



Rosneft Oil Company
Report on payments to governments
for the year ended December 31, 2017

Rosneft Oil Company
Report on payments to governments

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1. Introduction

Section 4.3A of the UK Disclosure Guidance and Transparency Rules (DTR 4.3A) requires the extractive sector companies whose transferable securities are admitted to trading on a regulated market to publicly disclose payments made to the governments of those countries where they carry out extractive operations.

DTR 4.3A apply without limitation to companies incorporated outside the UK but that have transferable securities admitted to trading on the London Stock Exchange (LSE).

Rosneft Global depositary receipts (GDR), which certify rights in respect of ordinary shares, are admitted to trading on the LSE. The securities are listed on its Main market through its International Order Book. One GDR is equivalent to one common share of Rosneft Oil Company.

Rosneft's consolidated Report on payments to governments (the Report) is presented below pursuant to DTR 4.3A. It includes Payments made by the Rosneft Group's Extractive Companies as defined below, for the benefit of each government in the countries in which these companies carry out their activities. The Report also provides details on the total amount of such payments by type, specific project and government paid.

Where the amount of payment made during the reporting period for a specific project or country is less than £86,000 or the equivalent amount in another currency such payment is not disclosed in the Report.

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2. Reporting principles

Definitions

(Rosneft Group's) Extractive Companies: Rosneft Oil Company (Rosneft) and its subsidiaries whose activities consist, in whole or in part, of the exploration, prospection, discovery, development and extraction of minerals, crude oil and natural gas, amongst others, fully consolidated by Rosneft in accordance with International Financial Reporting Standards (IFRS).

Payment: a single payment or multiple interconnected payments, whether in money or in kind, for extractive activities.

The payment types included in this Report:

Production entitlement: host Government's share of production. This payment is generally made in kind.

Taxes: taxes and levies paid on income, production or profits, excluding taxes levied on consumption such as value added tax, sales taxes, as well as personal income taxes.

Regarding taxes paid in the Russian Federation the Report includes Income Tax and Mineral extraction tax.

Royalties: percentage of production payable to the owner of mineral rights.

In addition, for the purposes of this Report Export customs duty on oil paid in the Russian Federation is included in Royalties.

Dividends: dividends, other than dividends paid to a government as an ordinary shareholder unless they are paid in lieu of a production entitlement or royalty. For the year ended December 31, 2017, there were no reportable Dividend payments to Governments.

Signature, Discovery and Production Bonuses: bonuses paid for and in consideration of signature, discovery, production, awards, grants and transfers of extraction rights; bonuses related to achievement or failure to achieve certain production levels or targets, and the discovery of additional mineral reserves or deposits.

Licence and other fees: licence fees, rental fees, entry fees and other considerations for licences and/or concessions that are paid for access to the area where the extractive activities will be conducted.

Infrastructure improvements: payments for local infrastructure development, including the improvement of infrastructure, except where the infrastructure is exclusively used for operational purposes. For the year ended December 31, 2017, there were no reportable Infrastructure improvements payments to Governments.

Government: any national, regional or local authority of a country or territory, or any department, agency or undertaking controlled by that authority.

Project: operational activities governed by a single contract, licence, lease, concession or similar legal agreement that form the basis for payment liabilities with a Government. If multiple such agreements are substantially interconnected, they are considered as a single Project.

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Reporting currency

All amounts presented in the Report are stated in Russian rubles. Payments made to Governments in foreign currencies (currencies other than the Russian ruble) were translated into the equivalent ruble amount using a weighted average of the relevant exchange rates during the reporting period.

In-kind payments

Production entitlement and Royalties paid in kind owed to Governments pursuant to legal or contractual provisions (not booked in the Extractive Companies' accounts pursuant to the accounting standards) are reported in proportion to the interest held in the Project. Payments in kind are estimated at fair value which corresponds to the contractual price of oil and gas, market price (if available) or an appropriate benchmark price. These prices may be calculated on an averaged basis over a given period.

Operatorship

Payments made by the Extractive Companies directly to a Government arising from a project are reported in the full amount, regardless of whether the Extractive Companies are the operators. Such payments are reported in the full amount even where the Extractive Companies acting as operators are proportionally reimbursed by their non-operating venture partners.

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3. Summary Report

(in millions of Russian rubles)

Country	Total amount of payments	Taxes	Royalties	Bonuses	Licence and other fees
Russian Federation	2 037 145	1 523 212	475 327	-	38 606
Iraq	16 995	-	-	12 035	4 960
Vietnam*	125	-	-	-	125
Brazil	61	-	-	-	61
Norway	(381)	(387)**	-	-	6
Total	2 053 945	1 522 825	475 327	12 035	43 758

* – the government also has a production share of 0.18 mmbbl of gas condensate and 1.14 bcm of gas. Monetary value of these volumes is 559 millions of Russian rubles and 6 881 millions of Russian rubles respectively.

** – represents the refund received under the Norwegian tax rules in 2017 for the portion of exploration costs incurred in 2016 as the result of the tax loss for 2016.

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4. Reporting by Project and by type of Payment, and by Government and by type of Payment

Amounts paid in the Russian Federation by Project and by type of Payment
(in millions of Russian rubles)

Payments per project	Total amount of payments	Taxes	Royalties	Bonuses	Licence and other fees
Russian Federation:	2 037 145	1 523 212	475 327	-	38 606
Yuganskneftegaz	508 235	487 190	-	-	21 045
Rosneft*	478 286	11 029	467 256	-	1
Vankorneft	171 970	171 789	-	-	181
Samotlorneftegaz	158 022	157 657	-	-	365
Bashneft	128 842	120 419	8 071	-	352
Orenburgneft	107 502	103 074	-	-	4 428
Samaraneftegaz	92 352	91 011	-	-	1 341
Uvatneftegaz	77 289	77 080	-	-	209
Verkhnechonskneftegaz	74 424	72 937	-	-	1 487
Nyaganneftegaz	51 374	48 215	-	-	3 159
Varyeganneftegaz	49 807	49 675	-	-	132
Purneftegaz	40 852	40 766	-	-	86
Severnaya Neft (Timan Pechora)	20 039	19 704	-	-	335
Sorovskneft (Bashneft)	17 225	17 216	-	-	9
Oil and Gas operations in Sakhalin	10 765	10 711	-	-	54
Taas-Yuryakh (Sakha Yakutia)	9 337	5 111	-	-	4 226
Sibneftegaz (Yamalo-Nenetsky Autonomous District)	8 848	8 170	-	-	678

* – includes Income Tax payments and refunds for a consolidated group of taxpayers. Russian tax legislation allows income taxes to be calculated on a consolidated basis. Rosneft's main subsidiaries were therefore combined into a consolidated group of taxpayers, which consists of more than 60 entities. Some of them do not engage in activities related to the exploration, prospecting, discovery, development and extraction of minerals or crude oil and natural gas.

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Amounts paid in the Russian Federation by Project and by type of Payment (continued)
(in millions of Russian rubles)

Payments per project	Total amount of payments	Taxes	Royalties	Bonuses	Licence and other fees
Rospan (Yamalo-Nenetsky Autonomous District)	8 187	8 117	-	-	70
Krasnodarneftegaz	6 524	6 280	-	-	244
Stavropolneftegaz	6 023	6 021	-	-	2
Sakhalin-1**	4 735	4 735	-	-	-
Vostsibneftegaz (Krasnoyarsky Region)	2 170	2 103	-	-	67
Oil and Gas operations in Northern Caucasia	1 861	1 849	-	-	12
Kondaneft	884	865	-	-	19
Tomskneft***	684	681	-	-	3
Tyumenneftegaz (Yamalo-Nenetsky Autonomous District)	520	510	-	-	10
Shelf Arctic	159	133	-	-	26
RN-Exploration (Black sea)	140	139	-	-	1
Kynsko-Chaselskoe neftegaz (Yamalo-Nenetsky Autonomous District)	45	25	-	-	20
Joint offshore Kara Sea project (with ExxonMobil)	22	-	-	-	22
Joint offshore Laptev Sea project (with ExxonMobil)	13	-	-	-	13
Joint offshore Chukchi Sea project (with ExxonMobil)	9	-	-	-	9

** – the Sakhalin-1 project is operated by ExxonMobil. Besides the payments listed above for the Sakhalin-1 project, there have been payments made by ExxonMobil on behalf of the consortium, which are not included in this report.

*** – payments made by Rosneft Oil Company in respect of licences operated by OJSC «Tomskneft» VNK.

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Amounts paid in foreign jurisdictions by Project and by type of Payment
(in millions of Russian rubles)

Payments per project	Total amount of payments	Taxes	Royalties	Bonuses	Licence and other fees
Iraq (Kurdistan): Block 13	4 741	-	-	2 407	2 334
Iraq (Kurdistan): Block 8	3 574	-	-	2 407	1 167
Iraq (Kurdistan): Block 9	2 991	-	-	2 991	-
Iraq (Kurdistan): Block 11	2 991	-	-	2 991	-
Iraq (Kurdistan): Block 10	2 406	-	-	1 239	1 167
Iraq: Block 12	292	-	-	-	292
Vietnam: Block 06.1*	125	-	-	-	125
Brazil: Solimoes	61	-	-	-	61
Norway: RN Nordic Oil	(381)	(387)**	-	-	6

* – the government also has a production share of 0.18 mmbbl of gas condensate and 1.14 bcm of gas. Monetary value of these volumes is 559 millions of Russian rubles and 6 881 millions of Russian rubles respectively.

** – represents the refund received under the Norwegian tax rules in 2017 for the portion of exploration costs incurred in 2016 as the result of the tax loss for 2016.

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Amounts paid by Government and by type of Payment
(in millions of Russian rubles)

Payments per government	Total amount of payments	Taxes	Royalties	Bonuses	Licence and other fees
Russian Federation:	2 037 145	1 523 212	475 327	-	38 606
Treasury of the Russian Federation	2 037 145	1 523 212	475 327	-	38 606
Iraq:	16 995	-	-	12 035	4 960
Ministry of Natural Resources - Kurdistan Regional Government	16 703	-	-	12 035	4 668
Basra Oil Company	292	-	-	-	292
Vietnam:	125	-	-	-	125
PetroVietnam*	125	-	-	-	125
Brazil:	61	-	-	-	61
National Agency of Petroleum, Natural Gas and Biofuels	38	-	-	-	38
Environmental Protection Institute of Amazonas State	10	-	-	-	10
State Fund of the Environment	9	-	-	-	9
Secretariat of State for Land Policy - state Amazonas	4	-	-	-	4
Norway:	(381)	(387)	-	-	6
Norwegian Tax Administration	(387)	(387)**	-	-	-
Oil directorate	6	-	-	-	6

* – PetroVietnam (as representative of the Government of Vietnam) also has a production share of 0.18 mmbbl of gas condensate and 1.14 bcm of gas. Monetary value of these volumes is 559 millions of Russian rubles and 6 881 millions of Russian rubles respectively.

** – represents the refund received under the Norwegian tax rules in 2017 for the portion of exploration costs incurred in 2016 as the result of the tax loss for 2016.

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