	806
Restricted cash	10	20	17
Other short-term financial assets	11	917	817
Accounts receivable	12	703	468
Bank loans granted		223	131
Inventories	13	453	361
Prepayments and other current assets	14	478	322
Total current assets		3,686	2,922
Non-current assets			
Property, plant and equipment	15	10,440	10,401
Right-of-use assets		155	155
Intangible assets		75	80
Other long-term financial assets	16	303	275
Investments in associates and joint ventures		842	846
Bank loans granted		409	363
Deferred tax assets		55	54
Goodwill		82	82
Other non-current non-financial assets	17	220	172
Total non-current assets		12,581	12,428
Total assets		16,267	15,350
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	18	1,822	1,546
Loans and borrowings and other financial liabilities	19	669	798
Income tax liabilities		19	14
Other tax liabilities	20	614	301
Provisions	21	61	68
Prepayment on long-term oil and petroleum products supply agreements	22	431	357
Other current liabilities		7	8
Total current liabilities		3,623	3,092
Non-current liabilities			
Loans and borrowings and other financial liabilities	19	3,832	3,810
Deferred tax liabilities		1,045	1,072
Provisions	21	340	437
Prepayment on long-term oil and petroleum products supply agreements	22	1,079	1,401
Other non-current liabilities		79	51
Total non-current liabilities		6,375	6,771
Equity			
Share capital		1	1
Treasury shares	23	(370)	(370)
Additional paid-in capital		1,290	1,100
Reserve for foreign exchange differences on translation of foreign operations		(88)	(66)
Other funds and reserves		30	34
Retained earnings	23	4,466	4,007
Rosneft shareholders' equity		5,329	4,706
Non-controlling interests	24	940	781
Total equity		6,269	5,487
Total liabilities and equity		16,267	15,350

Chief Executive Officer



I.I. Sechin

November 12, 2021

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of profit or loss

(in billions of Russian rubles, except earnings per share data, and share amounts)

	Notes	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited, restated)
Revenues and equity share in profits of associates and joint ventures					
Oil, gas, petroleum products and petrochemicals sales	5	2,270	1,401	6,087	4,142
Support services and other revenues		29	19	81	59
Equity share in profits of associates and joint ventures		21	19	56	35
Total revenues and equity share in profits of associates and joint ventures		2,320	1,439	6,224	4,236
Costs and expenses					
Production and operating expenses		176	166	458	569
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs		407	155	1,068	518
General and administrative expenses		33	33	116	79
Transportation costs and other commercial expenses		161	139	476	511
Exploration expenses		1	5	5	11
Depreciation, depletion and amortization		171	160	489	501
Taxes other than income tax	6	821	549	2,254	1,566
Export customs duty	7	125	73	323	253
Total costs and expenses		1,895	1,280	5,189	4,008
Operating income		425	159	1,035	228
Finance income		39	24	95	71
Finance expenses	8	(56)	(55)	(166)	(160)
Other income	9	16	1	28	4
Other expenses	9	(20)	(26)	(72)	(93)
Foreign exchange differences		10	(161)	28	(227)
Realized foreign exchange differences on hedge instruments		–	–	–	1
Income/(loss) before income tax		414	(58)	948	(176)
Income tax (expense)/benefit	6	(69)	8	(172)	28
Net income/(loss)		345	(50)	776	(148)
Net income/(loss) attributable to:					
- Rosneft shareholders		314	(64)	696	(177)
- non-controlling interests		31	14	80	29
Net income/(loss) attributable to Rosneft per common share (in RUB) – basic and diluted		33.05	(6.71)	73.26	(17.70)
Weighted average number of shares outstanding (millions)		9,500	9,535	9,500	10,001

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of comprehensive income

(in billions of Russian rubles)

Notes	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Net income/(loss)	345	(50)	776	(148)
Other comprehensive income/(loss) – to be reclassified to profit or loss in subsequent periods				
Foreign exchange differences on translation of foreign operations	(1)	95	(22)	154
Foreign exchange cash flow hedges	–	–	–	(1)
(Loss)/income from changes in fair value of debt financial assets at fair value through other comprehensive income	(1)	(1)	(3)	1
(Decrease)/increase in loss allowance for expected credit losses on debt financial assets at fair value through other comprehensive income	(3)	3	(3)	3
Equity share in other comprehensive income/(loss) of associates	–	2	(1)	(3)
Income tax related to other comprehensive loss/(income) – to be reclassified to profit or loss in subsequent periods	1	(1)	1	–
Total other comprehensive (loss)/income – to be reclassified to profit or loss in subsequent periods, net of tax	(4)	98	(28)	154
Other comprehensive income – not to be reclassified to profit or loss in subsequent periods				
Income from changes in fair value of equity financial assets at fair value through other comprehensive income	1	2	2	1
Total comprehensive income – not to be reclassified to profit or loss in subsequent periods, net of tax	1	2	2	1
Total comprehensive income, net of tax	342	50	750	7
Total comprehensive income/(loss), net of tax, attributable to:				
- Rosneft shareholders	311	36	670	(22)
- non-controlling interests	31	14	80	29

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of changes in equity

(in billions of Russian rubles, except share amounts)

	Number of shares (millions)	Share capital	Treasury shares	Additional paid-in capital	Reserve for foreign exchange differences on translation of foreign operations	Other funds and reserves	Retained earnings	Rosneft shareholders' equity	Non- controlling interests	Total equity
Balance at January 1, 2020	10,598	1	–	635	(185)	31	4,032	4,514	635	5,149
Net (loss)/income	–	–	–	–	–	–	(177)	(177)	29	(148)
Other comprehensive income	–	–	–	–	154	1	–	155	–	155
Total comprehensive income/(loss)	–	–	–	–	154	1	(177)	(22)	29	7
Dividends declared (Note 23)	–	–	–	–	–	–	(172)	(172)	(63)	(235)
Acquisition of treasury shares (Note 23)	(1,078)	–	(362)	–	–	–	–	(362)	–	(362)
Change of interest in subsidiaries	–	–	–	–	–	–	–	–	(1)	(1)
Other movements	–	–	–	–	–	–	–	–	1	1
Balance at September 30, 2020 (unaudited)	9,520	1	(362)	635	(31)	32	3,683	3,958	601	4,559
Balance at January 1, 2021	9,500	1	(370)	1,100	(66)	34	4,007	4,706	781	5,487
Net income	–	–	–	–	–	–	696	696	80	776
Other comprehensive loss	–	–	–	–	(22)	(4)	–	(26)	–	(26)
Total comprehensive (loss)/income	–	–	–	–	(22)	(4)	696	670	80	750
Dividends declared (Note 23)	–	–	–	–	–	–	(237)	(237)	(32)	(269)
Change of interest in subsidiaries (Note 24)	–	–	–	206	–	–	–	206	93	299
Disposal of subsidiaries	–	–	–	–	–	–	–	–	1	1
Other movements (Note 24)	–	–	–	(16)	–	–	–	(16)	17	1
Balance at September 30, 2021 (unaudited)	9,500	1	(370)	1 290	(88)	30	4,466	5,329	940	6,269

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of cash flows

(in billions of Russian rubles)

	Notes	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Operating activities			
Net income/(loss)		776	(148)
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>			
Depreciation, depletion and amortization		489	501
Loss on disposal of non-current assets	9	15	8
Dry holes costs		3	6
Offset of prepayments received on oil and petroleum products long term supply agreements	22	(248)	(217)
Offset of prepayments made under oil and petroleum products long term supply agreements		8	9
Foreign exchange (gain)/ loss on non-operating activities		(70)	283
Cash flow hedges reclassified to profit or loss		–	(1)
Offset of other financial liabilities		(112)	(116)
Equity share in profits of associates and joint ventures		(56)	(35)
(Gain)/loss on disposal of investments		(14)	3
Changes in provisions for financial assets		1	(25)
Loss from changes in provisions and impairment of assets		31	49
Finance expenses	8	166	160
Finance income		(95)	(71)
Income tax expense/(benefit)	6	172	(28)
<i>Changes in operating assets and liabilities</i>			
(Increase)/decrease in accounts receivable, gross		(244)	150
(Increase)/decrease in inventories		(102)	41
Increase in restricted cash		(3)	(1)
(Increase)/decrease in prepayments and other current assets		(32)	106
Increase in long-term prepayments made on oil and petroleum products supply agreements		(108)	(12)
Increase/(decrease) in accounts payable and accrued liabilities		126	(108)
Increase/(decrease) in other tax liabilities		323	(77)
Increase in other current reserves		–	3
Decrease in other current liabilities		–	(4)
(Decrease)/increase in other non-current liabilities		(2)	1
Interest paid on long-term prepayment received under oil and petroleum products supply agreements		(3)	(12)
Net increase in operating assets of subsidiary banks		(144)	(25)
Net increase in operating liabilities of subsidiary banks		126	205
Net cash provided by operating activities before income tax and interest		1,003	645
Income tax payments		(169)	(100)
Interest received		64	64
Dividends received		32	16
Net cash provided by operating activities		930	625

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Interim consolidated statement of cash flows (continued)

(in billions of Russian rubles)

	Notes	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Investing activities			
Capital expenditures		(689)	(569)
Acquisition of licenses and auction fee payments		(23)	(3)
Acquisition of short-term financial assets		(192)	(54)
Proceeds from sale of short-term financial assets		87	25
Acquisition of long-term financial assets		(35)	(45)
Contribution to share capital of the joint venture		(2)	–
Proceeds from capital repayment		15	–
Proceeds from sale of long-term financial assets		1	4
Proceeds from sale of subsidiaries, net of cash disposed		4	(8)
Proceeds from sale of joint operations		38	–
Acquisition of subsidiaries, net of cash acquired		(101)	–
Proceeds from sale of property, plant and equipment		5	11
Net cash used in investing activities		(892)	(639)
Financing activities			
Proceeds from short-term loans and borrowings		59	603
Repayment of short-term loans and borrowings		(157)	(765)
Proceeds from long-term loans and borrowings		321	1,112
Repayment of long-term loans and borrowings		(179)	(440)
Proceeds from other financial liabilities		–	54
Repayment of other financial liabilities		(21)	(89)
Distributions to non-controlling shareholders of subsidiaries		(4)	–
Interest paid		(188)	(188)
Other financing received		6	6
Treasury shares acquired	23	–	(19)
Proceeds from sale non-controlling share in subsidiaries	24	299	–
Dividends paid to non-controlling shareholders		(19)	(56)
Dividends paid to shareholders	23	(66)	(172)
Net cash provided by financing activities		51	46
Net increase in cash and cash equivalents		89	32
Cash and cash equivalents at beginning of period	10	806	228
Effect of foreign exchange on cash and cash equivalents		(3)	13
Cash and cash equivalents at end of period	10	892	273

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited)

Three and nine months ended September 30, 2021

(all amounts in tables are in billions of Russian rubles, except as noted otherwise)

1. General

Public Joint Stock Company (“PJSC”) Rosneft Oil Company (“Rosneft”) and its subsidiaries (collectively, the “Company”) are principally engaged in exploration, development, production and sale of crude oil and gas and refining, transportation and sale of petroleum products in the Russian Federation and on international markets.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the information contained in its 2020 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Company has provided disclosures where significant events have occurred subsequently to the issuance of its 2020 audited consolidated financial statements. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to ensure that the presented information is not misleading if these interim condensed consolidated financial statements are read in conjunction with the Company’s 2020 audited consolidated financial statements and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments necessary to present fairly the Company’s financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

The Company maintains its books and records and prepares financial statements in accordance with accounting and taxation principles and practices mandated by legislation of the relevant jurisdictions. The accompanying IFRS interim condensed consolidated financial statements were derived from the Company’s statutory books and records.

The Company’s interim condensed consolidated financial statements are presented in billions of Russian rubles (“RUB”), unless otherwise indicated.

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 were approved and authorized for issue by the Chief Executive Officer of the Company on November 12, 2021.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of amendments to existing standards effective as of January 1, 2021:

- *Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial instruments, as well as IFRS 4 Insurance contracts and IFRS 16 Leases named Interest Rate Benchmark Reform – Phase II.* The amendments provide certain temporary reliefs which address the financial reporting effects related to the transfer to the risk-free interest rate. The amendments did not have a material impact on the consolidated financial statements.

Sales of oil, gas, petroleum products and petrochemicals and the Cost of purchased oil, gas, petroleum products, goods for retail and refining costs during the nine months of 2020 in the part of trading operations were reduced (netted) by RUB 7 billion based on the criteria in IFRS 15 *Revenue from Contracts with Customers*.

4. Disposals of subsidiaries and share in joint operations

In the third quarter of 2021, the Company completed the sale of its 50% investment in the share capital of JSC “Tomskneft”, previously accounted for as an investment in joint operations, and 100% shares in subsidiaries, mainly engaged in participation in joint operations for gas production and transportation in Vietnam. Gain on disposal of these assets amounted to RUB 11 billion and was recorded in Other income in the Interim consolidated statement of profit or loss for the three and nine months ended September 30, 2021.

5. Segment information

The Company determines its operating segments based on the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. The Exploration and production segment is engaged in field exploration and the production of crude oil and natural gas. The Refining and distribution segment is engaged in processing crude oil and other hydrocarbons into petroleum products, as well as in the purchase, sale and transportation of crude oil and petroleum products. Corporate and other unallocated activities are not part of any operating segment and include corporate activity, activities involved in field development, the maintenance of infrastructure and the functioning of the first two segments, as well as banking and finance services, and other activities. Substantially all of the Company’s operations and assets are located in the Russian Federation.

Segment performance is evaluated based on both revenues and operating income, which are measured on the same basis as in the consolidated financial statements, except that intersegment transactions revalued at market prices.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited)
(continued)

5. Segment information (continued)

The performance of the operating segments for the three months ended September 30, 2021 (unaudited) is shown below:

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Total revenues and equity share in profits of associates and joint ventures	1,459	2,315	57	(1,511)	2,320
<i>Including: equity share in profits of associates and joint ventures</i>	<i>14</i>	<i>6</i>	<i>1</i>	<i>–</i>	<i>21</i>
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	929	2,239	67	(1,511)	1,724
Depreciation, depletion and amortization	140	27	4	–	171
Total costs and expenses	1,069	2,266	71	(1,511)	1,895
Operating income/(loss)	390	49	(14)	–	425
Finance income	–	–	39	–	39
Finance expenses	–	–	(56)	–	(56)
Total finance expenses	–	–	(17)	–	(17)
Other income	–	–	16	–	16
Other expenses	–	–	(20)	–	(20)
Foreign exchange differences	–	–	10	–	10
Income/(loss) before income tax	390	49	(25)	–	414
Income tax (expense)/benefit	(75)	(9)	15	–	(69)
Net income/(loss)	315	40	(10)	–	345

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

5. Segment information (continued)

The performance of the operating segments for the three months ended September 30, 2020 (unaudited) is shown below:

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Total revenues and equity share in profits of associates and joint ventures	805	1,455	53	(874)	1,439
<i>Including: equity share in profits of associates and joint ventures</i>	<i>11</i>	<i>8</i>	<i>–</i>	<i>–</i>	<i>19</i>
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	510	1,419	65	(874)	1,120
Depreciation, depletion and amortization	128	28	4	–	160
Total costs and expenses	638	1,447	69	(874)	1,280
Operating income/(loss)	167	8	(16)	–	159
Finance income	–	–	24	–	24
Finance expenses	–	–	(55)	–	(55)
Total finance expenses	–	–	(31)	–	(31)
Other income	–	–	1	–	1
Other expenses	–	–	(26)	–	(26)
Foreign exchange differences	–	–	(161)	–	(161)
Realized foreign exchange differences on hedge instruments	–	–	–	–	–
Income/(loss) before income tax	167	8	(233)	–	(58)
Income tax (expense)/benefit	(32)	–	40	–	8
Net income/(loss)	135	8	(193)	–	(50)

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

5. Segment information (continued)

The performance of the operating segments for the nine months ended September 30, 2021 (unaudited) is shown below:

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Total revenues and equity share in profits of associates and joint ventures	3,942	6,232	158	(4,108)	6,224
<i>Including: equity share in profits of associates and joint ventures</i>	<i>36</i>	<i>18</i>	<i>2</i>	<i>–</i>	<i>56</i>
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	2,506	6,090	212	(4,108)	4,700
Depreciation, depletion and amortization	398	80	11	–	489
Total costs and expenses	2,904	6,170	223	(4,108)	5,189
Operating income/(loss)	1,038	62	(65)	–	1,035
Finance income	–	–	95	–	95
Finance expenses	–	–	(166)	–	(166)
Total finance expenses	–	–	(71)	–	(71)
Other income	–	–	28	–	28
Other expenses	–	–	(72)	–	(72)
Foreign exchange differences	–	–	28	–	28
Income/(loss) before income tax	1,038	62	(152)	–	948
Income tax (expense)/benefit	(200)	(9)	37	–	(172)
Net income/(loss)	838	53	(115)	–	776

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

5. Segment information (continued)

The performance of the operating segments for the nine months ended September 30, 2020 (unaudited) is shown below:

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Total revenues and equity share in profits of associates and joint ventures	2,161	4,283	159	(2,367)	4,236
<i>Including: equity share in profits of associates and joint ventures</i>	<i>14</i>	<i>20</i>	<i>1</i>	<i>–</i>	<i>35</i>
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	1,473	4,209	192	(2,367)	3,507
Depreciation, depletion and amortization	406	83	12	–	501
Total costs and expenses	1,879	4,292	204	(2,367)	4,008
Operating income/(loss)	282	(9)	(45)	–	228
Finance income	–	–	71	–	71
Finance expenses	–	–	(160)	–	(160)
Total finance expenses	–	–	(89)	–	(89)
Other income	–	–	4	–	4
Other expenses	–	–	(93)	–	(93)
Foreign exchange differences	–	–	(227)	–	(227)
Realized foreign exchange differences on hedge instruments	–	–	1	–	1
Income/(loss) before income tax	282	(9)	(449)	–	(176)
Income tax (expense)/benefit	(54)	6	76	–	28
Net income/(loss)	228	(3)	(373)	–	(148)

Oil, gas, petroleum products and petrochemicals sales comprise the following (based on the country indicated in the bill of lading):

	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited, restated)
International sales of crude oil, petroleum products and petrochemicals – non-CIS	1,524	858	4,196	2,716
International sales of crude oil and petroleum products – CIS, other than Russia	83	57	212	118
Domestic sales of crude oil, petroleum products and petrochemicals	595	431	1,472	1,137
Sales of gas	68	55	207	171
Total oil, gas, petroleum products and petrochemicals sales	2,270	1,401	6,087	4,142

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

6. Income tax and other taxes

Income tax expenses comprise the following:

	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Current income tax expense	(54)	(16)	(184)	(57)
Deferred tax (expense)/benefit due to the origination and reversal of temporary differences	(15)	24	12	85
Total income tax (expense)/benefit	(69)	8	(172)	28

In 2012 the Company created a consolidated group of taxpayers (hereinafter “CGT”), Rosneft became the responsible taxpayer of the CGT. At present, under the terms of the agreement the number of members in the consolidated group of taxpayers is 61.

In addition to income tax, the Company accrued other taxes as follows:

	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Mineral extraction tax	601	330	1,585	957
Excise tax	(3)	158	82	442
Property tax	11	11	32	31
Insurance contributions	20	19	66	65
Tax on additional income from production of hydrocarbons	181	28	462	64
Other	11	3	27	7
Total taxes other than income tax	821	549	2,254	1,566

7. Export customs duty

Export customs duty comprises the following:

	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Export customs duty on oil sales	85	51	219	169
Export customs duty on petroleum products and petrochemicals sales	40	22	104	84
Total export customs duty	125	73	323	253

During the nine months of 2020, following the adoption of Federal law No. 24-FZ dated February 18, 2020 the one-off effect amounting to RUB 30 bln was recorded to reflect the customs duty exemption for the 2019 export deliveries of crude oil produced in certain subsoil areas where the tax on additional income regime was implemented in 2019.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

8. Finance expenses

Finance expenses comprise the following:

	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Interest expenses on				
Loans and borrowings	(32)	(31)	(88)	(83)
Interest on the lease liability	(2)	(1)	(5)	(4)
Prepayment on long-term oil and petroleum products supply agreements (Note 22)	(11)	(8)	(35)	(29)
Other interest expenses	(3)	(3)	(9)	(12)
Total interest expenses	(48)	(43)	(137)	(128)
Increase in provision due to the unwinding of a discount	(6)	(6)	(18)	(18)
Increase in allowance for expected credit losses on debt financial assets:				
- at fair value through other comprehensive income	–	(3)	–	(3)
- at amortized cost	(1)	(1)	(2)	(2)
Change in fair value of financial assets measured at fair value through profit or loss	(1)	1	(7)	(1)
Net loss from operations with derivative financial instruments	–	(3)	–	(6)
Other finance expenses	–	–	(2)	(2)
Total finance expenses	(56)	(55)	(166)	(160)

9. Other income and expenses

Other income and expenses comprise the following:

	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Insurance recoveries	–	–	4	1
Other	16	1	24	3
Total other income	16	1	28	4
Sale and disposal of property, plant and equipment and intangible assets	(13)	(4)	(15)	(8)
Impairment of assets	–	(15)	(22)	(42)
Social payments, charity, financial aid	(2)	(4)	(12)	(12)
Other	(5)	(3)	(23)	(31)
Total other expenses	(20)	(26)	(72)	(93)

Impairment of assets

During the nine months of 2021, the Company recognized impairment of upstream production assets of RUB 19 billion, and exploration and evaluation assets of RUB 3 billion.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

10. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Cash on hand and in bank accounts in RUB	53	56
Cash on hand and in bank accounts in foreign currencies	640	468
Deposits	194	273
Other	5	9
Total cash and cash equivalents	892	806

Cash accounts denominated in foreign currencies primarily comprise cash in U.S. dollars and euro.

Deposits are interest bearing and denominated mainly in RUB and U.S. dollars.

Restricted cash includes the obligatory reserve of subsidiary banks with the CBR in the amount of RUB 12 billion as of September 30, 2021 and RUB 17 billion as of December 31, 2020.

11. Other short-term financial assets

Other short-term financial assets comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Financial assets at fair value through other comprehensive income		
Bonds	202	198
Promissory notes	119	116
Stocks and shares	51	47
Loans granted under reverse repurchase agreements	58	56
Financial assets at amortized cost		
Bonds	–	1
Loans issued	–	20
Loans issued to associates and joint ventures	1	–
Deposits and certificates of deposit	463	363
Financial assets at fair value through profit or loss		
Deposits	2	1
Bonds	20	15
Derivative financial instruments	1	–
Total other short-term financial assets	917	817

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Notes to the interim condensed consolidated financial statements (unaudited) (continued)

12. Accounts receivable

Accounts receivable include the following:

	September 30, 2021 (unaudited)	December 31, 2020
Trade receivables	725	497
Other accounts receivable	60	55
Total	785	552
Allowance for expected credit losses	(82)	(84)
Total accounts receivable, net of allowance	703	468

As of September 30, 2021 and December 31, 2020 accounts receivable were not pledged as collateral for loans and borrowings provided to the Company, except as discussed in Note 19.

Set out below is the movement in the allowance for expected credit losses on accounts receivable:

	As of January 1, 2021	Increase in allowance	Decrease in allowance	As of September 30, 2021
Allowance at an amount equal to 12-month expected credit losses on trade receivables	16	7	(8)	15
Allowance at an amount equal to lifetime expected credit losses on trade receivables	40	–	(1)	39
Allowance for expected credit losses on other accounts receivable	28	5	(5)	28
Total	84	12	(14)	82

Due to the overall high credit quality and short-term nature of trade receivables, the allowance for expected credit losses for significant counterparties is determined based on 12-month expected credit losses. The Company has no trade receivables that are credit impaired upon initial recognition.

13. Inventories

Inventories comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Crude oil and gas	125	86
Petroleum products and petrochemicals	199	145
Materials and supplies	129	130
Total inventories	453	361

Petroleum products and petrochemicals include those designated both for sale and for own use.

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Notes to the interim condensed consolidated financial statements (unaudited) (continued)

13. Inventories (continued)

	Three months ended September 30, 2021 (unaudited)	Three months ended September 30, 2020 (unaudited)	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Cost of inventories recognized as an expense during the period	450	186	1,184	613

The cost of inventories recognized as an expense during the period is included in Production and operating expenses, Cost of purchased oil, gas, petroleum products and refining costs and General and administrative expenses in the interim consolidated statement of profit or loss.

14. Prepayments and other current assets

Prepayments and other current assets comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Value added tax and excise receivable	261	166
Prepayments to suppliers	106	124
- <i>Current portion of long-term prepayments issued</i>	62	5
Assets being transferred	80	–
Settlements with customs	20	13
Profit and other tax payments	1	10
Other	10	9
Total prepayments and other current assets	478	322

Assets being transferred represent the net value of certain assets and liabilities of a number of nature oil production and service assets (“tail” assets), the legal ownership for which is to be transferred to the counterparty in 2021 to settle the respective liability (Note 18).

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Notes to the interim condensed consolidated financial statements (unaudited) (continued)

15. Property, plant and equipment

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Total
Cost as of January 1, 2021	12,636	2,555	172	15,363
Depreciation, depletion and impairment losses as of January 1, 2021	(4,066)	(892)	(67)	(5,025)
Net book value as of January 1, 2021	8,570	1,663	105	10,338
Prepayments for property, plant and equipment as of January 1, 2021	21	41	1	63
Total as of January 1, 2021	8,591	1,704	106	10,401
Cost				
Additions	639	70	5	714
<i>Including capitalized expenses on loans and borrowings</i>	92	30	–	122
Disposals and other movements	(80)	(5)	(3)	(88)
Disposal of subsidiaries and shares in joint operations	(1,072)	(1)	(6)	(1,079)
Foreign exchange differences	3	(16)	–	(13)
Changes in cost of asset retirement (decommissioning) obligations	(70)	–	–	(70)
As of September 30, 2021	12,056	2,603	168	14,827
Depreciation, depletion and impairment losses				
Depreciation and depletion charge	(396)	(68)	(8)	(472)
Disposals and other movements	37	4	–	41
Disposal of subsidiaries and shares in joint operations	905	1	2	908
Impairment of assets	(21)	–	–	(21)
Foreign exchange differences	8	7	–	15
As of September 30, 2021	(3,533)	(948)	(73)	(4,554)
Net book value as of September 30, 2021	8,523	1,655	95	10,273
Prepayments for property, plant and equipment as of September 30, 2021	113	51	3	167
Total as of September 30, 2021	8,636	1,706	98	10,440

The depreciation charge for the nine months ended September 30, 2021 includes RUB 12 billion of depreciation capitalized as part of the construction cost of property, plant and equipment and cost of inventory.

The Company capitalized RUB 122 billion (including RUB 102 billion in capitalized interest) and RUB 131 billion (including RUB 100 billion in capitalized interest expense) of expenses on loans and borrowings for the nine months ended September 30, 2021 and 2020, respectively. The nine-month weighted average rates used to determine the amount of borrowing costs eligible for capitalization were 4.11% and 4.25% for the nine months ended September 30, 2021 and 2020, respectively.

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Notes to the interim condensed consolidated financial statements (unaudited) (continued)

16. Other long-term financial assets

Other long-term financial assets comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Financial assets at fair value through other comprehensive income		
Shares and participating interests	36	37
Financial assets at amortized cost		
Bonds	59	26
Loans granted	26	22
Loans granted to associates and joint ventures	5	6
Deposits and certificates of deposit	6	25
Other accounts receivable	31	13
Financial assets at fair value through profit or loss		
Deposits	138	144
Other	2	2
Total other long-term financial assets	303	275

Bank deposits of the Company are placed in rubles and US dollars at interest rates ranging from 4.9% to 8.75% p.a.

No long-term financial assets were pledged as collateral as of September 30, 2021 and December 31, 2020.

17. Other non-current non-financial assets

Other non-current non-financial assets comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Long-term advances issued	219	170
Other	1	2
Total other non-current non-financial assets	220	172

Long-term advances issued represent primarily advance payments under contracts for future crude oil purchases.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

18. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Financial liabilities		
Accounts payable to suppliers and contractors	541	422
Current operating liabilities of subsidiary banks	815	724
Salary and other benefits payable	112	111
Dividends payable	184	1
Cash consideration payable	–	100
Obligation to transfer the assets	84	82
Other accounts payable	15	42
Total financial liabilities	1,751	1,482
Non-financial liabilities		
Short-term advances received	71	64
Total accounts payable and accrued liabilities	1,822	1,546

Obligation to transfer the assets represents the obligations to transfer interests in a number of mature oil production and service assets (“tail” assets, Note 14).

19. Loans and borrowings and other financial liabilities

Loans and borrowings and other financial liabilities comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Long-term		
Bank loans	1,746	1,720
Bonds	562	581
Eurobonds	146	150
Borrowings	131	122
Other borrowings	1,648	1,494
<i>Less: current portion of long-term loans and borrowings</i>	<i>(569)</i>	<i>(452)</i>
Total long-term loans and borrowings	3,664	3,615
Lease liabilities	164	157
Other long-term financial liabilities	24	56
<i>Less: current portion of long-term lease liabilities</i>	<i>(20)</i>	<i>(18)</i>
Total long-term loans and borrowings and other financial liabilities	3,832	3,810
Short-term		
Bank loans	11	96
Borrowings	13	16
Other borrowings	–	56
<i>Current portion of long-term loans and borrowings</i>	<i>569</i>	<i>452</i>
Total short-term loans and borrowings	593	620
<i>Current portion of long-term lease liabilities</i>	<i>20</i>	<i>18</i>
Other short-term financial liabilities	49	147
Short-term liabilities related to derivative financial instruments	7	13
Total short-term loans and borrowings and other financial liabilities	669	798
Total loans and borrowings and other financial liabilities	4,501	4,608

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Notes to the interim condensed consolidated financial statements (unaudited) (continued)

19. Loans and borrowings and other financial liabilities (continued)

Long-term loans and borrowings

A portion of long-term bank loans (from a foreign bank) denominated in U.S. dollars is partially secured by oil export contracts. If the Company fails to make timely debt repayments, the terms of such contracts normally provide the lender with the express right of claim to contractual revenue in the amount of the late loan repayments, which the purchaser generally remits directly through transit currency accounts with the lender banks. The outstanding balance of Accounts receivable arising from such contracts amounts to RUB 33 billion as of September 30, 2021 and RUB 22 billion as of December 31, 2020, respectively, and is included in Trade receivables.

During the nine months of 2021 the Company drew down funds under long-term floating rates loans from Russian banks.

During the nine months of 2021 the Company continued to settle other long-term borrowings under the repurchasing agreement operations. As of September 30, 2021, the liabilities of the Company under those transactions amounted to the equivalent of RUB 1,648 billion at the CBR official exchange rate as of September 30, 2021. The Company's own corporate bonds were used as an instrument for those transactions.

The Company is obliged to comply with a number of restrictive financial and other covenants contained in several of its loan agreements. Such covenants include maintaining certain financial ratios. As of September 30, 2021 and December 31, 2020 the Company was in compliance with all restrictive financial and other covenants contained in its loan agreements.

Short-term loans and borrowings

During the nine months of 2021 the Company drew down funds under short-term floating rates loans from Russian banks.

During the nine months of 2021 the Company continued to settle other short-term borrowings under the repurchasing agreement operations. Own corporate bonds were used as an instrument for those transactions.

During the nine months of 2021 the Company was current on all payments under loan agreements and interest payments.

Liabilities related to derivative financial instruments

Short-term liabilities related to derivative financial instruments mainly include liabilities related to cross-currency rate swaps.

The Company enters into cross-currency rate swaps to sell currencies in order to balance the currency of revenues and liabilities and reduce the overall interest rates on borrowings.

The cross-currency rate swaps are recorded in the consolidated balance sheet at fair value. The measurement of the fair value of the transactions is based on a discounted cash flow model and consensus forecasts of foreign currency rates. The consensus forecasts include forecasts of the major international banks and agencies. The Bloomberg system is the main information source for the model.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

20. Other current tax liabilities

Other current tax liabilities comprise the following:

	September 30, 2021 (unaudited)	December 31, 2020
Mineral extraction tax	201	133
VAT	173	99
Excise duties	41	32
Property tax	11	9
Tax on additional income from production of hydrocarbons	179	24
Personal income tax	3	2
Other	6	2
Total other tax liabilities	614	301

21. Provisions

	Asset retirement obligations	Environmental remediation provision	Legal and tax claims and other provisions	Total
As of January 1, 2021, including	406	51	48	505
<i>Non-current</i>	400	33	4	437
<i>Current</i>	6	18	44	68
Provisions charged during the year	6	3	12	21
Increase/(decrease) in the liability resulting from:				
Changes in estimates	–	–	3	3
Changes in the discount rate	(76)	–	–	(76)
Foreign exchange differences	(1)	–	(1)	(2)
Unwinding of discount	17	1	–	18
Utilization	(3)	(6)	(6)	(15)
Disposal	(48)	(5)	–	(53)
As of September 30, 2021 (unaudited), including	301	44	56	401
<i>Non-current</i>	298	31	11	340
<i>Current</i>	3	13	45	61

22. Prepayment on long-term oil and petroleum products supply agreements

During 2013-2014 the Company entered into a number of long-term crude oil and petroleum products supply contracts which require the buyer to make a prepayment. The total minimum delivery volume under those contracts at inception approximated 400 million tonnes. The crude oil and petroleum product prices are based on current market prices. The prepayments are settled through physical deliveries of crude oil and petroleum products.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

22. Prepayment on long-term oil and petroleum products supply agreements (continued)

Deliveries of oil and petroleum products that reduce the prepayment amounts commenced in 2015. The Company considers these contracts to be regular-way contracts.

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
As of January 1	1,758	1,082
Received	–	–
Reclassified	–	(28)
Settled	(248)	(217)
Total prepayment on long-term oil and petroleum products supply agreements	1,510	837
Less: current portion	(431)	(356)
As of September 30	1,079	481

The amounts settled under these contracts were RUB 248 billion and RUB 217 billion (US\$ 5,0 billion and US\$ 4.6 billion at the CBR official exchange rate at the prepayment dates, the prepayments are not revalued at each balance sheet date), for the nine months of 2021 and 2020 respectively.

23. Shareholders' equity

On June 2, 2020 the Annual General Shareholders Meeting approved dividends on the Company's common shares for 2019 in the amount of RUB 18.07 per share, which comprised RUB 172.5 billion (excluding dividends related to treasury shares).

On June 1, 2021 the Annual General Shareholders Meeting approved dividends on the Company's common shares for 2020 in the amount of RUB 6.94 per share, which comprised RUB 65.9 billion (excluding dividends related to treasury shares).

On September 30, 2021 the Extraordinary General Shareholders Meeting approved interim dividends on the Company's common shares for the first half of 2021 in the amount of RUB 18.03 per share, which comprised RUB 171.3 billion (excluding dividends related to treasury shares).

During the nine months of 2020 the Company acquired 60,954,174 treasury shares (including in form of global depositary receipts) in the amount of RUB 20.7 billion, as a part of the share buyback program.

Shares received in the exchange for the investments and assets in Venezuela were valued at the Company's shares quoted price on the transaction date (April 30, 2020) in the amount of RUB 341.5 billion.

During the nine months of 2021 the Company did not acquire treasury shares.

24. Non-controlling interests

In September 2021, the Company closed a deal on the sale of 5% shares of LLC "Vostok Oil" for EUR 3.5 bln (RUB 299 bln at the rate on the date of payment). The difference between the value of 5% in the balance amount of consolidated net assets (RUB 93 bln) and the received consideration is recognized in Additional paid-in capital.

Other movements in non-controlling interests recognized in the consolidated statement of changes in equity relate mainly to contributions to subsidiaries with non-controlling interests.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

25. Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities quoted on active liquid markets is determined in accordance with market prices;
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted models and is based on discounted cash flow analysis that relies on prices used for existing transactions in the current market;
- The fair value of derivative financial instruments is based on market quotes. In illiquid and highly volatile markets fair value is determined on the basis of valuation models that rely on assumptions confirmed by observable market prices or rates as of the reporting date.

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments, depending on the valuation methodology

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: methodologies in which all inputs that significantly affect the fair value are directly or indirectly observable in the open market;
- Level 3: techniques which use inputs which have a significant effect on the fair value that are not based on the data observable in the open market.

Assets and liabilities of the Company that are measured at fair value on a recurring basis in accordance with the fair value hierarchy are presented in the table below.

	Fair value measurement as of September 30, 2021 (unaudited)			
	Level 1	Level 2	Level 3	Total
Assets				
Current assets				
Financial assets at fair value through other comprehensive income	86	309	35	430
Financial assets at fair value recognized in profit or loss	–	22	–	22
Derivative financial instruments	–	1	–	1
Non-current assets				
Financial assets at fair value through other comprehensive income	9	–	27	36
Financial assets at fair value recognized in profit or loss	–	138	2	140
Total assets measured at fair value	95	470	64	629
Liabilities				
Derivative financial instruments	–	(7)	–	(7)
Total liabilities measured at fair value	–	(7)	–	(7)

The fair value of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments included in Level 2 is measured at the present value of future estimated cash flows, using inputs such as market interest rates and market quotes of forward exchange rates.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

25. Fair value of financial instruments (continued)

The carrying value of cash and cash equivalents and derivative financial instruments recognized in these interim condensed consolidated financial statements equals their fair value. The carrying value of accounts receivable and accounts payable, loans issued, other financial assets and other financial liabilities recognized in these interim condensed consolidated financial statements approximates their fair value.

Financial assets measured at fair value through other comprehensive income in Level 3 are investments in shares of non-listed companies that are measured on the basis of information not observable in the market. The fair value of investments in unquoted equity instruments was determined using the adjusted net assets method. There were no significant changes in fair value during the reporting period.

There were no transfers of financial assets and liabilities between levels during the reporting period.

	Carrying value		Fair value (Level 2)	
	September 30, 2021 (unaudited)	December 31, 2020	September 30, 2021 (unaudited)	December 31, 2020
Financial liabilities				
Financial liabilities at amortized cost:				
Loans and borrowings with a variable interest rate	(3,011)	(2,964)	(2,929)	(2,876)
Loans and borrowings with a fixed interest rate	(1,246)	(1,271)	(1,225)	(1,313)
Lease liabilities	(164)	(157)	(153)	(169)

26. Related party transactions

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders and companies under their control (including enterprises directly or indirectly controlled by the Russian Government), associates and joint ventures, key management and pension funds.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be entered on the same terms as transactions between unrelated parties.

The disclosure of related party transactions is presented on an aggregate basis for major shareholders and companies under their control, joint ventures and associates, and non-state pension funds. In addition, there may be additional disclosures of certain significant transactions (balances and turnovers) with certain related parties.

In the ordinary course of business, the Company enters into transactions with other companies controlled by the Russian Government. In the Russian Federation, electricity and transport tariffs are regulated by the Federal Antimonopoly Service, an authorized governmental agency of the Russian Federation. Bank loans are recorded based on market interest rates. Taxes are accrued and paid in accordance with applicable tax law. The Company sells crude oil and petroleum products to and purchases crude oil and petroleum products from related parties in the ordinary course of business at prices approximating average market prices.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

26. Related party transactions (continued)

Transactions with major shareholders and companies under their control

Revenues and income

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Oil, gas, petroleum products and petrochemicals sales	657	342
Support services and other revenues	4	1
Finance income	22	14
Other income	6	2
Total	689	359

Costs and expenses

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Production and operating expenses	54	14
Cost of purchased oil, gas, petroleum products and refining costs	54	35
Transportation costs and other commercial expenses	344	326
Other expenses	10	6*
Finance expenses	49	36
Total	511	417

* Including effect of acquisitions and disposals of subsidiaries and shares in joint operations.

Other operations

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Acquisitions and disposals of subsidiaries and shares in joint operations and associates	21	(8)
Purchase of other long-term financial assets	(36)	(22)
Loans received	166	903
Loans repaid	(122)	(435)
Loans and borrowings issued	–	(2)
Deposits placed	(157)	–
Repayment of loans and borrowings issued	1	2

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

26. Related party transactions (continued)

Transactions with major shareholders and companies under their control (continued)

Settlement balances

	September 30, 2021 (unaudited)	December 31, 2020
Assets		
Cash and cash equivalents	541	467
Accounts receivable	167	166
Prepayments and other current assets	39	44
Other financial assets	564	376
Total	1,311	1,053
Liabilities		
Accounts payable and accrued liabilities	408	372
Loans and borrowings and other financial liabilities	924	858
Total	1,332	1,230

Transactions with joint ventures

Revenues and income

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Oil, gas, petroleum products and petrochemicals sales	13	8
Support services and other revenues	7	3
Finance income	8	3
Other income	2	–
Total	30	14

Costs and expenses

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Production and operating expenses	2	1
Cost of purchased oil, gas, petroleum products and refining costs	275	138
Transportation costs and other commercial expenses	12	11
Other expenses	–	1
Finance expenses	2	2
Total	291	153

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

26. Related party transactions (continued)

Transactions with joint ventures (continued)

Other operations

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Loans received	44	29
Loans repaid	(44)	(21)
Loans and borrowings issued	–	(5)
Repayment of loans and borrowings issued	–	2

Settlement balances

	September 30, 2021 (unaudited)	December 31, 2020
Assets		
Accounts receivable	8	9
Prepayments and other current assets	2	2
Other financial assets	4	3
Total	14	14
Liabilities		
Accounts payable and accrued liabilities	193	110
Loans and borrowings and other financial liabilities	53	54
Total	246	164

Transactions with associates

Revenues and income

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Oil, gas, petroleum products and petrochemicals sales	261	221
Support services and other revenues	1	1
Finance income	3	2
Other expenses	1	5
Total	266	229

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

26. Related party transactions (continued)

Transactions with associates (continued)

Costs and expenses

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Production and operating expenses	1	1
Cost of purchased oil, gas, petroleum products and refining costs	28	18
Transportation costs and other commercial expenses	2	1
Finance expenses	3	6
Total	34	26

Other operations

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Proceeds from other financial liabilities	3	62
Repayment of other financial liabilities	(90)	(141)

Settlement balances

	September 30, 2021 (unaudited)	December 31, 2020
Assets		
Accounts receivable	71	71
Prepayments and other current assets	3	1
Other financial assets	3	3
Total	77	75
Liabilities		
Accounts payable and accrued liabilities	13	22
Loans and borrowings and other financial liabilities	53	159
Total	66	181

Transactions with non-state pension funds

Costs and expenses

	Nine months ended September 30, 2021 (unaudited)	Nine months ended September 30, 2020 (unaudited)
Production and operating expenses	1	6
Other expenses	1	2
Total	2	8

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

26. Related party transactions (continued)

Transactions with non-state pension funds (continued)

Settlement balances

	September 30, 2021 (unaudited)	December 31, 2020
Liabilities		
Accounts payable and accrued liabilities	1	1
Total	1	1

27. Contingencies

Russian business environment

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. Ruble interest rates are growing. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

The Company also has investments in subsidiaries, associates and joint ventures and advances issued to counterparties operating in foreign jurisdictions. Besides commercial risks, assets in a number of regions of the Company's activities are also subject to political, economic and regulatory risks which are analyzed by the Company on a regular basis.

Since the beginning of March 2020, the world markets were experiencing a significant volatility in oil demand and oil prices, in particular as a result of COVID-19 pandemic. Russian ruble value has fallen significantly against the major world currencies. In the opinion of the Company's management, these trends will not have a material impact on the Company's future financial position, results of operations and business prospects.

Legal claims

Rosneft and its subsidiaries are involved in litigations which arise from time to time in the course of their business activities. Management believes that the ultimate results of these litigations will not materially affect the performance or financial position of the Company. Reliably estimated probable obligations were recognized within provisions in the interim condensed consolidated financial statements of the Company (Note 21).

Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislative acts and regulations are not always clearly written, and their interpretation is subject to the opinions of the taxpayers, and local, regional, and national tax authorities, and the Ministry of Finance of the Russian Federation. Instances of inconsistent opinions are not unusual.

In Russia, tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the period of three calendar years preceding the year when the inspection started.

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

27. Contingencies (continued)

Taxation (continued)

In accordance with Russian tax legislation, if an understatement of a tax liability is detected as a result of an inspection, penalties and fines to be paid might be material in respect of the tax liability misstatement.

During the reporting period, the tax authorities continued their inspections of some of Rosneft subsidiaries for 2017-2019. The Company's management does not expect the outcome of the inspections to have a material impact on the Company's consolidated balance sheet or results of operations.

As part of the new regime for fiscal control over the pricing of related party transactions, the Company and the Federal Tax Service signed a number of pricing agreements from 2012 to the nine months of 2021 with respect to the taxation of domestic oil sales and refining transactions in Russia.

The Company believes that transfer pricing risks in relation to intragroup transactions during the nine months ended September 30, 2021 and earlier will not have a material effect on its financial position or results of operations.

The Company follows the rules of tax legislation on de-offshorization, including income tax rules for controlled foreign companies to calculate its current and deferred income tax estimates.

Overall, management believes that the Company has paid and accrued all taxes that are applicable. For taxes where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources that will be required to settle these liabilities.

Capital commitments

The total amount of contracted but not yet delivered goods and services related to the construction and acquisition of property, plant and equipment amounted to RUB 977 billion (including VAT) and RUB 668 billion (including VAT) as of September 30, 2021 and December 31, 2020, respectively.

Environmental liabilities

The Company periodically evaluates its environmental liabilities pursuant to environmental regulations. Such liabilities are recognized in the consolidated financial statements as and when identified. Potential liabilities, which could arise as a result of the changes in existing regulations or the settlement of civil litigation, or as a result of changes in environmental standards, cannot be reliably estimated but may be material. With the existing system of control, management believes that there are no material liabilities for environmental damage other than those recorded in these interim condensed consolidated financial statements.

Risks and opportunities associated with climate change

Within the framework of its corporate risk management system, the Company on an annual basis identifies and evaluates risks and opportunities related to climate change impact on its business activities.

In the process of investment decision making, the risks associated with health, safety and environment (HSE), ecology, and climate change are analyzed. For large projects, the analysis of the alignment with the Company's strategic goals, environmental standards and requirements of the Russian and international legislation is performed, as well as the analysis and assessment of external risks related to the impact on the environment (changes in legislation, changes in technologies, market risks, reputation risks, etc.).

Rosneft Oil Company

Notes to the interim condensed consolidated financial statements (unaudited) (continued)

27. Contingencies (continued)

Risks and opportunities associated with climate change (continued)

In addition, the risks and opportunities associated with climate change and the transition to low-carbon energy are considered in the Company's strategic management and business planning processes (especially for projects located in climate-sensitive regions: marine projects, Arctic projects, etc.) as well as for of the global energy developments scenario planning.

Other matters

Due to the pollution of oil in the trunk pipeline "Druzhba" in April 2019 a number of claims from the customers were submitted to PJSC "Rosneft Oil Company", stating that the supplied oil contains substantially exceeded maximum permitted levels of organochlorine compounds (compared to levels determined by the relevant technical regulations and standards). At the same time, PJSC "Rosneft Oil Company" delivered oil to the system of oil trunk pipelines of PJSC "Transneft" in compliance with the requirements of technical regulations and standards.

Also, the Company received claims from the customers who were not delivered the contracted amounts of oil due to the oil pumping interruption in the trunk oil pipeline "Druzhba" resulting from the contamination.

Currently the Company is working with foreign customers and PJSC "Transneft" on the settlement of claims. Calculation of losses incurred by PJSC "Rosneft Oil Company" can be finalized after the completion of the comprehensive assessment of the impact of the incident on the Company's activities (including the forced reduction in oil production due to the reduced oil intake into the system of PJSC "Transneft"), obtaining a complete and legally supported claims from all counterparties and their re-submission to PJSC "Transneft" for compensation.

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