

Appendix 1

**(Consolidated financial
statements of Rosneft Oil Company
for the year ended December 31, 2019)**

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

		As of December 31,	
	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	18	228	832
Restricted cash	18	10	12
Other short-term financial assets	19	501	633
Accounts receivable	20	750	642
Inventories	21	438	393
Prepayments and other current assets	22	469	510
Total current assets		2,396	3,022
Non-current assets			
Property, plant and equipment	23	8,713	8,445
Right-of-use assets	24	160	–
Intangible assets	25	69	75
Other long-term financial assets	26	229	239
Investments in associates and joint ventures	27	803	735
Bank loans granted		291	239
Deferred tax assets	15	33	28
Goodwill	25	85	85
Other non-current non-financial assets	28	171	295
Total non-current assets		10,554	10,141
Total assets		12,950	13,163
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	29	1,162	1,130
Loans and borrowings and other financial liabilities	30	795	978
Income tax liabilities		23	23
Other tax liabilities	31	379	327
Provisions	32	55	43
Prepayment on long-term oil and petroleum products supply agreements	33	332	354
Other current liabilities		9	19
Total current liabilities		2,755	2,874
Non-current liabilities			
Loans and borrowings and other financial liabilities	30	3,033	3,413
Deferred tax liabilities	15	844	837
Provisions	32	343	244
Prepayment on long-term oil and petroleum products supply agreements	33	750	1,072
Other non-current liabilities	34	73	46
Total non-current liabilities		5,043	5,612

	Notes	As of December 31,	
		2019	2018
Equity			
Share capital	36	1	1
Additional paid-in capital		635	633
Other funds and reserves		(154)	(191)
Retained earnings		4,035	3,610
Rosneft shareholders' equity		4,517	4,053
Non-controlling interests	16	635	624
Total equity		5,152	4,677
Total liabilities and equity		12,950	13,163

Chief Executive Officer

I.I. Sechin

February____, 2020

Rosneft Oil Company Consolidated statement of profit or loss (in billions of Russian rubles, except earnings per share data, and share amounts)

		For the years ended December 31,	
	Notes	2019	2018*
Revenues and equity share in profits of associates and joint ventures			
Oil, gas, petroleum products and petrochemicals sales	8	8,490	8,076
Support services and other revenues		86	80
Equity share in profits of associates and joint ventures	27	100	82
Total revenues and equity share in profits of associates and joint ventures		8,676	8,238
Costs and expenses			
Production and operating expenses		715	626
Cost of purchased oil, gas, petroleum products, goods for retail and refining costs		1,566	1,115
General and administrative expenses		200	167
Transportation costs and other commercial expenses		733	638
Exploration expenses		11	11
Depreciation, depletion and amortization	23–25	687	635
Taxes other than income tax	9	2,666	2,701
Export customs duty	10	793	1,061
Total costs and expenses		7,371	6,954
Operating income		1,305	1,284
Finance income	11	143	122
Finance expenses	12	(227)	(290)
Other income	13	11	49
Other expenses	13	(153)	(294)
Foreign exchange differences		64	107
Realized foreign exchange differences on hedge instruments	6	(146)	(146)
Income before income tax		997	832
Income tax expense	15	(192)	(183)
Net income		805	649

	For the years ended December 31,		
	Notes	2019	2018*
Net income attributable to:			
Rosneft shareholders		708	549
non-controlling interests	16	97	100
Net income attributable to Rosneft per common share (in RUB) – basic and diluted	17	66.81	51.80
Weighted average number of shares outstanding (millions)		10,598	10,598

Rosneft Oil Company Consolidated statement of other comprehensive income (in billions of Russian rubles)

	For the years ended December 31,		
	Notes	2019	2018
Net income		805	649
Other comprehensive income – to be reclassified to profit or loss in subsequent periods			
Foreign exchange differences on translation of foreign operations		(88)	4
Foreign exchange cash flow hedges	6	146	146
Income/(loss) from changes in fair value of debt financial assets at fair value through other comprehensive income		5	(2)
Increase in allowance for expected credit losses on debt financial assets at fair value through other comprehensive income		1	7
Equity share in other comprehensive (loss)/income of associates		(4)	1
Income tax related to other comprehensive income – to be reclassified to profit or loss in subsequent periods	6	(29)	(30)
Total other comprehensive income – to be reclassified to profit or loss in subsequent periods, net of tax		31	126
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		7	6
Income tax related to other comprehensive income – not to be reclassified to profit or loss in subsequent periods		(1)	(1)
Total comprehensive income – not to be reclassified to profit or loss in subsequent periods, net of tax		6	5
Total comprehensive income, net of tax		842	780
Total comprehensive income, net of tax, attributable to:			
Rosneft shareholders		745	680
non-controlling interests		97	100

¹ Some amounts for the twelve months ended December 31, 2018 have been reclassified for compliance with the current period presentation.

Rosneft Oil Company Consolidated statement of changes in shareholders' equity (in billions of Russian rubles, except share amounts)

	Number of shares (millions)	Share capital	Additional paid-in capital	Other funds and reserves ¹	Retained earnings	Rosneft shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2018	10,598	1	627	(322)	3,286	3,592	563	4,155
Net income	-	-	-	-	549	549	100	649
Other comprehensive income	-	-	-	131	-	131	-	131
Total comprehensive income	-	-	-	131	549	680	100	780
Dividends declared (Note 36)	-	-	-	-	(225)	(225)	(61)	(286)
Change of interest in subsidiaries	-	-	5	-	-	5	21	26
Other movements (Note 16)	-	-	1	-	-	1	1	2
Balance at December 31, 2018	10,598	1	633	(191)	3,610	4,053	624	4,677
Net income	-	-	-	-	708	708	97	805
Other comprehensive income	-	-	-	37	-	37	-	37
Total comprehensive income	-	-	-	37	708	745	97	842
Dividends declared (Note 36)	-	-	-	-	(283)	(283)	(99)	(382)
Change of interest in subsidiaries	-	-	1	-	-	1	3	4
Other movements (Note 16)	-	-	1	-	-	1	10	11
Balance at December 31, 2019	10,598	1	635	(154)	4,035	4,517	635	5,152

Rosneft Oil Company Consolidated statement of cash flows (in billions of Russian rubles)

	Notes	For the years ended December 31,	
		2019	2018
Operating activities			
Net income		805	649
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	23-25	687	635
Loss on disposal of non-current assets	13	16	14
Dry hole costs		3	3
Offset of prepayments received on oil and petroleum products long term supply agreements	33	(344)	(283)
Offset of prepayments made on oil and petroleum products long term supply agreements		138	205

¹ Other funds and reserves include a reserve for foreign exchange differences on translation of foreign operations, a reserve for changes in fair value of equity and debt financial assets at fair value through other comprehensive income, a reserve for expected credit losses on such debt financial assets, a reserve for equity share in other comprehensive income of associates and joint ventures, and a reserve for foreign exchange cash flow hedges.

	Notes	For the years ended December 31,	
		2019	2018
Foreign exchange gain on non-operating activities		(91)	(77)
Realized foreign exchange differences on hedge instruments	6	146	146
Offset of other financial liabilities		(172)	(164)
Equity share in profits of associates and joint ventures	27	(100)	(82)
Non-cash income from acquisitions, net	13	-	(26)
Loss from disposal of non-production assets	13	-	1
Changes in provisions for financial assets		41	6
Loss from changes in reserves and impairment of assets		105	238
Finance expenses	12	227	290
Finance income	11	(143)	(122)
Income tax expense	15	192	183
Changes in operating assets and liabilities			
(Increase)/decrease in accounts receivable, gross		(139)	215
Increase in inventories		(43)	(68)
Decrease in restricted cash		2	5
Increase in prepayments and other current assets		(58)	(74)
Increase in long-term prepayments made on oil and petroleum products supply agreements		(67)	(72)
Increase/(decrease) in accounts payable and accrued liabilities		14	(29)
Increase in other tax liabilities		49	48
Decrease in other current liabilities		(9)	(8)
Increase in other non-current liabilities		3	8
Increase in current reserves		2	-
Interest paid on long-term prepayment received on oil and petroleum products supply agreements		(8)	(6)
Net increase in operating assets of subsidiary banks		(61)	(139)
Net increase in operating liabilities of subsidiary banks		4	144
Net cash provided by operating activities before income tax and interest		1,199	1,640
Income tax payments		(216)	(221)
Interest received		77	67
Dividends received		50	16
Net cash provided by operating activities		1,110	1,502
Investing activities			
Capital expenditures		(854)	(936)
Acquisition of licenses and auction fee payments		(11)	(3)

	For the years ended December 31,		
	Notes	2019	2018
Acquisition of short-term financial assets		(93)	(419)
Proceeds from sale of short-term financial assets		240	189
Proceeds from sale of long-term financial assets		12	466
Acquisition of long-term financial assets		(18)	(73)
Acquisition of interest and additional capital contribution to the associates and joint ventures		(4)	(2)
Acquisition of interest in subsidiaries, net of cash acquired, and joint arrangements	7	(12)	(35)
Proceeds from sale of investments in joint ventures		-	7
Proceeds from sale of interest in subsidiaries, net of cash acquired		5	-
Proceeds from sale of property, plant and equipment		6	7
Net cash used in investing activities		(729)	(799)
Financing activities			
Proceeds from short-term loans and borrowings		401	429
Repayment of short-term loans and borrowings		(689)	(1,366)
Proceeds from long-term loans and borrowings		393	1,311
Repayment of long-term loans and borrowings		(540)	(289)
Proceeds from other financial liabilities		185	338
Repayment of other financial liabilities		(57)	(64)
Interest paid		(280)	(284)
Repurchase of bonds		-	(40)
Proceeds from sale of non-controlling share in subsidiary		-	23
Other financing received		12	4
Dividends paid to Rosneft shareholders	36	(283)	(225)
Dividends paid to non-controlling shareholders		(99)	(65)
Net cash (used in) / provided by financing activities		(957)	(228)
Net (decrease)/increase in cash and cash equivalents		(576)	475
Cash and cash equivalents at the beginning of the year	18	832	322
Effect of foreign exchange on cash and cash equivalents		(28)	35
Cash and cash equivalents at the end of the year	18	228	832

For the full version of consolidated financial statements of Rosneft as at 31 December 2019 and the independent auditor's opinion, see the Company's website at:



https://www.rosneft.com/upload/site2/document_cons_report/Rosneft_FS_12m2019_ENG.pdf