

Appendix 6

**(Financial Statements
and Auditor's Report)**

Independent auditor's report

To the Shareholders and Board of Directors of

PJSC Rosneft Oil Company

Opinion

We have audited the financial statements of PJSC Rosneft Oil Company (the "Company"), which comprise the balance sheet as of 31 December 2019, the income statement for 2019, and appendices thereto.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2019 and its financial performance and its cash flows for 2019 in accordance with the rules on preparation of financial statements established in the Russian Federation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Contributions to the charter capital of subsidiaries related to restructuring	
<p>The Company made a number of new investments of shares/units of entities that the Company owns and holds on its balance sheet, to the charter capital of its other subsidiaries in 2019 in order to create and spin-off management sub-holdings. In accordance with Accounting statement 19/02, Financial Investments, where it is impossible to determine the cost of assets transferred or transferable by the organization, the value of financial investments received by the organization under agreements providing for non-monetary compensation (settlement) is based on the price at which the organization normally purchases similar assets under comparable circumstances. As a result, the value of financial investments received should be determined based on the fair value of assets transferred as a contribution to the charter capital.</p> <p>This matter is one of the most significant in our audit as the respective transactions are significant for financial statements and the calculation of the value of the transferable financial investments requires management to make significant judgments.</p> <p>Information on the above-mentioned transactions is provided in Note 11 to the financial statements.</p>	<p>We engaged our business valuation experts to review the models prepared to determine the value of the assets transferred to the charter capital. We analyzed assumptions used in the models to verify the value of the assets. We compared discount rates and projected long-term growth rates with general market indicators and other available data. We verified arithmetic accuracy of the models and sensitivity analysis of the models to changes in key assumptions. In addition, we compared the amounts in accounting postings to the respective value calculations and analyzed the approach to fair value measurement of financial investments.</p>

Other information included in the Annual Report

Other information consists of the information included in the Annual Report for 2019, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be provided to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information specified above when it is provided to us and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee of the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules on preparation of financial statements established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is D. E. Lobachev.

D. E. Lobachev
Partner
Ernst & Young LLC
19 February 2020

Details of the audited entity

Name: PJSC 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 nab., 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 nab., 77, building 1.

Ernst & Young LLC is a member of Self-regulated organization of auditors Association "Sodruzhestvo" ("SRO AAS"). Ernst & Young LLC is included in the controlled copy of the register of auditors and audit organizations, main registration number 12006020327.

Balance sheet At 31 December 2019

Explanatory Note	Item	Line code	At 31 December 2019	At 31 December 2018	At 31 December 2017
ASSETS					
I. NON-CURRENT ASSETS					
6	Intangible assets	1110	44,331,957.00	44,599,532.00	23,468,759.00
8	Research and development results	1120	8,950,122.00	6,728,123.00	4,890,365.00
7	Intangible exploration assets	1130	107,173,666.00	99,214,115.00	111,303,011.00
7	Tangible exploration assets	1140	31,140,877.00	20,222,627.00	26,179,268.00
5	Fixed assets	1150	1,325,676,684.00	1,269,210,761.00	1,186,529,970.00
	Income-bearing investments in tangible assets	1160	0.00	0.00	0.00
3.11	Financial investments	1170	5,833,160,665.00	6,159,574,705.00	6,003,776,788.00
3.21	Deferred tax assets	1180	118,633,694.00	94,841,893.00	95,062,970.00
9	Other non-current assets	1190	33,452,714.00	31,951,119.00	32,318,324.00
	Total for Section I	1100	7,502,520,379.00	7,726,342,875.00	7,483,529,455.00
II. CURRENT ASSETS					
10	Inventories	1210	138,889,747.00	151,426,199.00	142,388,555.00
10	Value added tax on purchased assets	1220	48,808,809.00	72,718,694.00	72,598,729.00
3.15.18	Accounts receivables	1230	3,543,076,666.00	2,653,803,215.00	2,531,306,562.00
	including:	1231	1,411,354,476.00	1,005,017,767.00	1,119,929,274.00
	Accounts receivable expected to be settled within 12 months after the reporting date				
	Accounts receivable expected to be settled in over 12 months after the reporting date	1232	2,131,722,190.00	1,648,785,448.00	1,411,377,288.00
3.11	Financial investments (other than cash equivalents)	1240	985,762,573.00	1,100,833,573.00	728,055,665.00
12	Short-term derivative financial instruments at fair value through profit or loss	1241	2,243,018.00	0.00	0.00
12	Long-term derivative financial instruments at fair value through profit or loss	1242	0.00	0.00	0.00
14	Cash and cash equivalents	1250	97,398,766.00	598,541,224.00	116,638,660.00
	Other current assets	1260	4,797,785.00	5,052,039.00	8,400,746.00
	including:	1261	0.00	0.00	0.00
	Unbilled accrued revenue under construction contracts				
	Total for Section II	1200	4,820,977,364.00	4,582,374,944.00	3,599,388,917.00
	BALANCE	1600	12,323,497,743.00	12,308,717,819.00	11,082,918,372.00

Explanatory Note	Item	Line code	At 31 December 2019	At 31 December 2018	At 31 December 2017
LIABILITIES					
III. CAPITAL AND RESERVES					
1.19	Charter capital (pooled capital, authorized capital, partners' contributions)	1310	105,982.00	105,982.00	105,982.00
19	Treasury shares	1320	0	0	0
19	Revaluation of non-current assets	1340	3	5	5
19	Additional capital (without revaluation)	1350	118,168,244	113,279,890	113,278,538
19	Reserve capital	1360	5,299	5,299	5,299
13	Other funds and reserves	1365	1,389,427	-115,062,581	-231,748,689
3.20	Retained earnings (uncovered loss)	1370	2,142,102,123	2,028,141,822	1,802,733,923
Total for Section III		1300	2,261,771,078	2,026,470,417	1,684,375,058
IV. NON-CURRENT LIABILITIES					
16	Loans and borrowings	1410	5,397,760,107	5,792,741,747	5,083,998,328
21	Deferred tax liabilities	1420	106,176,347	91,808,512	91,105,397
24	Provisions	1430	76,836,351	56,345,080	61,023,750
12	Long-term derivative financial instruments at fair value through profit or loss	1440	0	0	0
16	Other liabilities	1450	799,125,852	1,134,390,419	1,419,426,029
Total for Section IV		1400	6,379,898,657	7,075,285,758	6,655,553,504
V. CURRENT LIABILITIES					
16	Loans and borrowings	1510	946,067,618	817,935,056	860,270,860
15.18	Accounts payable	1520	2,699,900,722	2,333,146,921	1,785,522,679
	Deferred income	1530	2,865,382	2,740,157	2,651,115
24	Provisions	1540	32,444,291	19,582,179	20,059,244
12	Short-term derivative financial instruments at fair value through profit or loss	1545	0	33,058,044	74,073,303
	Other liabilities	1550	549,995	499,287	412,609
Total for section V		1500	3,681,828,008	3,206,961,644	2,742,989,810
BALANCE		1700	12,323,497,743	12,308,717,819	11,082,918,372

I. I. Sechin
 Chief Executive Officer of
 PJSC Rosneft Oil Company _____

V. A. Surkov
 General Director of
 LLC RN-Uchet _____

[Contract No. 100019/05992D dated 2 January 2020]

" ____ " _____ 2020

Income statement for 2019

Explanatory Note	Item	Line code	January-December 2019	January-December 2018
20.26	Revenue	2110	6,827,526,407.00	6,968,248,044.00
20	Cost of sales	2120	(4,782,222,071)	(4,815,224,782)
20	Oil and gas reserves exploration and estimation expenses	2130	(6,559,819)	(24,065,226)
	Gross income (loss)	2100	2,038,744,517.00	2,128,958,036.00
20	Selling expenses	2210	(1,196,815,437)	(1,422,676,475)
20	General and administrative expenses	2220	(83,302,902)	(80,583,478)
	Income (loss) from sales	2200	758,626,178.00	625,698,083.00
	Income from equity participation in other entities	2310	0.00	0.00
20	Interest receivable	2320	176,844,160.00	186,773,202.00
16.20	Interest payable	2330	(445,059,171)	(451,851,788)
20	Gains from changes in the fair value of derivative financial instruments	2333	35,301,062.00	51,966,086.00
20	Losses from changes in the fair value of derivative financial instruments	2334	0.00	(10,950,827)
17.20	Other income	2340	124,722,952.00	328,328,022.00
13.17.20	Other expenses	2350	(302,893,537)	(296,124,690)
	Income (loss) before tax	2300	347,541,644.00	433,838,088.00
	Current income tax	2410	9,648,441.00	431,697.00
21	Including permanent tax assets (liabilities)	2421	89,179,905.00	81,505,569.00
21	Change in deferred tax liabilities	2430	(14,367,835)	(703,115)
21	Change in deferred tax assets	2450	23,791,801.00	(2,835,837)
	Other	2460	29,912,158.00	30,053,176.00
	Tax on prior year income	2461	703,325.00	(204,996)
	Imputed income tax	2464	0.00	0.00
	Income tax re-distribution within consolidated taxpayer group	2465	95,831.00	1,086,645.00
13	Tax effect of the results of other operations not included in net income (loss) for the period	2466	29,113,002.00	29,171,527.00
22	Net income (loss)	2400	396,526,209.00	460,784,009.00

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LLC RN-Uchet _____

[Contract No. 100019/05992D dated 2 January 2020]

" ____ " _____ 2020

Statement of changes in equity for 2019

1. Changes in equity

Item	Line code	Charter capital	Treasury shares	Additional capital	Reserve capital	Other funds and reserves	Retained earnings (uncovered loss)
Equity at 31 December 2017	3100	105,982.00	-	113,278,543.00	5,299.00	(231,748,689)	1,802,733,923.00
For 2018	3210	-	-	5,921.00	-	116,686,108.00	460,866,255.00
Total increase in equity:							
including:	3211	x	x	x	x	x	460784009
Net income							
Revaluation of property	3212	x	x	-	x	-	x
Earnings directly increasing equity	3213	x	x	5,921.00	x	116,686,108.00	82,246.00
Additional issue of shares	3214	-	-	-	x	-	x
Increase in the par value of shares	3215	-	x	-	x	-	-
Legal entity reorganization	3216	-	-	-	-	-	-
Total decrease in equity:	3220	-	-	(4,569)	-	-	(235,458,356)
including:	3221	x	x	x	x	x	-
Loss							
Revaluation of property	3222	x	x	-	x	-	x
Expenses directly decreasing equity	3223	x	x	(4,569)	x	-	(10,459,041)
Decrease in the par value of shares	3224	-	-	-	x	-	-
Decrease in the number of shares	3225	-	-	x	x	-	x
Legal entity reorganization	3226	-	-	-	-	-	-
Dividends	3227	x	x	x	x	x	(224,999,315)
Change in additional capital	3230	x	x	-	x	-	-
Change in reserve capital	3240	x	x	x	-	x	-
Equity at 31 December 2018	3200	105,982.00	-	113,279,895.00	5,299.00	(115,062,581)	2,028,141,822.00
For 2019	3310	-	-	4,891,328.00	-	116,452,008.00	396,613,701.00
Total increase in equity:							
including:	3311	x	x	x	x	x	396,526,209.00
Net income							
Revaluation of property	3312	x	x	-	x	-	x
Earnings directly increasing equity	3313	x	x	4,891,328.00	x	116,452,008.00	87,492.00
Additional issue of shares	3314	-	-	-	x	-	x
Increase in the par value of shares	3315	-	x	-	x	-	-
Legal entity reorganization	3316	-	-	-	-	-	-
Total decrease in equity:	3320	-	-	(2,974)	-	-	(282,653,402)
including:	3321	x	x	x	x	x	-
Loss							
Revaluation of property	3322	x	x	-	x	-	x

Item	Line code	Charter capital	Treasury shares	Additional capital	Reserve capital	Other funds and reserves	Retained earnings (uncovered loss)
Expenses directly decreasing equity	3323	x	x	(2,974)	x	-	-
Decrease in the par value of shares	3324	-	-	0.00	x	-	-
Decrease in the number of shares	3325	-	-	x	x	-	x
Legal entity reorganization	3326	-	-	-	-	-	-
Dividends	3327	x	x	x	x	x	(282,653,402)
Change in additional capital	3330	x	x	(2)	x	-	2.00
Change in reserve capital	3340	x	x	x	-	x	-
Equity at 31 December 2019	3300	105,982.00	-	118,168,247.00	5,299.00	1,389,427.00	2,142,102,123.00

2. Adjustment due to changes in the accounting policy and correction of errors

Item	Line code	At 31 December 2017	Change in equity for 2018		At 31 December 2018
			Through net income (loss)	Due to other factors	
Total equity	3400	1,684,375,058.00	460,784,009.00	(118,688,650)	2,026,470,417.00
Before adjustments					
Adjustment due to:	3410	-	-	-	-
Changes in the accounting policy					
Correction of errors	3420	-	-	-	-
After adjustments	3500	1,684,375,058.00	460,784,009.00	(118,688,650)	2,026,470,417.00
including:	3401	1,802,733,923.00	460,784,009.00	(235,376,110)	2,028,141,822.00
Retained earnings (uncovered loss):					
Before adjustments					
Adjustment due to:	3411	-	-	-	-
Changes in the accounting policy					
Correction of errors	3421	-	-	-	-
After adjustments	3501	1,802,733,923.00	460,784,009.00	(235,376,110)	2,028,141,822.00
Other equity items that have been adjusted:	3402	(118,358,865)	-	116,687,460.00	(1,671,405)
(By item)					
Before adjustments					
Adjustment due to:	3412	-	-	-	-
Changes in the accounting policy					
Correction of errors	3422	-	-	-	-
After adjustments	3502	(118,358,865)	-	116,687,460.00	(1,671,405)

3. Net assets

Item	Code	Line code	At 31 December 2019	At 31 December 2018	At 31 December 2017
Net assets	3600	3600	2261771078	2026470417	1684375058

I. I. Sechin
Chief Executive Officer of
PJSC Rosneft Oil Company _____

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(Contract No. 100019/05992D dated 2 January 2020)
"___" _____ 2020

Statement of cash flows for 2019

Item	Line code	For 2019	For 2018
Cash flows from operating activities	4110	6179070239	6949361784
Total proceeds			
including:	4111	5498167192	5962431089
From the sale of products, goods, work and services			
Lease payments, license payments, royalties, commissions and other similar payments	4112	150978981	151987590
From resale of financial investments	4113	0	0
Other proceeds	4119	529924066	834943105
Total cash disbursements	4120	-6780339685	-6898554475
including:	4121	-4708441513	-4820693835
Payments to suppliers (contractors) for raw materials, work and services			
Payroll-related payments	4122	-41823850	-41438562
Interest on debt obligations	4123	-372122046	-347701977
Income tax	4124	-10184117	-15390346
Other taxes and levies	4125	-904235818	-944055998
Exploration costs	4128	-6582553	-15091557
Other payments	4129	-736949788	-714182200
Net cash flows from operating activities	4100	-601269446	50807309
Cash flows from investing activities	4210	1304175862	2448010068
Total proceeds			
including:	4211	10762256	18649588
From sale of non-current assets (except for financial investments)			
From sale of shares (interests) in other entities	4212	23371	28723
From repayment of loans issued and sale of debt securities (receivables from other parties)	4213	886376455	1772649402
Dividends, interest on debt financial instruments and similar proceeds from equity participation in other entities	4214	368230520	580793533
Other proceeds	4219	38783260	75888822
Total payments	4220	-831287612	-2080505380
including:	4221	-188557971	-203655854
Purchase, creation, upgrading, reconstruction and preparation for use of non-current assets			
Purchase of shares (interests) in other entities	4222	-374023314	-148272795
Purchase of debt securities (receivables from other parties), issue of loans to other parties	4223	-207069417	-1639041928
Interest on debt obligations included in the value of the investment asset	4224	-	-
Exploration assets	4228	-23773804	-15993209
Other payments	4229	-37863106	-73541594
Net cash flows from investing activities	4200	472888250	367504688
Cash flows from financing activities	4310	3502514309	3401044264
Total proceeds			
including:	4311	3417634273	3331053021
Loans and borrowings received			
Cash contributions of shareholders (participants)	4312	4890000	-
Issue of shares, increase in interests	4313	-	-
Issue of bonds, promissory notes and other debt securities, etc.	4314	79990036	69991243
Other proceeds	4319	-	-
Total payments	4320	-3824224290	-3338428524

Item	Line code	For 2019	For 2018
including:	4321	-	-
Payments to shareholders (participants) due to the buyback of shares (interests) in the entity or due to their withdrawal			
Dividends and other distributions of income among shareholders (participants)	4322	-274265540	-218156115
Repayment (redemption) of promissory notes and other debt securities, repayment of loans and borrowings	4323	-3549958750	-3120272409
Other payments	4329	-	-
Net cash flows from financing activities	4300	-321709981	62615740
Net cash flows for the reporting period	4400	-450091177	480927737
Balance of cash and cash equivalents at the beginning of the reporting period	4450	598541224	116638660
Balance of cash and cash equivalents at the end of the reporting period	4500	97398766	598541224
Effect of changes in the exchange rate of foreign currency to the ruble	4490	-51051281	974827

I. I. Sechin
Chief Executive Officer of
PJSC Rosneft Oil Company _____

V. A. Surkov
General Director of
LLC RN-Uchet _____

[Contract No. 100019/05992D dated 2 January 2020]

" ____ " _____ 2020

These Explanatory Notes to the balance sheet and the income statement constitute an integral part of the financial statements of PJSC Rosneft Oil Company for the 2019 reporting year prepared in accordance with the applicable legislation of the Russian Federation.

I. I. Sechin
Chief Executive Officer of
PJSC Rosneft Oil Company _____

V. A. Surkov
General Director of
LLC RN-Uchet _____
[Contract No. 100019/05992D dated 2 January 2020]
" ____ " _____ 2020

The reporting date of these financial statements, as of which they are prepared, is 31 December 2019.

1. Entity and types of activity

1.1 Company description

Public joint-stock company Rosneft Oil Company (the "Company", "Rosneft Oil Company") was established in accordance with Decree No. 327 of the President of the Russian Federation, On Priority Measures for Improving the Activities of Oil Companies, dated 1 April 1995 and pursuant to Resolution No. 971 of the Government of the Russian Federation, On the Transformation of State Enterprise Rosneft into Open Joint-Stock Company Rosneft Oil Company, dated 29 September 1995. On 8 July 2016, the Company was transformed into public joint-stock company.

The Company is a legal entity that operates on the basis of its Charter and the laws of the Russian Federation.

Location of the Company: Moscow, Russian Federation.

Address of the Company specified in the Unified State Register of Legal Entities:

26/1 Sofiyskaya nab., Moscow, Russian Federation, 115035.

Governing bodies of the Company

General Shareholders' Meeting of the Company

The General Shareholders' Meeting is the supreme governing body of the Company. The scope of authority of the General Shareholders' Meeting of the Company, the procedure for convening and holding it and its proceedings are determined in accordance with federal laws, the Charter of the Company and the Regulation on the General Shareholders' Meeting of the Company.

The address of the place for holding the General Shareholders Meeting is determined by the Company's Board of Directors.

The annual General Shareholders' Meeting is held not earlier than two months and not later than six months after the end of the financial year.

The General Shareholders' Meeting is chaired by the Chairman of the Company's Board of Directors or, in his absence, a member of the Board of Directors selected by the decision of the Board of Directors.

Board of Directors of the Company

The Company's Board of Directors is responsible for the general management of the Company's activities, except for the matters that fall within the authority of the General Shareholders' Meeting according to federal laws and the Charter of the Company.

The members of the Company's Board of Directors are elected by the General Shareholders' Meeting to serve until the next annual General Shareholders' Meeting.

The Board of Directors of Rosneft Oil Company that served as of 31 December 2019 was formed by the decision of the extraordinary General Shareholders' Meeting of the Company held on 4 June 2019.

The matter of forming the Board of Directors was not included in the agenda of the annual General Shareholders' Meeting held on 30 September 2019. The current members of the Board of Directors were approved by the General Shareholders' Meeting on 4 June 2019.

As of 31 December 2019, the Board of Directors of Rosneft Oil Company comprised:

1.	Faisal Alsuwaidi	Member of the Board of Directors of Rosneft Oil Company, representative of Qatar Investments Authority
2.	Hamad Rashid Al-Mohannadi	Member of the Board of Directors of Rosneft Oil Company, Member of the Board of Trustees at The Abdullah Bin Hamad Al-Attiyah International Foundation for Energy & Sustainable Development of Qatar, Chairman of the Board of Trustees at The Community College of Qatar, representative of the Qatar Investment Authority
3.	Andrey Removich Belousov	Member of the Board of Directors of Rosneft Oil Company, First Deputy Prime Minister of the Russian Federation ¹
4.	Matthias Arthur Warnig	Deputy Chairman of the Board of Directors of Rosneft Oil Company, Independent Director, Director of Interatis AG (Switzerland), Executive Director of Nord Stream 2 AG (Switzerland)
5.	Oleg Vyacheslavovich Viyugin	Member of the Board of Directors of Rosneft Oil Company, Independent Director, professor of the Finance Department of the Economic Faculty of the National Research University Higher School of Economics
6.	Robert Warren Dudley	Member of the Board of Directors of Rosneft Oil Company, Director and member of the Board of Directors of BP p.l.c., Chief Executive Officer of BP Group
7.	Guillermo Ordonez Quintero	Member of the Board of Directors of Rosneft Oil Company, Director of GQO Consultants LTD
8.	Alexander Valentinovich Novak	Member of the Board of Directors of Rosneft Oil Company, Minister of Energy of the Russian Federation
9.	Hans-Joerg Rudloff	Member of the Board of Directors of Rosneft Oil Company, Independent Director, Chairman of the Management Board of Marcuard Holding, Executive Director of ABD Capital S. A., President of ABD Capital Eastern Europe S. A.
10.	Igor Ivanovich Sechin	Chief Executive Officer, Chairman of the Management Board, Deputy Chairman of the Board of Directors of Rosneft Oil Company
11.	Gerhard Schroeder	Chairman of the Board of Directors of Rosneft Oil Company, Independent Director

In accordance with clause 2 of Article 64 of the Federal Law, On Joint-stock Companies, and the Regulation On Payment of Remuneration and Compensation for Expenses to the Members of the Board of Directors of PJSC Rosneft Oil Company, remuneration to the members of the Board of Directors during the period when they perform their duties is paid on the basis of a decision of the General Shareholders' Meeting.

On 4 June 2019, the annual General Shareholders' Meeting (meeting minutes w/o number dated 7 June 2019) approved remuneration to the following members of the Board of Directors of the Company for the period during which they performed their duties:

- Gerhard Schroeder – USD600,000
- Faisal Alsuwaidi – USD530,000
- Matthias Warnig – USD580,000
- Oleg Vyacheslavovich Viyugin – USD560,000
- Ivan Glasenberg – USD530,000
- Hans-Joerg Rudloff – USD580,000

In addition, on 4 June 2019, the annual General Shareholders' Meeting (meeting minutes w/o number dated 7 June 2019) approved compensation for all expenses and costs incurred by the members of the Board of Directors of the Company when performing their duties.

As of 31 December 2019, the Company fulfilled its obligation to pay the remuneration to the above members of the Board of Directors of Rosneft Oil Company for the period during which they performed their duties.

In 2019, no remuneration was paid to the members of the Board of Directors of Rosneft Oil Company, namely Andrey Removich Belousov, a government official at the date of the adoption of the decision to pay remuneration by the General Shareholders' Meeting, Aleksander Valentinovich Novak, who held a public office, and Igor Ivanovich Sechin, the Chairman of the Management Board of Rosneft Oil Company, for performing their duties as members of the Board of Directors of Rosneft Oil Company. In addition, in 2019, no remuneration was paid to the members of the Board of Directors of Rosneft Oil Company representing BP, a shareholder of Rosneft Oil Company, namely Robert Dudley and Guillermo Quintero, for performing their duties as members of the Board of Directors of Rosneft Oil Company, in accordance with their applications filed. Sole executive body of the Company

¹ As of 31 December 2019, Andrey Removich Belousov held the position of the Assistant to the President of the Russian Federation.

Chief Executive Director of Rosneft Oil Company is its sole executive body.

Igor Ivanovich Sechin was appointed as the sole executive body of the Company (Minutes No. 22 of the Board of Directors' meeting dated 23 May 2012) and took office on 24 May 2012. Igor Ivanovich Sechin was appointed as the sole executive body of the Company for a new 5-year period by decision of the Board of Directors of Rosneft Oil Company dated 30 April 2015 (Minutes No. 32 dated 30 April 2015).

Collegial executive body of the Company

Pursuant to the Charter, the Management Board is the collegial executive body of the Company.

As of 31 December 2019, members of the Management Board of the Company included:

1.	Igor Ivanovich Sechin	Chief Executive Officer, Chairman of the Management Board, Deputy Chairman of the Board of Directors of Rosneft Oil Company
2.	Zeljko Runje	Deputy Chairman of the Management Board, First Vice President for Oil, Gas, and Offshore Business Development at Rosneft Oil Company
3.	Eric Liron	Vice President for In-House Services at Rosneft Oil Company
4.	Gennady Ivanovich Bukaev	Vice President – Head of Internal Audit at Rosneft Oil Company
5.	Didier Casimiro	Vice President for Refining, Petrochemical, Commerce and Logistics at Rosneft Oil Company
6.	Peter Ivanovich Lazarev	Financial Director of Rosneft Oil Company
7.	Zavaleeva Elena Vladimirovna	State Secretary – Vice President at Rosneft Oil Company
8.	Yury Igorevich Kurilin	Vice President, Chief of Staff at Rosneft Oil Company
9.	Andrey Nikolaevich Shishkin	Vice-President for Informatization, Innovation and Localization at Rosneft Oil Company
10.	Andrey Aleksandrovich Polyakov	Vice President – Chief Geologist at Rosneft Oil Company
11.	Ural Alfretoovich Latypov	Vice President – Head of Security Service at Rosneft Oil Company

The Board of Directors of Rosneft Oil Company made the following decisions with respect to the Management Board of the Company:

- To appoint Gennady Ivanovich Bukaev, Vice President – Head of Internal Audit at Rosneft Oil Company, as a member of the Management Board of Rosneft Oil Company for three (3) years from 1 July 2019 (Minutes No. 2 dated 1 July 2019).
- To terminate the powers as a member of the Management Board of Rosneft Oil Company of Yuri Ivanovich Kalinin, Deputy Chairman of the Management Board, and Vlada Vilorikovna Rusakova, member of the Management Board of Rosneft Oil Company from 26 December 2019.
- To appoint Ural Alfretoovich Latypov, Vice President – Head of Security Service at Rosneft Oil Company, and Andrey Aleksandrovich Polyakov, Vice President – Chief Geologist at Rosneft Oil Company, as members of the Management Board of Rosneft Oil Company for three (3) years, and to appoint Zeljko Runje, First Vice President for Oil, Gas, and Offshore Business Development at Rosneft Oil Company, as Deputy Chairman of the Management Board from 27 December 2019 (Minutes No. 12 dated 30 December 2019).

Control of the Company's financial and business operations

Control of the Company's financial and business operations is exercised by the Audit Commission. The Audit Commission's operating procedure is specified in the Regulation on the Audit Commission of the Company, as approved by the General Shareholders' Meeting of the Company.

The Audit Commission of the Company comprises five (5) members who are elected by the General Shareholders' Meeting to serve until the next annual General Shareholders' Meeting.

As of 31 December 2019, the Audit Commission of the Company comprised:

Chairman of the Audit Commission:

1. Zakhar Borisovich Sabantsev	Head of the Bank Sector Monitoring, Consolidated and Analytical Work Section, Financial Policy Department, Ministry of Finance of the Russian Federation
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Audit Commission members:

2. Olga Anatolyevna Andrianova	Chief Accountant – Head of Finance and Economics Service of JSC ROSNEFTEGAZ, General Director of LLC Vostokgazinvest
3. Alexander Yevgenievich Bogashov	Director of the Department for Corporate Governance, Price Environment, Control and Audit Activity in the Energy Sector, Ministry of Energy of the Russian Federation
4. Sergey Ivanovich Poma	Vice President of the National Association of Securities Market Participants (NAUFOR)
5. Pavel Gennadyevich Shumov	Acting Deputy Director of the Department for State Regulation of Tariffs and Infrastructure Reforms, Ministry of Economic Development of the Russian Federation

On 4 June 2019, the annual General Shareholders' Meeting (meeting minutes w/o number dated 7 June 2019) approved remuneration to the members of the Audit Commission of the Company for the period during which they performed their duties:

- Olga Anatolyevna Andrianova – RUB220,000
- Sergey Ivanovich Poma – RUB220,000

As of 31 December 2019, the Company fulfilled its obligation to pay the remuneration. 1.2 Structure of the Company's charter capital*

Information about the shareholders of Rosneft Oil Company as of 31 December 2019 is presented below:

No.	Name of legal entity or individual	Number of common (voting) shares and interest in the charter capital
1	JSC ROSNEFTEGAZ	5,299,088,910 common shares representing 50.00000001 % of the total number of common shares and the charter capital of the Company
2	BP Russian Investments Limited	2,092,900,097 common shares representing 19.75 % of the total number of common shares and the charter capital of the Company
3	QH Oil Investments LLC	2,006,045,126 common shares representing 18.93 % of the total number of common shares and the charter capital of the Company
4	Non-banking Credit Organization Joint Stock Company National Settlement Depository (nominal holder central depository)	1,163,626,202 common shares representing 10.98 % of the total number of common shares and the charter capital of the Company
5	Other legal entities	1,182,555 common shares representing 0.01 % of the total number of common shares and the charter capital of the Company
6	The Russian Federation, acting through the Federal Property Management Agency	1 common share, representing 0.000000009 % of the total number of common shares and the charter capital of the Company
7	Individuals	35,180,243 common shares representing 0.33 % of the total number of common shares and the charter capital of the Company
8	Account of unidentified individuals	154,683 common shares representing less than 0.01 % of the total number of common shares and the charter capital of the Company

¹ * Information is based on the data of Rosneft shareholders' register.

1.3 Description of the Company's activities

In accordance with clause 3.4 of Article 3 of Rosneft Oil Company's Charter (revised version) approved by the annual General Shareholders' Meeting of the Company on 27 June 2014 (meeting minutes w/o number) with the amendments approved by the General Shareholders' Meeting of the Company on 15 June 2016 (meeting minutes w/o number), amendments approved by the General Shareholders' Meeting of the Company on 22 June 2017 (meeting minutes w/o number), amendments approved by the General Shareholders' Meeting of the Company on 29 September 2017 (meeting minutes w/o number), the Company prospects, explores, extracts and processes oil, gas and gas condensate, sells oil, gas, gas condensate, and oil and gas products to customers in and outside the Russian Federation, conducts any related activities, and works with precious metals and precious stones. The Company is engaged, in particular, in the following principal activities:

- Geological prospecting and exploration to find the deposits of oil, gas, coal and other minerals; extraction, transportation and processing of oil, gas, coal and other minerals, and timber; production of oil products, petrochemicals and other products, including liquefied natural gas, gas products and gas chemicals, electric power, wood products, consumer goods, and provision of services to the public; storage and sale (including domestic and export sales) of oil, liquefied and gaseous gas, oil products, gas products and gas chemicals, coal, electric power, wood products, and other products from hydrocarbons and other raw materials
- Investing, including transactions with securities
- Managing the fulfillment of orders placed by the federal government and regional consumers of the products made by the Company and its subsidiaries, including deliveries of oil, gas and oil products
- Investment management, construction, engineering, technological and other services for upstream and downstream projects, and research and development, procurement and distribution, economic, foreign economic and legal support for the Company, its subsidiaries and third-party customers. Surveying the commodity and services markets, and the securities market, conducting sociological and other research. Regulating and coordinating the activities of subsidiaries. Leasing out immovable and other property, using leased property
- Assisting in securing the interests of the Russian Federation when it prepares and implements production-sharing agreements for subsurface areas and hydrocarbon deposits
- Managing advertising and publishing activities, conducting exhibitions, fairs, auctions, etc.
- Intermediary, consulting, marketing and other activities, including foreign economic activities (including export/import operations), performing work and providing services on a contractual basis
- Ensuring the protection of the Company's employees and property
- Using precious metals and precious stones in technological processes as elements of equipment and materials
- Arranging and holding mobilization training and civil defense events, working with state secrets and protecting them

At the end of 2019, the average headcount of the Company was 4,537 employees.

2. Basis of preparation

The accounting records are maintained in accordance with Federal Law No. 402-FZ, On Accounting, dated 6 December 2011 and the Statute On Accounting and Reporting in the Russian Federation, approved by Order No. 34n of the Russian Ministry of Finance dated 29 July 1998 (including Information No. PZ-10/2012 of the Russian Ministry of Finance), as well as applicable Accounting Statements. The Company's financial statements for the 2019 reporting year were prepared in accordance with the Law, the Statute and the Accounting Statements.

3. Changes in opening balances in the financial statements for the 2019 reporting year

To ensure the comparability of the financial statements (paragraph 10 of Accounting Statement 4/99), the following reclassifications were made to the data for 2018 due to amendments introduced to the accounting policy for 2019 in terms of presentation of the statement of cash flows:

- In 2019, the approach to presenting data in the statement of cash flows was changed requiring that interest-free loans issued be recognized within other payments on operating activities less the amount repaid in the reporting period.

Table 1. Changes in the statement of cash flows (kRUB)

Item	Line	As previously reported for 2018	As currently reported for 2018	Changes	Reason
Cash flows from operating activities	4120	(6,762,778,931)	(6,898,554,475)	(135,775,544)	
Total cash disbursements					
Including other payments	4129	(578,406,656)	(714,182,200)	(135,775,544)	
Net cash flows from operating activities	4100	186,582,853	50,807,309	(135,775,544)	
Cash flows from investing activities	4210				
Total proceeds		2,877,879,280	2,448,010,068	(429,869,212)	Transactions to provide and repay interest-free loans were reclassified from investing activities to operating activities and were recognized on a net basis
including from repayment of loans issued and sale of debt securities (receivables from other parties)	4213	2,202,518,614	1,772,649,402	(429,869,212)	
Cash flows from investing activities	4220	(2,646,150,136)	(2,080,505,380)	565,644,756	
Total payments					
including purchases of debt securities (receivables from other parties), provision of loans to other parties	4223	(2,204,686,684)	(1,639,041,928)	565,644,756	
Net cash flows from investing activities	4200	231,729,144	367,504,688	135,775,544	

4. Information about the accounting policy

The Company developed its accounting policy in accordance with the principles established by Accounting Statement 1/2008, Accounting Policies of an Organization, approved by Order No. 106n of the Russian Ministry of Finance dated 6 October 2008:

- Economic entity assumption according to which the Company's assets and liabilities are accounted for separately from the assets and liabilities of other legal entities and individuals
- Going concern assumption according to which the Company will continue its business in the foreseeable future and it neither intends nor has to liquidate or significantly curtail its activities, and, therefore, its liabilities will be duly discharged
- Consistency assumption according to which the Company will consistently apply the adopted accounting policy in its activities
- Time period assumption Material accounting methods provided for by the Company's accounting policy in 2019 are reflected below in the respective Explanatory Notes to the balance sheet and the income statement for the 2019 reporting year.

5. Fixed assets and capital construction in progress

Assets intended for use in the manufacturing of products, performance of work and provision of services, or for administrative needs over their useful lives of more than 12 months are accounted for as fixed assets.

Fixed assets include buildings, structures, machinery, equipment, measuring and control instruments and devices, computers, vehicles, tools, fixtures and fittings, etc. Fixed assets also include land plots and natural resources. The Russian Classifier of Fixed Assets approved by Order No. 2018-st of the Federal Agency on Technical Regulation and Metrology (Rosstandart) dated 12 December 2014 is used to determine the structure and grouping of fixed assets.

Items intended to be leased out are recorded in line 1150, Fixed assets. The net book value of such items was:

- kRUB597,600,420 at the end of the period
- kRUB566,447,177 at the beginning of the period

An asset is recognized as a fixed asset on the date it is ready for operation. Fixed assets the rights to which are subject to state registration are included in the fixed assets at the date of delivery to their final destination, if the asset is ready for operation. Using the substance-over-form principle, the completed capital construction projects and purchased real estate items that are actually in operation are also included in fixed assets, regardless of whether the documents for their state registration have actually been submitted. Such items are depreciated in accordance with the established procedure.

For accounting purposes, fixed assets are depreciated using the straight-line method:

- Assets put into operation before 1 January 2002: at the depreciation rates set by Resolution No. 1072 of the Council of Ministers of the USSR dated 22 October 1990
- Assets put into operation after 1 January 2002: at the depreciation rates calculated based on the useful lives set by Resolution No. 1 of the Government of the Russian Federation dated 1 January 2002
- Assets put into operation after 1 January 2018: at the depreciation rates calculated based on the useful lives set by Resolution No. 1 of the Government of the Russian Federation dated 1 January 2002 as well as based on useful lives indicated in the technical documentation, manufacturers' recommendations, or based on other relevant information that determines the period during which an item of fixed assets is expected to generate economic benefits

The main groups of fixed assets have the following useful lives:

Buildings	30 to 100 years
Structures	10 to 15 years
Machinery and equipment	5 to 7 years

Assets with a value of not more than kRUB40 per unit have been recorded and reported as inventories since 1 January 2014. To ensure the safety of the assets during production or operation, the Company makes arrangements to control their movements. Fixed assets include the following assets (irrespective of their value):

- Land plots
- Buildings
- Structures
- Transfer devices
- Downhole equipment
- Vehicles
- Assets held as joint shared property or joint property
- Assets held for leasing

Fixed assets are reported in the balance sheet at their net book value.

Fixed assets are not revalued following the completion of the mandatory revaluation of fixed assets in accordance with the Resolutions of the Russian Government.

Table 2. Information on fixed assets (kRUB)

Group of fixed assets	Period	At the beginning of the period		Changes for the period				At the end of the period	
		Historical cost	Accumulated depreciation	Additions	Historical cost	Disposals Accumulated depreciation	Depreciation charge	Historical cost	Accumulated depreciation
Total fixed assets	2019	1,569,277,962	(931,460,440)	172,208,186	(4,442,659)	3,329,206	(135,595,035)	1,737,043,489	(1,063,726,269)
	2018	1,434,802,008	(819,931,051)	182,429,326	(47,953,372)	29,655,898	(141,185,287)	1,569,277,962	(931,460,440)
Buildings and structures	2019	1,380,721,200	(801,688,141)	167,139,699	(3,853,124)	2,772,680	(123,857,447)	1,544,007,775	(922,772,908)
	2018	1,253,588,915	(701,088,374)	171,128,379	(43,996,094)	26,649,133	(127,248,900)	1,380,721,200	(801,688,141)
Machinery, equipment, vehicles	2019	183,346,891	(128,016,586)	5,037,447	(503,857)	470,965	(11,652,378)	187,880,481	(139,197,999)
	2018	176,942,695	(117,144,438)	10,323,503	(3,919,307)	2,969,973	(13,842,121)	183,346,891	(128,016,586)
Other fixed assets	2019	5,209,871	(1,755,713)	31,040	(85,678)	85,561	(85,210)	5,155,233	(1,755,362)
	2018	4,270,398	(1,698,239)	977,444	(37,971)	36,792	(94,266)	5,209,871	(1,755,713)
Including fixed assets that are not depreciated	2019	3,209,893	x	13	(60)	x	x	3,209,846	x
	2018	2,349,824	x	860,970	(901)	x	x	3,209,893	x

Table 3. Information on fixed assets requiring state registration (kRUB)

	At 31 December 2019	At 31 December 2018	At 31 December 2017
Fixed assets whose title has not yet been registered	212,947,138	216,700,282	242,504,069
Including fixed assets whose registration documents have not yet been accepted by the state authorities	210,138,389	208,464,386	232,630,158

Table 4. Information on the use of fixed assets (kRUB)

Group of fixed assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total assets leased out (historical cost), including	1,557,316,383	1,425,671,402	1,313,143,006
• Buildings	48,462,125	46,838,617	47,879,783
• Structures	1,332,392,306	1,207,948,158	1,098,760,374
Mothballed fixed assets (historical cost)	60,412,857	52,526,131	37,787,491
Total fixed assets leased (contract or cadastral value), including	100,963,500	84,246,854	74,235,887
• Land plots	69,523,734	74,304,769	66,337,376
• Other fixed assets	31,439,766	9,942,085	7,898,511
Change in the value of fixed assets as a result of supplementary construction, retrofitting, refurbishment, modernization or partial liquidation	21,277,842	22,425,172	23,019,002

Table 5. Information on capital investments in progress (kRUB)

Capital investments in progress by type of asset	At 31 December 2019	At 31 December 2018	At 31 December 2017
Equipment for installation	15,897,385	15,431,560	17,828,175
Construction in progress, including	634,303,095	613,815,168	551,066,851
Advances issued for construction, acquisition, manufacturing of fixed assets (net of VAT)	50,198,285	45,491,528	46,294,428
Other assets	2,158,984	2,146,511	2,763,987
Total	652,359,464	631,393,239	571,659,013

In 2019, the value of work performed under capital construction projects amounted to kRUB183,624,014 (net of VAT). Investments in the purchase of equipment, both requiring and not requiring installation, fixed assets and land plots, and in appraisal and exploration drilling amounted to kRUB8,800,503 (net of VAT).

Advances issued for construction, acquisition and manufacturing of fixed assets include the share of advances paid to purchase fixed assets with a value of up to kRUB40 per unit included in inventories. It is impossible to determine the final value of assets before the completion of the work performed to render them fit for use. Therefore, as of the reporting date, advances for acquisition are recognized within capital expenditures.

6. Intangible assets

Intangible assets include:

- Exclusive right of a patent holder to an invention, industrial design or utility model
- Exclusive right to computer software and databases
- Exclusive right to integrated circuit topologies
- Exclusive right to a trademark, service mark, or appellation of origin
- Exclusive right to selection achievements
- Exclusive right to trade secrets (know-how)
- Oil and gas production licenses
- Exclusive subsoil use rights when entering into international agreements that give the right to implement oil and gas exploration and production projects in a foreign jurisdiction or in the Russian Federation (licenses, concession agreements, subsoil use contracts, agreements on the provision of a participating interest, etc.)
- Geological exploration and production licenses (combined licenses), provided that the production of mineral resources in the license area is commercially viable; such licenses are accounted for in the same way as costs arising in connection with the exploration and appraisal of fields until it is confirmed that production is commercially viable
- Other mineral licenses (for the construction of underground gas storage facilities, the production of commonly occurring mineral resources and the abstraction of underground water)
- Deliverables of 3D and 4D seismic surveys (including designing, field works, supervising, processing, interpretation, lease of forest plot) in support of the development at commercially recoverable oil and gas fields
- Information received as the result of drilling the offshore appraisal and exploration wells abandoned as successful due to technological reasons at commercially recoverable fields Digital and electronic maps, as well as other spatial data
- Complex items comprising several protected intellectual properties (including those combining exclusive and non-exclusive rights):
 - Multimedia product
 - Audiovisual works (cinematic works or works involving media similar to those used in cinema (TV movies, videos, etc.))
 - Website, etc.
 - Other intangible assets

Geological exploration and production licenses (combined licenses) are accounted for in the same way as costs arising in connection with the exploration and appraisal of fields until it is confirmed that production is commercially viable.

Intangible assets are recognized at their actual (historical) cost determined in accordance with Accounting Statement 14/2007, Intangible Assets, approved by Order No. 153n of the Russian Ministry of Finance dated 27 December 2007.

When an intangible asset is created in-house, the related costs are to be capitalized beginning from the development stage, i.e. when the Company can demonstrate:

- The technical feasibility of creating the intangible asset
- Its intention and ability to create the intangible asset and use it
- How the intangible asset will generate probable economic benefits
- The availability of sufficient technical, financial and other resources to complete development and use the intangible asset
- Ability to reliably estimate costs related to the intangible asset during its development

Costs incurred at the research stage are not capitalized and are treated as either expenses related to ordinary activities or other expenses, depending on the purpose of research.

Intangible assets created in-house mean:

- Intangible assets created by the Company's employees when performing their job duties
- Intangible assets resulting from the work performed by contractors under contracts in which the risks of negative results are borne by the Company

The Company created the following intangible assets in the reporting period:

- Exclusive right to computer software and databases with a historical cost of kRUB296,046
- Exclusive rights to an invention with a historical cost of kRUB7,025
- Digital forest management maps with a historical cost of kRUB10,800
- Multimedia products, websites with a historical cost of kRUB1

The actual (historical) cost of an intangible asset acquired under a contract providing for non-monetary compensation (settlement) is determined on the basis of the cost of assets transferred or transferable by the Company. The cost of assets transferred or transferable by the Company is determined on the basis of the price it would normally use to determine the cost of similar assets under comparable circumstances.

Where it is impossible to determine the cost of assets transferred or transferable by the Company under such contracts, the cost of an intangible asset received by the Company is determined on the basis of the price at which similar intangible assets are purchased under comparable circumstances.

Intangible assets are amortized using the straight-line method or the unit-of-production method:

- Exclusive right of a patent holder to an invention, industrial design or utility model: straight-line method
- Exclusive right to computer software and databases: straight-line method
- Exclusive right to integrated circuit topologies: straight-line method
- Exclusive right to a trademark, service mark, or appellation of origin: straight-line method
- Oil and gas production licenses, provided that the production of mineral resources in the license area is commercially viable: unit-of-production method
- Exclusive subsoil use rights when entering into international agreements that give the right to implement oil and gas exploration and production projects in a foreign jurisdiction or in the Russian Federation (licenses, concession agreements, subsoil use contracts, agreements on the provision of a participating interest, etc.): unit-of-production method
- Geological exploration and production licenses (combined licenses), provided that the production of mineral resources in the license area is commercially viable: unit-of-production method. Proved oil and gas reserves are defined in accordance with Petroleum Resources Management System (PRMS). For the purposes of evaluation of the reserves as of 31 December 2019, the Company used proved oil and gas reserves data prepared by DeGolyer and MacNaughton, independent reservoir engineers.
- Other mineral licenses (for the construction of underground gas storage facilities, the production of commonly occurring mineral resources and the abstraction of underground water): straight-line method
- Deliverables of 3D and 4D seismic surveys in support of the development at commercially recoverable oil and gas fields: unit-of-production method
- Information received as the result of drilling successful onshore appraisal and exploration wells abandoned due to technological reasons at commercially recoverable oil and gas fields: unit-of-production method
- Digital and electronic maps, as well as other spatial data: straight-line method
- Other intangible assets: straight-line method

The Company determines the useful life of an intangible asset upon its recognition.

The useful life of an intangible asset is determined on the basis of:

- The term of the Company's rights to intellectual property or means of individualization, and the period of control over the asset
- The period during which the Company is expected to use the asset and receive economic benefits

The Company annually reviews the useful life of an intangible asset in order to determine whether or not it should be revised. In the event of a significant change in the period, during which the company expects to use the asset, the asset's useful life should be revised. The resulting adjustments are recorded and reported as changes in estimates.

The main groups of intangible assets have the following useful lives:

Trademarks	4.1 to 13.6 years
Patents	1.1 to 24.1 years
Exclusive rights to computer software and databases	1.1 to 10 years
Exploration and production licenses *	3 to 173 years
Geological prospecting, exploration and production licenses (combined licenses) ¹	10 to 166 years
Other mineral licenses (for the abstraction of underground water, construction of gas storage facilities, etc.)	7 to 25 years

Intangible assets are not amortized if their useful lives cannot be determined.

The Company annually reviews the amortization method for an intangible asset during inventory counts in order to determine if it should be revised. If the calculation of the expected flow of future economic benefits from an intangible asset has changed significantly, the amortization method for that asset is also changed. The resulting adjustments are recorded and reported as changes in estimates.

If the timing for receiving future economic benefits is not reliably estimated during inventory counts, no changes are made to the amortization method.

Intangible assets are not revalued and are not tested for impairment by the Company.

The Company determined that there was no need to revise the amortization method and the useful lives of intangible assets in the reporting period.

The Company has determined useful lives for all intangible assets.

Intangible assets are reported in the balance sheet at their net book value.

¹ Provided that the production of mineral resources in the license area is commercially viable

Table 6. Information on intangible assets (kRUB)

Groups of intangible assets	Period	At the beginning of the period		Changes for the period			At the end of the period		
		Historical cost	Accumulated amortization	Additions	Disposals		Amortization charge	Historical cost	Accumulated amortization
					Historical cost	Accumulated amortization			
Total intangible assets	2019	47,940,031	(7,471,211)	1,704,071	(7,456)	7,332	(1,583,491)	49,636,646	(9,047,370)
	2018	25,688,938	(5,683,766)	22,253,141	(2,048)	789	(1,788,234)	47,940,031	(7,471,211)
Trademarks	2019	21,306	(11,374)	2,661	-	-	(1,749)	23,967	(13,123)
	2018	19,235	(9,128)	2,071	-	-	(2,246)	21,306	(11,374)
Exclusive rights to an invention, utility model or industrial design	2019	750,705	(352,283)	7,025	-	-	(146,430)	757,730	(498,713)
	2018	750,695	(211,358)	10	-	-	(140,925)	750,705	(352,283)
Exclusive rights to computer software and databases	2019	2,277,299	(1,281,842)	296,046	(6,949)	6,949	(285,343)	2,566,396	(1,560,236)
	2018	1,507,484	(1,163,715)	769,815	-	-	(118,127)	2,277,299	(1,281,842)
Oil and gas production licenses (including combined exploration and production licenses issued after commercial viability is confirmed)	2019	42,772,552	(5,527,300)	66,180	-	-	(1,056,037)	42,838,732	(6,583,337)
	2018	22,311,222	(4,048,198)	20,462,364	(1,034)	636	(1,479,738)	42,772,552	(5,527,300)
Other licenses	2019	814	(563)	-	(507)	383	(25)	307	(205)
	2018	911	(597)	-	(97)	77	(43)	814	(563)
Information received as the result of drilling successful onshore appraisal and exploration wells abandoned due to technological reasons	2019	555,770	(6,663)	-	-	-	(14,960)	555,770	(21,623)
	2018	38,482	(2,732)	517,288	-	-	(3,931)	555,770	(6,663)
Results of 3D and 4D seismic surveys at sites after commercial viability is confirmed	2019	1,347,653	(99,032)	1,321,358	-	-	(71,001)	2,669,011	(170,033)
	2018	849,993	(65,026)	497,660	-	-	(34,006)	1,347,653	(99,032)
Other intangible assets	2019	213,932	(192,154)	10,801	-	-	(7,946)	224,733	(200,100)
	2018	210,916	(183,012)	3,933	(917)	76	(9,218)	213,932	(192,154)

Table 7. Information on intangible assets created by the Company (kRUB)

Historical cost by group of intangible assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total, including	3,542,467	3,235,544	2,462,703
Exclusive rights to computer software and databases	2,566,396	2,277,299	1,507,484
Exclusive rights to an invention, utility model or industrial design	751,338	744,313	744,303
Other	224,733	213,932	210,916

Table 8. Information on investments in progress made to create intangible assets (kRUB)

Investments in progress	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total investments in the creation of individual intangible assets, including by type:	3,742,681	4,130,712	3,463,587
Exclusive rights to computer software and databases	3,709,159	2,808,226	1,940,991
3D and 4D seismic surveys	17,522	1,304,261	1,507,340
Exclusive rights to an invention, utility model or industrial design	872	897	6,087
Trademarks	2,947	5,103	3,877
Other intangible assets	12,181	12,225	5,292

Intangible assets received for use are recorded off the balance sheet and are measured on the basis of the amount of remuneration specified in the contract.

Table 9. Information on intangible assets received by the Company for use (kRUB)

Cost by group of intangible assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total, including	9,201,500	8,870,210	7,417,358
Non-exclusive rights to software programmes, rights of access to information resources	9,201,500	8,870,210	7,417,358

Table 10. Information on fully amortized intangible assets (kRUB)

Intangible assets	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total, including	1,327,933	1,266,602	1,115,886
Exclusive rights to computer software and databases	1,064,121	1,071,022	1,023,677
Patents	79,003	13,715	10,012
Oil and gas production licenses	5,483	5,373	623
Trademarks	7,808	6,361	535
Other licenses	21	61	61
Other	171,497	170,070	80,978

7. Oil and gas reserves exploration and estimation costs

Oil and gas reserves exploration and evaluation expenses are recognized using the successful efforts method of accounting, according to which only those costs are capitalized that are directly incurred in the discovery of new fields that will result in future economic benefits, while exploration costs (both direct and indirect), including geological and geophysical costs, are charged to expenses as incurred.

The following oil and gas reserves exploration and evaluation costs should be capitalized:

- Costs related to acquiring of subsoil use rights for oil and gas reserves (geological prospecting and exploration licenses, geological exploration and production licenses)
- Costs related to appraisal/exploration drilling
- Information on the results of drilling successful abandoned appraisal/exploration wells

Capitalized exploration and evaluation costs lead to the creation of exploration assets:

- Appraisal/exploration wells – tangible exploration assets
- Licenses, information on the results of drilling successful abandoned appraisal/exploration wells – intangible exploration assets

Expenses related to the construction of offshore appraisal/exploration wells abandoned as successful in the license areas that did not prove to be commercially viable to recover oil and gas are capitalized as follows:

- Expenses related to the construction of offshore appraisal/exploration wells are initially recognized as tangible exploration assets and then transferred to intangible exploration assets in the event that the discovery of hydrocarbon reserves is confirmed and there is a possibility that these reserves will be approved by the State Committee on Reserves both with regard to the well (current reserves estimation) and the subsurface area (reserves estimation based on geological results of the well)
- Until the decision on commercial viability has been reached, expenses related to the construction of successful abandoned offshore appraisal/exploration wells are recognized as intangible exploration assets in the form of information received as the result of drilling the offshore appraisal/exploration wells

As of the reporting date, the Company annually tests exploration assets for any indication of impairment when making the decision on the commercial viability of oil and gas production in a licensed area. Impairment testing is performed by field (licensed area). Where there is evidence of impairment, the Company writes down the exploration assets by the amount of the carrying value of the licenses, wells and 3D seismic surveys during the stage of exploration and prospecting at a field (licensed area) or, in the event of the recoverability of exploration assets, to the realizable value.

Once the commercial viability of the subsurface area has been established, exploration assets in this area are subject to reclassification:

- Exploration and production licenses, as well as information on the results of drilling successful abandoned appraisal/exploration wells become intangible assets
- Appraisal/exploration wells become fixed assets (development wells construction in progress)

If production proves to be impractical, exploration assets are subject to impairment and are subsequently written off to other expenses of the Company.

Exploration assets are not depreciated.

The following costs are not capitalized in the value of assets and are taken to current-period expenses as oil and gas exploration and evaluation expenses:

- Costs incurred at the regional stage
- Exploration costs not related to drilling of appraisal/exploration wells or 3D and 4D seismic surveys at commercially recoverable oil and gas fields, including costs for the follow-up exploration of fields which have been put on stream and considered commercially developed
- Costs related to the maintenance of subsurface areas where exploration is being carried out and of fields which are not commercially operated
- Costs related to the preparation of project technical documentation for developing fields which are not commercially operated

The Company derecognizes exploration assets at the respective subsurface area if it proves to be commercially viable or if production is considered impractical.

Table 11. Information on exploration assets (kRUB)

Groups of licenses	Period	At the beginning of the period		Changes for the period		At the end of the period		
		Historical cost	Accumulated impairment losses	Additions	Disposals	Historical cost	Accumulated impairment losses	
				At historical cost	Accumulated impairment losses			
Tangible exploration assets	2019	20,170,757	-	9,604,440	(544,342)	-	29,230,855	-
	2018	26,126,691	-	12,321,977	(18,277,911)	-	20,170,757	-
Intangible exploration assets, including	2019	99,214,265	(150)	8,975,984	(1,016,575)	142	107,173,674	(8)
	2018	111,303,164	(153)	8,387,854	(20,476,753)	3	99,214,265	(150)
License to use subsurface resources with the right of extraction	2019	56,623,639	-	7,437,552	(1,003,948)	-	63,057,243	-
	2018	76,083,997	-	994,151	(20,454,509)	-	56,623,639	-
License to use subsurface resources without the right of extraction	2019	2,421	(150)	84,520	(173)	142	86,768	(8)
	2018	2,409	(153)	15	(3)	3	2,421	(150)
Information on the results of drilling of successful abandoned appraisal/exploration wells	2019	42,548,639	-	472,973	-	-	43,021,612	-
	2018	35,193,583	-	7,355,056	-	-	42,548,639	-
Costs related to acquiring of subsoil use rights for oil and gas reserves	2019	39,566	-	980,939	(12,454)	-	1,008,051	-
	2018	23,175	-	38,632	(22,241)	-	39,566	-

Information on tangible exploration assets as of 31 December 2019 is disclosed in line 1140, Tangible exploration assets, including advances issued of kRUB1,865,867 and materials of kRUB44,155 intended for creating tangible exploration assets in the balance sheet.

Change in tangible exploration assets was due to the completion of exploratory drilling in 2019 amounting to kRUB9,604,440, reclassification to intangible exploration assets of information on the results of drilling a successful abandoned appraisal/exploration well in the amount of kRUB472,973, realization of the exploration well in the amount of kRUB69,019 and write-off of expenses due to other expenses in the amount of kRUB2,350, as the Company has no intention to continue 3D seismic surveys.

In 2019, change in intangible exploration assets was primarily due to the acquisition of licenses to use subsurface resources with the right of extraction in the amount of kRUB7,437,552, and without the right of extraction in the amount of kRUB84,520, reclassification to intangible exploration assets of information on the results of drilling a successful abandoned appraisal/exploration well in the amount of kRUB472,973, and disposal of geological exploration and production licenses in the amount of kRUB1,003,948 due to reissue of licenses to use subsurface resources.

8. Research and development results

Research and development results include costs incurred during the stage of development of R&D work in progress (recorded as investments in non-current assets) and completed (recognized as intangible assets/R&D).

The Company's costs are recognized in the accounts as R&D in progress if all of the following conditions are met:

- R&D contracts indicate that in the course of work new scientific knowledge is expected to be produced and/or used (information which is unknown, given the current level of technology)
- It is assumed that the positive result of R&D activities will create an opportunity for future economic benefits
- It is assumed that the positive completion of R&D activities will make it possible to demonstrate the use of its results in production for management requirements
- The amount of expenses can be defined and confirmed

When R&D projects are developed in-house, the related costs are capitalized from the beginning of the project stage if the Company is able to demonstrate:

- The technical feasibility of developing such R&D projects
- Its intention and ability to develop and use an R&D project
- How the R&D project is likely to generate economic benefits

The availability of sufficient technical, financial and other resources to complete the development of and use the R&D projects

- The ability to reliably measure costs related to the development of the R&D project

R&D projects developed in-house include:

- R&D projects developed by Company employees in the course of performing their job duties
- R&D projects resulting from contractor work under contracts in respect of which the Company bears the risk of negative results

R&D costs incurred at the research stage are not capitalized and are recognized as expenses relating to ordinary activities or other expenses depending on the purpose of the research.

R&D costs are written off to expenses relating to ordinary activities on the first day of the month following the month in which the actual use of the obtained results began.

Upon the completion of R&D activities, in the event of a positive result, the costs related to R&D in progress form the value of R&D project. In the event of a negative result, R&D costs are written off to other expenses.

The R&D project value is written off on a monthly basis using the straight-line method in the amount of 1/12 of the annual amount.

In the event that the use of an R&D project is suspended, the related costs in the form of a monthly write-off amount are to be recognized as other expenses during the period for which the use of the R&D project has been suspended.

Where the Company early terminates using the results of R&D activities in accordance with Order, On writing off R&D expenses, R&D expenses are taken to other expenses.

The write-off period for R&D costs is determined by the Company based on the expected period of use of the results from these activities. This period may not exceed 5 years.

This period for most significant R&D deliverables is as follows:

- Technology for production of highly dearomatized white oils 5 years
- Technology for production of oil bases with low chilling temperatures 5 years
- Technology for production of synthetic high-viscosity-index base waxy oils 5 years

Table 12. R&D results profile (kRUB)

R&D type	Period	At the beginning of the period		Change for the reporting period			At the end of the period	
		Historical cost	Part of the value written off to expenses	Additions	Disposals	Part of the value written off to expenses	Historical cost	Part of the value written off to expenses
R&D	2019	550,847	(360,890)	535,911	(7,000)	(177,302)	1,079,758	(538,192)
	2018	523,335	(184,634)	27,512	-	(176,256)	550,847	(360,890)

Changes in R&D project value written-off in the amount of kRUB7,000 in 2019 was due to reclassification of R&D projects to intangible assets at net book value upon receipt of protection documents. No reclassification of R&D to intangible assets was made in 2018.

Table 13. R&D in progress and pending registration (kRUB)

R&D type	Period	At the beginning of the period	Change for the reporting period			At the end of the period
			Costs for the period	Costs expensed as unsuccessful	Recognized as intangible assets, R&D or fixed assets	
Costs of R&D in progress	2019	6,538,166	2,406,301	-	(535,911)	8,408,556
	2018	4,551,664	2,014,038	-	(27,536)	6,538,166

9. Other non-current assets

Other non-current assets include assets which are assumed to produce economic benefits over a period exceeding 12 months. This line includes prepaid expenses, fixed assets and tangible exploration assets retirement obligations (discounted) (hereinafter, the "ARO asset"), and other assets.

Other non-current assets are valued based on actual costs, except for ARO assets that are subject to accounting estimates.

Prepaid expenses relating to several periods are written off using the straight-line method.

The amount of the ARO assets (with regard to sites or facilities which, when abandoned, require disposal of materials and/or remediation of a land plot) is determined based on the estimated costs at the reporting date, which the Company is expected to incur when dismantling fixed assets and remediating natural resources on occupied land plots.

The ARO asset is depreciated using the unit of production method. Proved developed oil and gas reserves are defined in accordance with Petroleum Resources Management System (PRMS). For the purposes of evaluation of the reserves as of 31 December 2019, the Company used proved oil and gas reserves data prepared by DeGolyer and MacNaughton, independent reservoir engineers.

The rate is applied to the book value at the beginning of the reporting month and reserves in denominator are adjusted to the production volume from the beginning of the year to the beginning of the reporting month.

The ARO asset related to the retirement of tangible exploration assets at the fields where it is not confirmed that the production is commercially viable is not depreciated.

Table 14. Information on other non-current assets (kRUB)

Other non-current assets by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total prepaid expenses with the write-off period exceeding 12 months	12,157,493	9,812,024	7,365,761
including by type:	12,157,493	9,812,024	7,365,761
Software			
ARO asset	20,962,554	21,814,156	24,160,025
Other non-current assets	332,667	324,939	792,538
Total	33,452,714	31,951,119	32,318,324

10. Inventories, value added tax, excise duties on self-produced oil products

Inventories are accounted for at their actual cost calculated based on the amount of actual acquisition/ production costs, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

Upon disposal, inventories are depreciated using the following methods:

- Oil, construction materials, equipment, spare parts, fuel, packaging, fixtures and fittings, instruments and tools, other inventories – by the cost of every inventory unit (inventory unit is a consignment)
- Oil products – by the average cost of production broken down by refinery
- In-house semi-finished products – by the average cost of production broken down by refinery
- In-house oil and gas – by the average cost of production broken down by operator

Special protective clothes handed over for use are accounted for as materials. The value of special protective clothes with the service life of more than 12 months is depreciated using the straight-line method over the specified period of its use. The value of special protective clothes with the service life of less than 12 months is written off when the clothes are handed over for use.

Materials, fuel, spare parts and other material resources are recorded at their actual acquisition cost.

Work in progress and finished products are recorded at their actual cost; goods are recorded at their acquisition cost.

Shipped finished products and shipped goods, the title to which is not yet transferred to the buyer, are recorded within inventories.

Inventories also comprise transportation and procurement costs attributable to the balance of goods at the warehouse and shipped but unsold goods.

Costs to sell (transportation costs, storage costs, intermediary service costs, customs duties etc.) are recorded within inventories where it is possible to relate them to certain consignments of finished products and goods recognized in accounting records before the sale of consignments to which they relate.

The amounts of VAT related to the acquired goods, work, services and property rights to be deducted and not included in the cost of the assets acquired, or in expenses, are recorded in line 1220 of the balance sheet.

This line also includes the excise duty assessed by Rosneft Oil Company upon accounting for straight-run gasoline, benzene, orthoxylene, paraxylene subject to appropriate certificate and deductible during their refining/disposal.

If there is any indication of impairment, the Company recognizes the decrease in value of inventories in the financial statements.

In accordance with the requirement of prudence, the Company accounts for the impairment of inventories using the method of provisioning.

Table 15. Information on VAT and excise duties (kRUB)

Tax	At 31 December 2019	At 31 December 2018
Input value added tax charged	43,878,882	66,860,529
Excise duty assessed upon accounting for straight-run gasoline, benzene, orthoxylene, paraxylene	4,929,927	5,858,165

Table 16. Information on inventories (kRUB)

Inventories by type	At 31 December 2019		At 31 December 2018		At 31 December 2017	
	Cost	Allowance for impairment	Cost	Allowance for impairment	Cost	Allowance for impairment
Total inventories	138,946,748	(57,001)	151,463,844	(37,645)	142,439,261	(50,706)
Raw and other materials	15,838,148	(57,001)	18,883,705	(37,426)	18,575,428	(27,811)
Costs related to work in progress	11,722,717	x	11,326,184	x	9,706,137	x
Finished products and goods	111,385,883	x	121,253,955	(219)	114,157,696	(22,895)

Decrease in inventories was due to the fact that most of the inventories were used in production and shipped to customers. In 2017–2019, inventories were not pledged.

Table 17. Information on the movements in allowances for impairment of inventories (kRUB)

Item	Period	Allowance at the beginning of the period	Change in the allowance for the reporting period		Allowance at the end of the period
			Accrued (additionally accrued), +	Reversed (adjusted), -	
Total allowance	2019	37,645	20,330	(974)	57,001
	2018	50,706	19,142	(32,203)	37,645

11. Financial investments

Financial investments are initially recognized at their actual acquisition cost. Subsequently, financial investments whose market value can be determined are remeasured at market value; and financial investments whose market value cannot be determined are not remeasured, but tested for impairment. When a sustained material decline in the value of financial investments is supported by impairment tests, the Company creates (adjusts) an allowance for impairment of such financial investments as of the last day of the quarter (last day of the reporting year). As of 31 December 2019, the allowance for impairment of financial investments amounts to kRUB44,802,708.

The valuation of financial investments whose market value can be determined is adjusted to the current market value on a quarterly basis. Long-term shares and short-term bonds include investments whose market value can be determined. The difference between current market value at the reporting date and previous valuation of financial investments whose market value can be determined as of 31 December 2018 is kRUB1,078,147 (income). The amount of adjustment was taken to the financial result and recorded as other income.

In general, the current market value may be determined if the relevant quotations are available in the securities market. In this case, the current market value of financial investments is their market value determined as appropriate by an organizer of the trade in the securities market.

Financial investments in the form of shares of PJSOC Bashneft ("Bashneft") quoted in the securities market are accounted for following the procedure provided for financial investments, for which the current market value is not determined. It is due to the fact that quotes in the securities market do not represent a market price (control premium). The volume of shares available for free circulation in the market is insignificant and their sales are not representative for appraising the value of the majority shareholding since they are easily manipulated by stock players.

The historical cost of debt securities whose current market value cannot be determined is not adjusted for the difference between the historical cost and nominal value.

Where it is impossible to determine the cost of assets transferred or transferable by the Company, the value of financial investments received by the Company under contracts providing for non-monetary compensation (settlement) is based on the price at which the Company normally purchases similar financial investments under comparable circumstances.

Debt securities and loans issued are not measured at present value. At disposal of assets recognized as financial investments, for which the current market value is determined, the value of such assets is based on their most recent valuation.

Financial investments whose current market value cannot be determined are measured at historical cost of each unit disposed.

Deposits with the maturity period not exceeding 91 days are not considered to be financial investments and are recorded within cash in the financial statements.

Short-term debt related to financial investments is reclassified to long-term debt in cases when the payment terms envisaged by the agreement are revised and increased to exceed 365 days after the reporting date.

Long-term debt related to financial investments is reclassified to short-term debt when the term to maturity under the agreement remains 365 days or less after the reporting date.

The value of all financial investments previously remeasured at market value is recorded at the current market value as of the reporting date. The Company did not have in accounting records any financial investments measured at market value with undetermined market value at the reporting date.

The Company did not have in accounting records any financial investments pledged or transferred to third parties (except for sale).

From 1 January 2016, contributions to assets and other investments to improve the financial position of the Group's entities (financial aid, free of charge transfer of assets, etc.) were subject to capitalization in the cost of the financial investments in the entities in which additional investments were made.

Table 18. Information on financial investments (kRUB)

Financial investments by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total	6,818,923,238	7,260,408,278	6,731,832,453
Total long-term investments	5,833,160,665	6,159,574,705	6,003,776,788
Units and shares (interests), including:	4,409,568,942	3,946,983,553	3,662,042,158
Shares (interests) in subsidiaries and associates	4,403,720,303	3,942,196,509	3,657,753,129
Long-term loans issued	1,220,410,862	1,954,261,188	1,712,770,543
Other long-term financial investments	203,180,861	258,329,964	628,964,087
Total short-term investments	985,762,573	1,100,833,573	728,055,665
Short-term loans issued	712,067,647	655,165,832	572,777,685
Deposits	55,642,502	216,368,210	37,440,130
Promissory notes and bonds received	119,019,389	130,282,140	64,444,958
Accounts receivable acquired under assignment agreements	–	456	1,056
Other short-term financial investments	99,033,035	99,016,935	53,391,836

In 2019, change in the value of long-term financial investments from kRUB6,159,574,705 to kRUB5,833,160,665 was primarily due to the decrease in loans issued of kRUB733,850,326, including due to repayment, revaluation and reclassification of debt; decrease in other financial investments of kRUB55,149,103, including due to repayment and revaluation of credit notes and long-term deposits; increase in interests and investments in the charter capital of subsidiaries of kRUB461,523,868, including as part of creating sub-holding asset management structure.

When calculating the value of interests and investments of sub-holdings by adding up the transferred interests and shares of other subsidiaries, the value is based on the price at which the Company normally purchases similar assets under comparable circumstances. The market value of the transferred interests and shares calculated by an independent appraiser is deemed to be the indicator of such value. The difference between the carrying amount and the market value of the transferred interests and shares is taken to other income (expenses).

In 2019, the value of investments in LLC RN-Inostranniye Proekty increased by kRUB181,344,462, in LLC RN-Kommerciya – by kRUB172,694,698, in LLC RN-Aktiv – by kRUB43,050,00, in LLC RN-Pererabotka – by kRUB28,815,311, in LLC RN-Gaz – by kRUB22,829,296 and in LLC RN-Razvedka i Dobycha – by kRUB10,758,173.

In 2019, change in the value of short-term financial investments from kRUB1,100,833,573 to kRUB985,762,573 was primarily due to repayment of short-term deposits, reclassification of loans and revaluation of short-term promissory notes.

12. Derivative financial instruments at fair value through profit or loss

Derivatives are financial instruments that simultaneously meet the following criteria: The value of a financial instrument is changed in line with the changes in the applied interest rate, security rate, price of goods, foreign currency exchange rate, price or interest rate index, credit rating or credit index or other “basic” variables

- The acquisition of a financial instrument does not require any investments or requires initial net investments but in amounts lower than for other instruments, the price of which has a similar response to market factor changes; and other types of contracts that are expected to have a similar response to market factor changes
- Financial instrument calculations are performed subsequently

In managing foreign currency and interest rate risks, the Company entered into cross currency and interest rate swaps to sell US dollars and euro that help match the currency of revenue and the currency of liabilities, and reduced absolute interest rates for the debt financing raised.

Derivative financial instruments are measured at fair value.

The method for determining the fair value of transactions is based on the assessment of the present discounted value of future cash flows using the consensus projections of foreign exchange rates. The consensus projections comprise forecasts of key international banks and agencies. The Bloomberg system is the key source of information for making projections.

Profit or losses arising during the period as adjustments upon change in the fair value are recognized in the income statement.

The change in the fair value of the derivative financial instrument means the difference between the fair value at the beginning of the reporting period (or at the date of acquisition, whichever is more recent) and at the end of the reporting period.

Derivative financial instruments at fair value through profit or loss are recorded as assets (liabilities) in the balance sheet in similar lines depending on their maturity.

As of the reporting date, short-term liabilities on derivative financial instruments include liabilities related to cross currency and interest rate swaps.

Transactions with derivative financial instruments are presented below:

Table 19. Information on transactions with derivative financial instruments

Financial instrument	Period		Nominal amount at 31 December 2019		Interest rate type	Fair value of asset (liability) at 31 December (kRUB)	
	Issue	Repayment	kEUR/ kUSD	kRUB ¹		2019	2018
Swaps	2014	2019	-	-	Floating	-	(33,058,044)
Swaps	2019	2020	EUR985,718	68,350,278	Floating	2,243,018	-

In 2019, the Company completed transactions with derivative financial instruments entered into in 2014 in the nominal amount of kUSD1,009,518 (kRUB62,494,918 at the CBR official exchange rate as of 31 December 2019).

13. Information on hedging transactions

Managing currency risk related to changes in cash flows from future proceeds in foreign currency

Hedging transactions are operations (set of operations) with term transaction financial instruments (including those of different types), performed to minimize (compensate for) adverse effects, fully or partially, caused by the loss incurred, income deficiency, decrease in revenue, decrease in market value of the property, including property rights (rights of claim), increase in the Company's liabilities due to change in price, interest rate, currency exchange rate, including the rate of a foreign currency to the rate of the currency of the Russian Federation, or another indicator (set of indicators) of a hedged item (items).

In the reporting year, the Company performed transactions to hedge the cash flows from the Company's future exports due to foreign currency risks attributed to export revenue denominated in foreign currency mainly in US dollars. The Company raises borrowings in the same currency as the future revenue to economically hedge the foreign currency risk exposure. The Company designated part of its USD-denominated borrowings as a hedging instrument for export revenue which is likely to be received.

A portion of the future monthly export revenue expected to be received in US dollars was designated as a hedged item. The nominal amounts of the hedged item and the hedging instrument are equal. To the extent that a change in the foreign currency rate impacts the hedging instrument, the effects were recorded in other funds and reserves in accordance with the Company's accounting policy; subsequently these effects should be transferred into profit or loss for the period, in which the hedged revenue is recognized.

¹ Equivalent of the nominal amount at the CBR official exchange rate as of 31 December 2019.

According to the strategy for managing foreign currency risk related to cash flows from future proceeds in foreign currency, export revenue should be hedged in the amount of net monetary position denominated in US dollars. The Company regularly aligns the nominal amount of hedging and net monetary position in US dollars. As of 31 December 2019 and 31 December 2018, there were no designated hedging instruments.

Table 20. Information on amounts recognized in other funds and reserves on hedging transactions (kRUB)

Item	2019	2018	2017
Recognized in other funds and reserves at the beginning of the year	(115,062,581)	(231,748,689)	(348,012,103)
Foreign exchange differences on cash flow hedges before tax	–	333,196	(317,589)
Reclassified to profit or loss	145,565,010	145,524,439	145,646,857
Difference between the accounting profit (loss) and the taxable profit (loss) resulting from recognition of hedging transactions ¹	(29,113,002)	(29,171,527)	(29,065,854)
Recognized in other funds and reserves at the end of the year	1,389,427	(115,062,581)	(231,748,689)

The forecast of reclassification of amounts from the revaluation of hedges accumulated in other funds and reserves into profit or loss as of 31 December 2019 is presented below:

Table 21. Forecast of revaluations reclassified to profit or loss (kRUB)

Year	2020	2021	Total
Reclassifications	1,900,006	(163,222)	1,736,784
Income tax	(380,001)	32,644	(347,357)
Total net of income tax	1,520,005	(130,578)	1,389,427

14. Cash and cash equivalents

Cash and cash equivalents include the Company's amounts with banks and credit institutions, in operational and other cash offices, as well as deposits and other cash equivalents with the maturity period not exceeding 91 days.

For the purposes of the statement of cash flows, cash flows are classified based on the criteria specified in clauses 9–11 of Accounting Statement 23/2011.

Cash flows that cannot be reliably classified are recognized as cash flows from operating activities.

Foreign currency cash flows are translated into Russian rubles at the official rate of the foreign currency to Russian ruble set by the Central Bank of the Russian Federation at the date of payment or receipt. The average exchange rate is not applied to translate cash flows. There is no cash unavailable for use by the Company.

Table 21. Information on cash and cash equivalents (kRUB)

Cash	At 31 December 2019	At 31 December 2018	At 31 December 2017
Cash	46,481,256	504,118,733	115,167,670
including restricted cash	2,333,436	3,366,005	8,269,529
Deposits with the maturity period not exceeding 91 days and other cash equivalents	50,917,510	94,422,491	1,470,990

¹ Recognized in line 2466 of the income statement.

15. Accounts receivable and accounts payable

Accounts receivable and payable are accounted for and recorded in financial statements in accordance with the respective existing agreements. Net result is recognized in the financial statements if there are advances issued/received and accrued accounts receivable/payable under the same agreement.

Accounts receivable from suppliers and contractors include advances issued that are recorded in the balance sheet less VAT deductible or deducted at the reporting date in accordance with the Tax Code of the Russian Federation. VAT on advances (deductible but not claimed for deduction at the reporting date) is recorded in the balance sheet within other current assets.

Accounts payable to suppliers and contractors include advances received that are recorded in the balance sheet less VAT on advances received.

Accounts receivable include non-income-bearing financial investments within Rosneft Oil Company Group.

The Company receives no government financing.

Allowance for impairment of accounts receivable is made on the basis of settlements with other organizations and individuals for products, goods, work and services, advances issued and other accounts receivable, and is recorded in the income statement as other expenses.

Short-term accounts receivable and payable are reclassified into long-term in cases where payment periods under existing contracts are revised and increased to exceed 365 days.

Long-term accounts receivable and payable are reclassified into short-term where the term to maturity under existing contracts becomes 365 days or less.

Similarly, part of long-term accounts receivable and payable is reclassified into short-term if the existing contract provides for repayment by installments in different periods.

Table 23. Information on accounts receivable (kRUB)

Accounts receivable by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total accounts receivable	3,543,076,666	2,653,803,215	2,531,306,562
Long-term accounts receivable	2,131,722,190	1,648,785,448	1,411,377,288
Including:	63,543	53,330	89,808
Trade accounts receivable			
Advances issued	571,607	592,718	443,736
Other receivables, including	2,131,087,040	1,648,139,400	1,410,843,744
Loans issued to companies within Rosneft Oil Company Group	1,869,506,975	1,330,769,489	1,164,327,102
Interest on long-term loans, promissory notes	234,673,280	288,968,440	226,058,312
Short-term accounts receivable	1,411,354,476	1,005,017,677	1,119,929,274
Including:	453,183,557	490,499,629	548,535,766
Trade accounts receivable			
Advances issued	42,524,293	37,565,998	38,208,836
Other receivables, including	915,646,626	476,952,140	533,184,672
Receivables from the budget and state non-budgetary funds	110,217,319	96,014,921	53,345,166
Loans and promissory notes issued to companies within Rosneft Oil Company Group	197,716,914	109,168,244	139,691,819
Interest (discount) on deposits, loans, promissory notes	240,049,474	126,541,234	194,144,515
Settlements under commission agreements, other receivables	90,050,833	80,463,919	79,157,929

As of 31 December 2018, the Company's accounts receivable amounted to kRUB2,653,803,215, including the allowance for impairment of accounts payable in the amount of kRUB30,518,051. In 2019, accounts receivable increased by kRUB889,273,451 and amounted to kRUB3,543,076,666 as of 31 December 2019, including the allowance for impairment of accounts payable in the amount kRUB54,377,152. The increase in accounts receivable was primarily attributed to the increase in amounts due from companies within Rosneft Oil Company Group: On interest-free loans to finance operating activities

- As dividends accrued to Rosneft Oil Company

Table 24. Information on accounts payable (kRUB)

Accounts payable by type	At 31 December 2019	At 31 December 2018	At 31 December 2017
Accounts payable	2,699,900,722	2,333,146,921	1,785,522,679
Trade accounts payable	1,867,264,817	1,526,096,089	1,120,734,835
Payables to the Company's employees	34,712	35,661	34,690
Payables to the budget and non-budgetary funds	100,730,066	72,371,917	71,118,709
Advances received	384,794,432	394,999,901	306,953,478
Settlements under commission agreements, other payables	347,076,695	339,643,353	286,680,967

In 2019, accounts payable increased by kRUB366,753,801 year-on-year, and as of 31 December 2019 amounted to kRUB2,699,900,722. The increase in accounts payable was primary attributed to settlements with the companies within Rosneft Oil Company Group for purchased products and operator services relating to production and processing.

16. Long-term and short-term loans and borrowings, other liabilities and collateral pledged

Loans and borrowings payable are accounted for and recorded in financial statements in accordance with the respective existing agreements.

The Company reclassifies short-term loans and borrowings payable into long-term payables if the repayment period under the existing agreement is revised and increased to exceed 365 days. The Company reclassifies long-term payables into short-term payables where the outstanding period to maturity becomes 365 days or less.

The interest amounts payable under loans and borrowings received are accrued on a straight-line basis regardless of the conditions of loans (borrowings). Additional expenses for loans (borrowings), other than commissions on loans (borrowings) raised, such as bank commissions for using loan funds, originating a loan, obtaining and maintaining a line of credit, and other bank commissions (fees) related to raising loans (borrowings) are recorded as a lump sum in other expenses.

Where commissions on loans (borrowings) are material, they are included in other expenses on a straight-line basis over the loan (borrowing) maturity period.

The commissions on loans (borrowings) that are not written off as of the reporting date are shown on the balance sheet as other non-current assets or other current assets depending on their remaining period of recognition as expenses (more than 12 months or less than 12 months, respectively).

For the purposes of capitalizing interest on loans and borrowings into the cost of acquired assets, such investment assets shall be assets that necessarily take a substantial period of time (over 12 months) to get ready for their intended use through acquisition, construction or production. Investment assets consist of items of non-current assets, work-in-progress and construction-in-progress which will subsequently be accounted for by the borrower and/or customer (investor, buyer) as fixed assets (including land), intangible assets, exploration and evaluation costs or other non-current assets.

In 2019, the Company raised loans from Russian banks at floating and fixed rates to replenish working capital. Loans were repaid under relevant agreements both early and in accordance with the schedule.

Loans payable recorded in the financial statements as of the reporting date include the accrued interest.

Borrowing costs included in other expenses amounted to kRUB146,674.

Total interest of kRUB81,825,457 was accrued on the Company's loans for the reporting period. Interest payable increased by kRUB4,709,567 year-on-year.

Interest capitalized in the cost of investment assets created (acquired) was kRUB17,336,510. The amount of interest included in the cost of an investment asset and payable to the lender (creditor) on loans received for purposes other than acquisition, construction and/or production of the investment asset totaled kRUB17,274,260.

Table 25. Information on long-term and short-term loans and borrowings (kRUB)

Loans and borrowings by type	Balance at 31 December 2018	Change for the reporting period			Balance at 31 December 2019
		Received (accrued)	Repaid (paid)	Reclassified	
Long-term loans and borrowings	5,792,741,747	1,743,783,462	(1,633,912,268)	(504,852,834)	5,397,760,107
including					
• Long-term loans	1,243,781,168	104,500,000	(200,291,382)	(242,238,929)	905,750,857
• Long-term borrowings	1,605,977,044	1,518,123,913	(1,410,107,948)	31,181,483	1,745,174,492
• Long-term interest accrued under loan and borrowing agreements	91,605,440	40,941,545	(23,512,938)	62,746,424	171,780,471
• Long-term promissory notes issued	3,018,422	–	–	(1,097,608)	1,920,814
• Long-term interest accrued on promissory notes	1,748,705	218,004	–	(681,023)	1,285,686
• Long-term bonds issued	2,846,610,968	80,000,000	–	(354,763,181)	2,571,847,787
Short-term loans and borrowings	817,935,056	2,143,422,417	(2,520,142,689)	504,852,834	946,067,618
including					
• Short-term loans	324,400,000	200,000,000	(464,400,000)	20,000,000	80,000,000
• Short-term borrowings	235,968,391	1,601,981,103	(1,609,496,352)	(31,181,483)	197,271,659
• Current portion of long-term loans and borrowings	86,392,518	–	(89,340,077)	222,238,929	219,291,370
• Current portion of long-term interest accrued under loan and borrowing agreements	1,183,669	69,898,633	(69,819,573)	–	1,262,729
• Short-term interest accrued under loan and borrowing agreements	91,056,384	35,498,447	(52,647,725)	(62,746,424)	11,160,682
• Short-term bonds issued	45,236,819	–	–	(45,236,819)	–
• Current portion of long-term bonds	–	–	–	400,000,000	400,000,000
• Interest accrued on bonds issued (coupon income)	33,058,990	235,967,477	(233,777,574)	–	35,248,893
• Short-term promissory notes issued	333,904	–	(333,904)	1,097,608	1,097,608
• Long-term interest accrued on promissory notes	304,381	76,757	(327,484)	681,023	734,677

Information on RUB-denominated interest-bearing non-convertible bearer bonds issued as of 31 December is provided below:

Table 26. Information on RUB-denominated interest-bearing non-convertible bearer bonds (kRUB)

Type of bonds	Series number	Issue date	Total nominal value, kRUB	Coupon rate ¹	At 31 December	
					2019	2018
Bonds	04, 05	October 2012	20,000,000	7.90 %	20,000,000	20,000,000
Bonds	07, 08	March 2013	30,000,000	7.30 %	30,000,000	30,000,000
Bonds	06 ² , 09 ² , 10 ²	June 2013	40,000,000	7.00 %	610,968	610,968
Exchange-traded bonds	BO-05 ² , BO-06 ²	December 2013	40,000,000	6.65 %	10,236,819	10,236,819
Exchange-traded bonds	BO-01, BO-07	February 2014	35,000,000	8.90 %	35,000,000	35,000,000
Exchange-traded bonds	BO-02, BO-03, BO-04, BO-08, BO-09, BO-10, BO-11, BO-12, BO-13, BO-14	December 2014	225,000,000	9.40 %	225,000,000	225,000,000
Exchange-traded bonds	BO-15, BO-16, BO-17, BO-24	December 2014	400,000,000	7.85 %	400,000,000	400,000,000

¹ As of 31 December

² Part of the issue was repurchased by the issuer as of 31 December 2019. 2019.

Type of bonds	Series number	Issue date	Total nominal value, kRUB	Coupon rate ¹	At 31 December	
					2019	2018
Exchange-traded bonds	BO-18, BO-19, BO-20, BO-21, BO-22, BO-23, BO-25, BO-26	January 2015	400,000,000	8.50 %	400,000,000	400,000,000
Exchange-traded bonds	001R-01	December 2016	600,000,000	6.60 %	600,000,000	600,000,000
Exchange-traded bonds	001R-02	December 2016	30,000,000	9.39 %	30,000,000	30,000,000
Exchange-traded bonds	001R-03	December 2016	20,000,000	9.50 %	20,000,000	20,000,000
Exchange-traded bonds	001R-04	May 2017	40,000,000	8.65 %	40,000,000	40,000,000
Exchange-traded bonds	001R-05	May 2017	15,000,000	8.60 %	15,000,000	15,000,000
Exchange-traded bonds	001R-06	July 2017	90,000,000	8.50 %	90,000,000	90,000,000
Exchange-traded bonds	001R-07	July 2017	176,000,000	8.50 %	176,000,000	176,000,000
Exchange-traded bonds	001R-08	October 2017	100,000,000	7.10 %	100,000,000	100,000,000
Exchange-traded bonds	002R-01	December 2017	300,000,000	6.6 %	300,000,000	300,000,000
Exchange-traded bonds	002R-02	December 2017	300,000,000	6.60 %	300,000,000	300,000,000
Exchange-traded bonds	002R-03	December 2017	30,000,000	7.75 %	30,000,000	30,000,000
Exchange-traded bonds	002R-04	February 2018	50,000,000	7.50 %	50,000,000	50,000,000
Exchange-traded bonds	002R-05	March 2018	20,000,000	7.30 %	20,000,000	20,000,000
Exchange-traded bonds	002R-06	April 2019	10,000,000	8.70 %	10,000,000	-
Exchange-traded bonds	002R-07	April 2019	20,000,000	8,70 %	20,000,000	-
Exchange-traded bonds	002R-08	July 2019	25,000,000	7.95 %	25,000,000	-
Exchange-traded bonds	002R-09	October 2019	25,000,000	7.10 %	25,000,000	-
Total long-term RUB-denominated bonds					2,971,847,787	2,891,847,787

All these bond series have maturity of six, eight or ten years.

Early purchase/buyback of the bonds does not mean their early repayment.

On 24 July 2012, the Company issued and sold 40 promissory notes with a nominal value kRUB274,401.98 each and a total amount of kRUB10,976,079.12, which have consecutive (quarterly) maturity dates over a ten-year period, and bear an interest rate of 9 % p.a. These promissory notes were partly paid in 2012 to 2019.

The repayment schedule of long-term debt as of 31 December 2019 is as follows:

Table 27. The repayment schedule of long-term debt as of 31 December 2019 (kRUB)

2020	619,291,370
2021	1,543,235,165
2022	729,583,010
2023	635,695,636
2024 and after	2,316,180,139
Total long-term debt	5,843,985,320

Table 28. Information on other long-term liabilities (kRUB)

Amounts of loan facilities provided to and not used		Restrictions on use of loan facilities (including required minimum balances)
At the beginning of the period	At the end of the period	
10,000,000	-	None

Loans are partially secured by crude oil export contracts.

As of 31 December 2019, guarantees and sureties issued by the Company totaled kRUB65,298,765 and included collateral provided in foreign currency in the amount of kUSD466,672 and kEUR7,888 at the CBR exchange rate at the transaction date. Items pledged as collateral were as follows:

Table 29. Information on items pledged as collateral by type of pledge

Items pledged as collateral	Share in the total collateral amount, %
Revenue from sales of oil and oil products	37.81
Sureties	62.19

In the course of operating activities, Rosneft Oil Company follows the unconditional, unlimited and indefinite guarantee (surety) provided to the government of Norway and Norwegian government authorities in 2013, which fully covers the contingent obligations of RN Nordic Oil AS that this company may incur as a result of its operations on the Norwegian continental shelf. Provision by the parent company of a guarantee to cover RN Nordic Oil's obligations arising from environmental risks is an imperative requirement of Norwegian legislation and is a prerequisite for RN Nordic Oil AS to be granted a license for operating on the Norwegian continental shelf jointly with Equinor (before July 2018 – Statoil ASA).

The cooperation between Rosneft Oil Company, Eni S. p. A and Equinor (before July 2018 – Statoil ASA) related to the projects on the Russian continental shelf is governed by mutual unlimited, unconditional and indefinite guarantees provided in 2013.

The cooperation between Rosneft Oil Company and Equinor (before July 2018 – Statoil ASA) to develop tight oil and gas reserves is governed by mutual unlimited, unconditional and indefinite guarantees of affiliates' liabilities provided in 2015.

Table 30. Information on other long-term liabilities (kRUB)

Other long-term liabilities, by type	Balance at the beginning of the year	Received (accrued)	Repaid (reclassified to short-term debt)	Balance at the end of the year
Other long-term liabilities, including:	1,134,390,419	-	(335,264,567)	799,125,852
Long-term prepayments under crude oil and oil product supply contracts	1,058,520,678	3,267,967	(317,414,137)	744,374,508

In 2013 and 2014, the Company signed a number of long-term oil and oil product supply contracts that provide for receipt of a prepayment. The total minimum amount of future supplies under these contracts is around 400 million tons.

The contracts include the following main terms:

- Prepayment shall not exceed 30 % of the cost of the total contracted amount of crude oil
- The oil price shall be based on current market quotes
- Prepayment is settled through physical deliveries of crude oil

From 1 January 2015, scheduled oil supplies started under the long-term contracts that provide for prepayments. In 2019 and 2018, offset of prepayments under these contracts amounted to RUB344 billion and RUB283 billion (USD7.08 billion and USD7.03 billion at the CBR official exchange rate at the dates of prepayments, not subject to revaluation at the current exchange rate).

In the course of performing functions under the technical customer agreements, construction agreements are concluded, one of the terms of which is provisioning by the customer of part of the cost of construction work to be paid to the contractor after acceptance of completed facility. As of 31 December 2019, liabilities totaling kRUB1,649,983 are reclassified to long-term accounts payable under the agreements whose terms provide for repayment of the reserved amounts in one year and later.

17. Assets and liabilities denominated in foreign currencies

Changes in foreign exchange rates, particularly in US dollar and euro rates, have a significant effect on the Company's financial and business performance.

Table 31. Information on changes in RUB/USD and RUB/EUR exchange rates

As at 31 December	Exchange rate	
	USD	EUR
2019	61.91	69.34
2018	69.47	79.46
2017	57.60	68.87
2016	60.66	63.81
2015	72.88	79.70

For financial reporting purposes, foreign exchange differences are all operations to translate the value of assets and liabilities denominated in foreign currency and are to be recorded as other income or other expenses. The total (net) amount of all operations to translate the value of assets and liabilities denominated in foreign currency was kRUB41,638,090 in the reporting period and was recorded as other income of the Company.

Foreign exchange differences from the Company's operations outside the Russian Federation taken to additional capital in the reporting period included: foreign exchange gains of kRUB1,328 and foreign exchange losses of kRUB2,974.

Foreign exchange differences arising in the reporting period from operations involving assets and liabilities denominated in foreign currency, and from translation of such assets and liabilities as of the reporting date, were taken to the other income and expense account, except for liabilities designated as hedging instruments (refer to Note 13).

Currency conversion transactions are recorded separately on a net basis in the income statement; the financial result is recorded either in other income or in other expenses depending on the net amount of income (expense) for each such transaction.

Table 32. Income and expenses from dealing in foreign currency (kRUB)

Income and expenses	For 2019	For 2018
Income	7,650,755	14,849,072
Expenses	(34,464,085)	(64,297,345)

18. Taxes and levies, customs duties

The Company's tax liabilities are recorded in accounting using the periodicity convention.

In 2019, statutory rates of the main taxes were as follows:

- Income tax – 20 %
- Value added tax – 20 %

Since 1 January 2012, Rosneft Oil Company and its 21 subsidiaries were combined into the consolidated taxpayer group. Rosneft Oil Company was appointed responsible participant of the consolidated taxpayer group.

Currently, in accordance with the provisions of the agreement, the number of participants of the consolidated taxpayer group increased to 64 entities.

The mineral extraction tax to be included in the cost of products, goods, work and services sold amounted to kRUB851,463,520 in 2019 (2018: kRUB921,936,275.)

In 2019, the accrued export duty amounted to kRUB702,733,622 (2018: kRUB993,501,181).

Information on settlements with the budget and non-budgetary funds is presented in the table below:

Table 33. Settlements with the budget and state non-budgetary funds (kRUB)

	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total receivables from the budget and state non-budgetary funds	110,217,319	96,014,921	53,345,166
Value added tax (VAT)	95,094,406	91,483,038	50,870,082
Excise duty	15,043,880	11,611	512,004
Income tax	–	4,433,051	–
Other taxes and levies receivable	62,225	66,945	1,928,016
Receivables from state non-budgetary funds	16,808	20,276	35,064
Total payables to the budget and state non-budgetary funds	100,730,066	72,371,917	71,118,709
Mineral extraction tax (MET)	70,443,836	65,315,239	64,819,580
Tax on additional income from extraction of hydrocarbons (additional income tax, AIT)	21,752,473	–	–

	At 31 December 2019	At 31 December 2018	At 31 December 2017
Income tax	952,179	–	206,319
Excise duty	3,141,026	4,115,943	2,860,598
Property tax	3,273,315	2,826,990	3,075,984
Other taxes and levies payable	122,613	112,463	155,013
Payables to state non-budgetary funds	1,044,624	1,282	1,215

As of 31 December 2019, taxes and levies receivable increased by kRUB14,202,398 year-on-year, primarily due to the introduction of the reverse (negative) excise duty mechanism from 1 January 2019, applied to crude oil refined at local refineries.

As of 31 December 2019, taxes and levies payable increased by kRUB28,358,149 year-on-year, primarily due to the introduction of the tax on additional income from the extraction of hydrocarbons (AIT).

As of 31 December 2019, 2018 and 2017, the Company did not have any overdue taxes and levies payable.

According to provisions of the Russian Tax Code, desk-top and field tax audits may cover three calendar years preceding the year in which a decision to hold the tax audit is taken. The Company's management believes that the results of tax audits will not have a material impact on the Company's financial position because tax liabilities are determined in accordance with requirements of the tax legislation.

19. Equity

Charter capital

As of 31 December 2019, the Company's charter capital amounts to RUB105,981,778.17 and is divided into 10,598,177,817 common shares with a par value of RUB0.01 each.

Reserve and additional capital

The Company's equity also includes reserve and additional capital. The Company's reserve capital represents reserve capital formed in accordance with constituent documents and is equal to 5 % of the charter capital. As of 31 December 2019, the reserve capital is fully formed and amounts to kRUB5,299.

As of 31 December 2019, the Company's additional capital (without revaluation) amounts to kRUB118,168,244 (31 December 2018: kRUB113,279,890). Treasury shares

The Company may acquire common shares in Rosneft Oil Company in accordance with the Programme for purchasing shares in the open market, including in the form of depository receipts which certify rights to such shares, in the maximum amount of USD2 billion, approved by the Board of Directors in August 2018 (hereinafter, the "Programme"). The Programme will be implemented from the date of the approval by the Board of Directors through 31 December 2020.

The maximum number of shares and global depository receipts that may be purchased under the Programme will not exceed 340,000,000. The Programme is aimed at securing high returns for the shareholders in case of significant market volatility.

In 2019, there were no transactions to purchase treasury shares.

Net assets

As of 31 December 2019, the Company's net assets amounted to kRUB2,261,771,078. The net assets increased by kRUB235,300,661 or 12 % compared with the prior reporting date (kRUB2,026,470,417). As of 31 December 2019, the Company's net assets exceed its charter capital by kRUB2,261,665,096.

20. Income and expenses, retained earnings

Revenue from sales of goods, work and services is recognized as and when the goods are shipped, work is performed and services are rendered, and settlement documents are presented to customers (clients).

To ensure timely reflection of business events, if necessary, the Company uses the accrual method in accordance with Accounting Statement 9/99, Revenues of an Organization, provided that the criteria for revenue recognition are met. In this case, revenue is recognized based on updates provided by Company's business units.

The Company applies a method that involves calculating incomplete cost of goods (direct costing), and therefore general and administrative expenses are fully debited to the "Sales" account, i.e. are fully recognized in the reporting period without allocating them to balances of work in progress and finished goods (except for general expenses directly related to acquisition, construction and production of assets, which are included in the cost of assets).

From 1 January 2019, the Company realizes its right to refund the excise duty applied to its locally refined crude oil (reverse excise duty). This excise duty was recognized in the income statement within cost of sales by decreasing the cost of sales for the reporting period.

From 1 January 2019, tax on additional income from the extraction of hydrocarbons was introduced with respect to certain license areas of the Company and is subject to recognition within costs included in the cost of sales, without inclusion in the unit cost of finished goods.

Selling expenses are allocated between sold products (goods) and products (goods) that were shipped but not sold, including finished products (goods) at the warehouse.

The Company's total advertising expenses (not broken down by type of products) are recognized in selling expenses.

The use of profit is recognized in accounting records and financial statements in the year following the reporting years pursuant to the decision of the shareholders' meeting. A portion of the profit that was not paid out as dividends pursuant to the decision of the shareholders, is recognized in the financial statements in retained earnings (uncovered loss). If this profit is used for capital investments, the total balance of the retained earnings (uncovered loss) is not decreased.

As of 31 December 2019, retained earnings of prior years amounted to kRUB1,908,151,961 (31 December 2018: kRUB2,028,141,822).

Changes in the profit of prior years resulted mainly from accrued dividends in the amount of kRUB120,077,355.

The following income and expenses affected the retained earnings for the reporting year:

Table 34. The Company's income and expenses (kRUB)

Item	2019	2018
Revenue (net) from the sale of goods, products, work, services (net of value added tax)	6,827,526,407	6,968,248,044
Including: Principal activities	4,351,246,655	4,721,264,040
Trading and procurement	1,954,897,814	1,866,340,138
Income from shareholdings in other entities	516,331,673	375,223,648
Intermediation	5,050,265	5,420,218
Cost of goods, products, work and services sold	(4,782,222,071)	(4,815,224,782)
Including: Principal activities	(3,230,653,508)	(3,364,749,974)
Trading and procurement	(1,551,568,563)	(1,450,474,808)
Oil and gas reserves exploration and estimation expenses	(6,559,819)	(24,065,226)
Gross profit	2,038,744,517	2,128,958,036
Selling expenses	(1,196,815,437)	(1,422,676,475)
General and administrative expenses	(83,302,902)	(80,583,478)
Profit (loss) from the sale of goods, work and services	758,626,178	625,698,083
Profit (loss) from other income and expenses	(411,084,534)	(191,859,995)
Including:		
Interest receivable	176,844,160	186,773,202

Item	2019	2018
Interest payable	(445,059,171)	(451,851,788)
Including: Expenses on unwinding of the ARO asset discount	(4,193,305)	(4,122,532)
Gains from changes in the fair value of derivative financial instruments	35,301,062	51,966,086
Losses from changes in the fair value of derivative financial instruments	–	(10,950,827)
Gains from the sale and other disposal of other assets	5,807,645	29,397,843
Including:		
Gains from the sale of long-term securities	2,255	32,022
Gains from the sale of geological and technical documentation	3,062,933	62,668
Gains from the sale of fixed assets and capital construction in progress	2,317,813	28,582,222
Losses from the sale and other disposal of other assets	(5,956,251)	(30,025,792)
Including:		
Losses from the sale of long-term securities	(3,246)	(6,635)
Losses from the sale of fixed assets and capital construction in progress	(1,985,202)	(27,082,940)
Losses from write-off of capital construction in progress	(2,061,116)	(985,473)
Losses from write-off of exploration assets	(1,006,321)	(366,015)
Other income	118,915,307	298,930,179
Including: Difference between the carrying amount of financial investments of shares (interests) transferred as a contribution to the charter capital and their market value	88,083,562	145,759,461
Translation differences	–	97,724,202
Refund of excise duty	6,484,435	6,786,182
Other expenses	(296,937,286)	(266,098,898)
Including: Recognition of the deferred effect of hedging within other expenses	(145,565,010)	(145,524,439)
Translation differences	(41,638,090)	–
Dividend income tax	(370,537)	(5,384,349)

Table 35. Allocation of the Company's expenses recognized in the income statement by type (kRUB)

Item	2019	2018
Material costs	5,062,926,686	5,186,702,859
Payroll	37,053,917	39,822,391
Social charges	6,832,450	6,477,812
Depreciation and amortization*	149,353,651	131,827,944
Other costs*, including reverse excise duty, AIT, MET and oil and gas reserves exploration and estimation expenses	812,733,525	977,718,955
Total for types of expenses	6,068,900,229	6,342,549,961
Change (increase [-], decrease [+]) in balances of work in progress, finished products, etc.	(12,599,481)	29,410,920
Total expenses related to ordinary activities**	6,068,900,229	6,342,549,961

¹ * Recalculation of the effect of the revised estimates:

² For the HSE that due to their nature were recognized:

³ In expenses related to ordinary activities – the total amount is included in the expenses for the period in other costs (cost of sales); in exploration costs – in other costs (oil and gas reserves exploration and estimation expenses)

⁴ In the cost of finished products (sand) – the total amount is included in the expenses for the period in material costs (cost of sales)

⁵ In fixed assets and tangible exploration assets – the total amount is included in expenses for the period in depreciation and amortization or in other costs (oil and gas reserves exploration and estimation expenses) respectively

⁶ **Including general and administrative expenses, selling expenses and oil and gas reserves exploration and estimation expenses.

21. Deferred tax assets and liabilities, permanent tax assets and liabilities

Permanent and temporary differences between the accounting profit and the taxable profit for the reporting period are recognized in the accounting records. Temporary and permanent differences, which are calculated by comparing financial and tax accounting data on income and expenses, result in permanent tax liabilities and assets and deferred tax liabilities and assets.

Current income tax is determined in the accounting records through recognizing the following indicators:

- Contingent income (expense)
- Permanent tax asset
- Permanent tax liability
- Deferred tax asset
- Deferred tax liability

The Company prepares indicators representing the accounting for income tax settlements on a monthly basis.

The Company recognizes deferred income tax assets and deferred income tax liabilities on a gross basis as non-current assets and non-current liabilities, respectively.

Provision for doubtful debt recognized in the accounting records is a source of temporary difference.

The net amount of permanent tax assets (liabilities) is provided in the income statement for reference only. A 20 % income tax rate is used to calculate deferred and permanent tax assets and liabilities.

Table 36. Deferred and permanent tax assets and liabilities (kRUB)

Description	Change for 2019		Change for 2018	
	Accrued (charged)	Repaid (written off)	Accrued (charged)	Repaid (written off)
Deferred tax asset	57,591,738	(33,799,937)	52,330,419	(52,551,496)
Deferred tax liability	(27,880,942)	13,513,107	(12,055,007)	11,351,892
Permanent tax asset	136,388,071	x	128,128,492	x
Permanent tax liability	(47,208,166)	x	(46,622,923)	x

In 2019, contingent income tax expense amounted to kRUB69,508,329 (2018: kRUB86,767,618).

Movement in deferred taxes for the reporting period recorded in line 2430, Change in deferred tax liabilities, and line 2450, Change in deferred tax assets, includes deferred taxes written off and/or accrued due to filing updated tax returns and written-off deferred tax liabilities and assets that will never be realized. The deferred tax asset includes the Company's losses carried forward, which are not used to reduce income tax in the reporting (tax) period but which will be recognized for taxation purposes in subsequent reporting (tax) periods.

The permanent and temporary differences that led to the adjustment of the contingent income tax expense are presented in the table below.

Table 37. Permanent and temporary differences that led to the adjustment of the contingent income tax expense (kRUB)

Description	Change for 2019		Change for 2018	
	Accrued (charged)	Repaid (written off)	Accrued (charged)	Repaid (written off)
Deductible temporary differences	287,958,690	(168,999,685)	261,652,095	(262,757,480)
Taxable temporary differences	(139,404,710)	67,565,535	(60,275,035)	56,759,460
Negative permanent differences	681,940,355	x	640,642,460	x
Positive permanent differences	(236,040,830)	x	(233,114,615)	x

22. Dividends

Number of shares and their par value

According to constituent documents, charter capital represents the Company's capital. The holders of common shares are entitled to one vote per share at shareholders' meetings.

The Company issued 10,598,177,817 common shares with a par value of RUB0.01 each, for the total amount of RUB105,981,778.17.

Amount of dividends

In 2019, the Company's net income amounted to kRUB396,526,209, and net earnings per share amounted to RUB37.41.

In the first half of 2020, the Board of Directors will provide recommendations to the General Shareholders' Meeting on the amount of dividends on the Company's shares for 2019.

Based on the Company's result for 2018, the annual General Shareholders' Meeting that took place on 4 June 2019 (meeting minutes w/o number of 7 June 2019) decided that dividends should be paid on Rosneft Oil Company's common shares in the amount of kRUB120,077,355 or RUB11.33 per share. As of 31 December 2019, the Company paid dividends in the amount of kRUB120,050,531. Dividends were paid to all of the issuer's registered shareholders except for shareholders who did not promptly notify the issuer's registrar of changes in relevant data.

Based on the Company's result for the first half of 2019, the extraordinary General Shareholders' Meeting that took place on 30 September 2019 (meeting minutes w/o number of 3 October 2019) decided that dividends should be paid on Rosneft Oil Company's common shares in the amount of kRUB162,576,048 or RUB15.34 per share.

As of 31 December 2019, the Company paid dividends in the amount of kRUB162,539,622. Dividends were paid to all of the issuer's registered shareholders except for shareholders who did not promptly notify the issuer's registrar of changes in relevant data.

23. Subsequent events

There were no economic events after 31 December 2019 that have had or may have an effect on the financial position, cash flows or operating results of the Company.

24. Provisions. Contingencies

The Company is involved in litigations, which arise from time to time in the course of its business activities. Management of the Company believes that the ultimate result of those litigations will not materially affect the performance or financial position of Rosneft Oil Company.

Due to the pollution of oil in the trunk pipeline "Druzhba" in April 2019 a number of claims from the customers were submitted to Rosneft Oil Company during 2019, stating that the supplied oil substantially exceeded maximum permitted levels of organochlorine compounds (compared to the levels determined by the relevant technical regulations and standards). However, 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.

In addition, the Company received claims from customers that did not receive the contracted amounts of oil due to the oil pumping interruption in the trunk oil pipeline "Druzhba" resulting from the pollution.

Calculation of losses incurred by 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.

A provision is an obligation of the Company with an indefinite amount and/or time of settlement. A provision may arise:

- From laws and other regulations, court rulings or agreements
- As a result of the Company's activities which indicate, based on the existing practices or statements of the Company, that the Company undertakes certain obligations and, consequently, is reasonably expected to settle these obligations

A provision is recognized in accounting records when all of the following criteria are met:

- The Company has an obligation resulting from its past business operations that cannot be avoided. In case of doubt concerning such liability, the Company shall recognize an estimated liability if, based on the results of analysis of all circumstances and conditions, including expert opinions, it is more likely than not that a liability exists.
- It is likely that settling the provision will result in an outflow of the Company's economic benefits (the likelihood is > 50 %)
- The amount of the provision can be reliably estimated

Provisions, contingencies and commitments are not absolute legal obligations of Rosneft Oil Company.

Pursuant to Accounting Statement 8/2010, Provisions, Contingent Liabilities and Contingent Assets (effective from the date of issue of the financial statements in 2011), the Company has environmental provisions.

An environmental provision arises from the environmental impact resulting from the Company's operations.

The amount of the environmental provision is determined based on the estimated expenditures (planned expenditures) of the Company that are expected to be incurred for settling the provision during restoration of the impacted lands and water bodies as of the reporting date. The estimation is performed based on the Company's internal (management) reports that form the system of environmental information.

The information about the Company's provisions is presented in the table below.

Table 38. Provisions (kRUB)

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Provision	Description	Period	Balance at the beginning of the period	Recognized (accrued) for the reporting period	Written off		Increase (+) / decrease (-) of provision, when expense/income (reversal of expense) is recognized upon recognition of provisions	Balance at the end of the period
					(repaid) against costs or accounts payable recognized	as excessive or if recognition criteria are no longer met		

Total provisions created from expenses on ordinary activities, including by type of provisions:

Total	2018	2019	22,176,271	29,837,142	(17,677,979)	(719,991)	(741,349)	32,874,094
			22,648,964	17,403,103	(16,875,356)	(607,167)	(393,273)	22,176,271
Provision for annual year-end bonuses	Planned amount of annual year-end bonuses to employees, with insurance contributions at the effective interest rate 2018	2019	10,594,452	14,437,851	(13,923,971)	-	-	11,108,332
			9,835,675	13,796,537	(13,037,760)	-	-	10,594,452
Provision for future vacation payments	The Company's obligation for vacation payments based on the number of unused vacation days at the end of the reporting period, with insurance contributions at the effective interest rate 2018	2019	2,821,660	2,914,341	(3,285,480)	-	-	2,450,521
			3,412,562	2,427,965	(3,018,728)	(139)	-	2,821,660

Provision	Description	Period	Balance at the beginning of the period	Recognized (accrued) for the reporting period	Written off		Increase (+) / decrease (-) of provision, when expense/income (reversal of expense) is recognized upon recognition of provisions	Balance at the end of the period
					(repaid) against costs or accounts payable recognized	as excessive or if recognition criteria are no longer met		
Other provisions created from expenses	Provisions related to environmental issues, legal claims and other relations with third parties Created by type of obligation. 2018	2019	8,760,159	12,484,950	(468,528)	(719,991)	(741,349)	19,315,241
			9,400,727	1,178,601	(818,868)	(607,028)	(393,273)	8,760,159

Provisions created by increasing the value of assets:

Total	2018	2019	53,750,988	8,482,687	(2,376,729)	(221,413)	16,771,015	76,406,548
		58,434,030	5,975,705	(1,555,852)	(11,148)	(9,091,747)	53,750,988	
Provision for fixed asset liquidation	Formed on all immovable oil and gas assets. The estimation is made by field. Recognized at present value. 2018	2019	52,094,640	6,042,093	(1,548,844)	-	16,947,422	73,535,311
			56,750,608	4,752,086	(1,168,407)	(11,148)	(8,228,499)	52,094,640
Environmental provisions	Obligations to be included in the value of assets (08*) 2018	2019	1,656,348	2,440,594	(827,885)	(221,413)	(176,407)	2,871,237
			1,683,422	1,223,619	(387,445)	-	(863,248)	1,656,348

The provision for fixed asset liquidation presented in the column Recognized (accrued) for the reporting period in Table 38 includes the provision and expenses on discount amortization (interest) recognized as a result of nearing the settlement date of the provision. The increase in the provision for the reporting period (interest) as a result of nearing the provision settlement date should be recognized as expenses for the reporting period in the accounting records and financial statements. The effects from changes in the provision for liquidation, the rate and the discount period are presented in the column Increase (+)/decrease (-) of provision when expense/income (reversal of expense) is recognized upon recognition of provisions in Table 38.

The environmental provision presented in the column Increase (+) /decrease (-) of provision when expense/income (reversal of expense) is recognized upon recognition of provisions in Table 38 includes effects from the revised estimations of value and the extent to which an obligation is settled, effects of discount rate change, reclassification between types of provisions created from expenses on ordinary activities and by increasing asset value.

25. Related party transactions

In the normal course of its business, Rosneft Oil Company enters into transactions with entities which are related parties in accordance with Russian law.

The list of related parties was developed based on the relationships between the entities, taking into account the substance over form requirement. Rosneft Oil Company's related parties also include entities that are not affiliates according to Russian law, but meet the definition of an affiliate in accordance with IFRS24, Related Parties Disclosures.

The total amounts of transactions and balances with related parties are disclosed separately for the following groups of related parties that have different relationships with Rosneft Oil Company:

- Subsidiaries (entities consolidated by Rosneft Oil Company as subsidiaries)
- Associates (legal entities consolidated by Rosneft Oil Company using the equity method and proportionate consolidation method)
- Principal owners (shareholders holding more than 10 % of the voting shares, or having significant impact based on other reasons) and state-controlled entities
- Joint venture participants (that are not a legal entity and proportionately consolidated)
- Other related parties

The Cash flows section of the Table discloses information in the event of significant cash flows by group of related parties (more than 10 % of any item of the cash flow statement).

Subsidiaries

This section discloses information concerning transactions with those subsidiaries in which Rosneft Oil Company holds, directly or through other entities, more than 50 % of the common voting shares, or which are controlled by other means.

Table 39. Information on transactions with subsidiaries (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Oil and gas sales	1,036,105,402	1,054,417,117
Petroleum products and petrochemicals sales	1,420,121,766	1,527,326,855
Income from leasing out property	149,161,243	150,594,846
Income from shareholdings in other entities	514,872,917	159,247,612
Other income	102,839,512	187,852,911
	3,223,100,840	3,079,439,341
Costs and expenses		
Oil and gas purchases	2,357,618,751	2,322,042,045
Petroleum products and petrochemicals purchases	5,516,359	4,920,810
Logistics and transportation	146,469,209	159,564,621
Oil and gas production services	346,374,644	342,257,716
Cost of processing	166,537,773	157,157,311
Leases of assets	655,035	510,392
Other expenses	67,222,778	73,466,823
	3,090,394,549	3,059,919,718
Other transactions		
Loans and borrowings issued	1,285,097,529	1,975,502,995
Repayment of loans and borrowings issued	1,209,323,653	1,737,331,936
Proceeds from short-term loans and borrowings	1,576,442,009	1,180,046,505
Repayment of short-term loans and borrowings	1,580,578,845	1,165,256,127
Proceeds from long-term loans and borrowings	1,476,368,478	1,176,457,487

Transactions	2019	2018
Repayment of long-term loans and borrowings	1,289,364,023	992,263,560
Deposits placed	541,381,292	374,798,640
Deposits repaid	561,700,338	352,850,000
Interest receivable	136,096,049	159,618,232
Interest payable	58,806,165	45,983,108
Cash flows		
Cash flows from operating activities		
Proceeds		
From Sale of products, goods, work and services	2,424,042,134	2,526,310,943
From Lease payments, license payments, royalties, commissions and other similar payments	150,188,103	151,213,150
Payments		
To Suppliers (contractors) for raw materials, work and services	(3,003,608,814)	(2,810,471,452)
Of interest on debt obligations	(51,069,686)	(23,928,758)
Exploration costs	(6,061,861)	(14,607,056)
Other payments	(633,340,385)	(240,714,561)
Cash flows from investing activities		
Proceeds		
From sale of non-current assets (other than financial investments)	10,580,966	18,527,152
From repayment of loans issued, receivables from other parties, etc.	714,872,671	1,307,778,172
From dividends, interest on debt financial instruments and similar proceeds from equity participation in other entities	355,362,963	355,312,656
Payments		
To purchase, create, upgrade, reconstruct and prepare non-current assets for use	(169,023,407)	(184,480,474)
To purchase shares (interest) in other entities	(374,023,314)	(148,272,795)
To issue loans to other parties	(164,513,879)	(1,409,858,239)
Exploration assets	(12,968,542)	(14,552,151)
Cash flows from financing activities		
Proceeds		
From loans and borrowings received	3,052,860,148	2,356,503,992
Payments		
Repayment of loans and borrowings, repayment (redemption) of promissory notes, etc.	(2,870,276,820)	(2,232,786,629)

Table 40. Assets and liabilities under transactions with subsidiaries (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Cash and cash equivalents	23,903,215	59,038,002
Accounts receivable, including	2,970,447,681	2,085,545,419
• Long-term accounts receivable	2,098,170,151	1,610,680,068
• Advances issued for capital construction and equipment for installation	14,467,016	14,910,443
• Short-term advances issued	7,303,321	7,568,489
• Allowance for impairment of accounts receivable	1,679,073	2,999,318
Short-term and long-term financial investments,	6,267,338,712	6,489,566,357
Including long-term	5,571,861,514	5,836,049,136
	9,261,689,608	8,634,149,778
Liabilities		
Accounts payable	1,927,536,974	1,560,159,472
Short-term and long-term loans and borrowings (including interest),	1,951,309,008	1,869,749,149
Including long-term	1,732,886,115	1,542,979,725
	3,878,845,982	3,429,908,621

Associates

This section discloses information concerning transactions with those associates in which Rosneft Oil Company holds, directly or through other entities, more than 20 % but less than 50 % of the ordinary voting shares (or no control is provided for other reasons), and which Rosneft Oil Company holds significant influence over.

Table 41. Information on transactions with associates (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Oil and gas sales	9,824,798	9,895,428
Petroleum products and petrochemicals sales	200,590,043	256,901,420
Income from leasing out property	339,993	267,982
Income from shareholdings in other entities	1,247,139	6,385
Other income	1,756,420	874,885
	213,758,393	267,946,100
Costs and expenses		
Oil and gas purchases	370,590,472	370,758,918
Logistics and transportation	32,394,201	21,706,524
Leases of assets	239,032	227,202
Cost of processing	15,352,240	14,357,449
Other expenses	1,467,546	9,014,113
	420,043,491	416,064,206
Other transactions		
Loans and borrowings issued	4,615,969	3,806,525
Repayment of loans and borrowings issued	2,197,300	1,476,200
Proceeds from short-term loans and borrowings	26,351,823	13,570
Repayment of short-term loans and borrowings	25,235,622	64,830
Proceeds from long-term loans and borrowings	33,577,913	9,773,280

Transactions	2019	2018
Repayment of long-term loans and borrowings	671,596	5,794,060
Interest receivable	2,399,869	2,141,534
Interest payable	5,577,670	1,114,412
Cash flows		
Cash flows from operating activities		
Proceeds		
Other proceeds	94,455,926	294,284,172

Table 42. Assets and liabilities under transactions with associates (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Accounts receivable, including	34,347,960	33,863,180
• Long-term accounts receivable	1,190,904	4,148,305
• Advances issued for capital construction and equipment for installation	153	4,979
• Short-term advances issued	1,900,177	1,470,657
• Allowance for impairment of accounts receivable	9,390,197	9,473,083
Short-term and long-term financial investments,	51,214,855	48,984,585
Including long-term	40,217,926	47,338,161
	85,562,815	82,847,765
Liabilities		
Accounts payable	330,970,899	317,267,080
Short-term and long-term loans and borrowings (including interest),	50,271,297	15,405,438
Including long-term	33,414,515	15,394,669
	381,242,196	332,672,518

Information on compensation paid to key management personnel

For information disclosure purposes, key management personnel include members of the Management Board and members of the Board of Directors of Rosneft Oil Company.

In 2019 and 2018, short-term compensation to the members of the Management Board taking in account the rotation of the management staff, including salary, bonuses and compensations and considering personal income tax, amounted to kRUB3,570,285 and kRUB3,853,586, respectively (social insurance contributions paid to the budget of the Russian Federation under the law, which are not income of the members of the Management Board, amounted to kRUB513,128 and kRUB567,000, respectively). The amount of short-term compensation to members of the Management Board and members of the Board of Directors for 2019 is disclosed in accordance with the Russian legal requirements for disclosure of information by issuers of securities.

Principal owners and entities controlled by principal owners

This section discloses the information about transactions with principal owners (legal entities and individuals) that hold more than 10 % of the total number of votes that relate to voting shares, and entities controlled by principal owners, including state-controlled entities.

Table 43. Information on transactions with principal owners and entities controlled by principal owners (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Oil and gas sales	264,219,112	280,452,006
Petroleum products and petrochemicals sales	134,202,571	108,595,740
Income from transactions involving term transaction financial instruments	729,800	402,203
Income from shareholdings in other entities	211,618	135,628
Other income	321,792	1,323,127
	399,684,893	390,908,704
Costs and expenses		
Oil and gas purchases	124,248,816	139,160,281
Oil products purchases	1,386,417	2,910,840
Logistics and transportation	362,053,540	360,400,484
Customs duties	728,078,630	973,983,183
Leases of assets	112,808	122,474
Expenses from transactions involving term transaction financial instruments	31,832,282	35,677,914
Other expenses	2,817,216	3,222,426
	1,250,529,709	1,515,477,602
Other transactions		
Loans and borrowings issued	4,572,586	-
Proceeds from short-term loans and borrowings	105,000,000	374,600,000
Repayment of short-term loans and borrowings	252,000,000	319,600,000
Proceeds from long-term loans and borrowings	-	100,000,000
Repayment of long-term loans and borrowings	112,500,000	-
Deposits placed	3,046,277,335	4,304,803,257
Deposits repaid	3,114,766,129	4,669,493,457
Interest payable	34,313,321	38,047,139
Interest receivable	9,756,564	11,274,669
Cash flows		
Cash flows from operating activities		
Payments		
Interest on debt obligations	(35,602,786)	(37,467,323)
Other payments	(75,352,050)	(87,748,686)
Cash flows from investing activities		
Proceeds		
Sale of debt securities (receivables from other parties)	95,911,693	462,927,962
Other proceeds	36,553,233	49,897,794
Payments		
Related to purchase of debt securities (receivables from other parties), issue of loans to other entities	(37,939,569)	(68,814,789)
Exploration assets	(8,406,471)	(1,001,301)
Cash flows from financing activities		
Payments		
Dividends and other distributions of income among shareholders (participants)	(242,388,808)	(193,330,982)
Repayment of loans and borrowings	(364,500,000)	(319,600,000)

Table 44. Assets and liabilities under transactions with principal owners and entities controlled by principal owners (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Cash and cash equivalents	33,562,166	475,694,965
Accounts receivable, including	126,154,406	97,499,791
• Long-term accounts receivable	4,936,200	5,132,184
• Advances issued for capital construction and equipment for installation	32,809,682	28,237,506
• Short-term advances issued	35,002,026	29,803,656
• Allowance for impairment of accounts receivable	10,345	9,136
Short-term and long-term financial investments,	93,254,267	165,693,636
Including long-term	87,663,843	96,324,663
	252,970,839	738,888,392
Liabilities		
Accounts payable	6,755,387	10,170,206
Short-term and long-term loans and borrowings (including interest),	360,518,892	605,153,497
Including long-term	180,477,410	408,917,660
	367,274,279	615,323,703

Joint venture participants

There are no transactions with companies involved in joint activities with Rosneft Oil Company for the period of 2018–19. Other related parties

Other related parties include a non-state pension fund operating in the interests of the Company's employees.

Table 45. Information on transactions with other related parties (kRUB)

Transactions	2019	2018
Sales revenue and other income		
Other income	182	345
	182	345
Costs and expenses		
Expenses under non-state pension agreements	1,100,112	4,590,389
	1,100,112	4,590,389

Table 46. Assets and liabilities under transactions with other related parties (kRUB)

Assets and liabilities	Balance at 31 December 2019	Balance at 31 December 2018
Assets		
Accounts receivables	3	–
	3	–
Liabilities		
Accounts payable	1	3,804,684
	1	3,804,684

In the reporting period, Rosneft Oil Company mainly used the monetary form of settlements with related parties.

26. Segment information

The Company, its subsidiaries and associates (hereinafter, the “Rosneft Oil Company Group”) operate as a vertically integrated business. The Rosneft Oil Company Group is principally engaged in the exploration, development, production and sales of oil and gas, as well as the production, transportation and sales of petroleum products in the Russian Federation and abroad. Management information, which is regularly analyzed by those persons with the power to make decisions on resource allocation in the Company and further performance evaluation, is prepared for the business purposes of Rosneft Oil Company Group as a whole. Given the fact that the business of the Company as a legal entity is an integral part of the Group management, management decision-making and resource allocation is performed by the duly authorized persons at the level of Rosneft Oil Company Group; certain management reports reflecting financial performance, the amount of assets and liabilities by segment, which refer only to the Company's operations and are not related to the Group in general, are not prepared for business lines. Therefore, segment information is fully disclosed in the consolidated financial statements of the Rosneft Oil Company Group.

Information on revenue broken down by segment is presented in the explanatory notes below, as this data is provided to the Company's authorized representatives on a regular basis. Segment information was prepared taking into account the economic, foreign currency, credit and price risks the Company may be exposed to.

Table 47. Information on sales revenue by segment (kRUB)

Segment	Net revenue for the reporting year		
	Total	External market	Domestic market
Oil	3,517,288,489	2,894,549,444	622,739,045
Gas	173,831,586	–	173,831,586
Oil products and petrochemicals	2,461,297,168	1,183,586,787	1,277,710,381
Other sales	675,109,164	–	675,109,164
Total	6,827,526,407	4,078,136,231	2,749,390,176

Oil includes sales of oil and gas condensate.

Gas includes sales of natural gas, APG and DSG. Oil products and petrochemicals include sales of oil and gas refinery products.

Other sales include the sales of other goods, public catering products, rendering of services, dividends, lease of fixed assets, etc.

Related information

27. Related information

27.1 Environmental matters

The activities of oil and gas companies are always subject to environmental risks. The Company's management believes that its activities comply with legislative requirements regarding environmental protection, and, therefore, the Company has no risk of significant liabilities in this area, except for those already disclosed and recorded in these financial statements.

27.2 Insurance

The Company continues to insure its property, motor vehicles, cargoes, shipments, construction works and the liability of its officials.

27.3 Energy resources

Information on the total costs related to energy resources used is given below¹

¹ The requirement of Article 22 of Federal Law No. 261-FZ On Saving Energy and Increasing Energy Efficiency, and on Amendments to Certain Legislative Acts of the Russian Federation dated 23 November 2009.

² In accordance with Article 2 of Federal Law No. 261-FZ, an energy resource is an energy carrier that is used or can be used for both economic and other activities, as well as a type of energy (atomic, heat, electrical, electromagnetic or other type).

Table 48. Information on resources used (kRUB)

No.	Energy resource	2019	2018
1	Electric energy	36,475	33,805
2	Heat energy	4,508	4,704

27.4 Risk management

Business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Russian government.

The Russian economy has been negatively affected by sanctions imposed on Russia by a number of countries. The ruble interest rates remain high. The combination of the above resulted in reduced access to capital, a higher cost of capital and increased uncertainty regarding economic growth, which could negatively affect the Company's future financial position, operating results and business prospects.

Management is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

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 relevant to its business activities, including those related to climate change.

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 legislation and international organizations 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, reputational risks, etc.). 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 in preparing various development scenario for the world energy industry.