

PJSC RussNeft. Annual Report 2021

RUSSNEFT IS DYNAMIC



Intro

Einstein said “Life is like riding a bicycle: to keep your balance, you must keep moving.” Oil production, in which the laws of motion (hydro, gas, and thermodynamics) are fundamental, has taught us the very same lesson.

In the face of a pandemic, many businesses are tempted to hit ‘Pause’ in their development, and the oil and gas industry has not been immune to this temptation. We at RussNeft, however, remember that to keep your balance you must keep moving. Our company has kept moving forward despite the challenges life sets before us.

Yesterday is over, it’s already in the past. Every day brings new opportunities. That is why RussNeft has been actively scaling-up best management practices. We have improved our financial performance, while keeping in line with the production increase policy set by OPEC+. The Company has successfully dealt with non-trivial tasks around the development of hard-to-recover deposits. RussNeft’s development strategy suggests adding 2–4% to its output every year over the next five years.

We have all the resources necessary to implement this strategy. RussNeft has been gearing up while the whole world is hitting the brakes.

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CHAPTER 1 COME OUT OF THE CRISIS STRONGER

“In the middle of difficulty lies opportunity.”

— Albert Einstein

The 2020 macroeconomic collapse rewrote the plans of oil producers all over the globe. Not all of them were able to come out of the crisis reborn and more efficient.

We at RussNeft saw the crisis as an opportunity: we focused on developing our talent pool while boosting the efficiency of oil production and governance. We saw the results of our efforts as early as 2021. The Company’s debt burden was down by a third, while the post-crisis rebound kicked off a revised medium-term strategy.

Key milestones

2002–2005: Extensive growth

- Resource base successfully created (70% production increase over 3 years)
- RussNeft becomes one of Russia's Top 10 oil and gas companies by production volume
- Glencore becomes RussNeft's partner through equity participation in its subsidiaries.

2006–2007: Organic growth

- Drilling volumes skyrocketed
- RussNeft's resource base grows
- Production volumes stabilised and refining volumes increased
- Well interventions completed at mature fields in the Volga Region

2008–2009: Anti-crisis development

- Production costs stabilised
- Resource base grows significantly
- Retail oil sales up by ca. 11%

2010–2012: Resuming expansion

- Investments up by 60% vs. 2009 plans
- New fields brought online and exploration of reserves continues
- Hydrocarbon production continues to grow

2013–2016: Asset portfolio optimisation

- Leverage significantly decreased
- Glencore's debt converted into equity, with its stake in RussNeft down to 25%
- Gas programme successfully implemented, with APG utilisation reaching 95% as a result

2016: IPO on the Moscow Exchange

- First IPO of an oil company in Russia since 2006
- RussNeft's ordinary shares included into the Level 1 quotation list
- Offer price of RUB 550 per share
- Issue more than 30% oversubscribed
- More than 2,000 bids from retail investors
- Free float of 15% of RussNeft's share capital

2017: Shares included in stock indices

As of 22 September 2017, RussNeft's securities were included in the MOEX Index, RTS Index, MOEX Broad Market Index and the MOEX Oil & Gas Index.

2018: New technologies

- Resource base grows significantly
- New production technologies introduced
- Well stock and costs optimised

2019: Low footprint as a leadership factor

- Low footprint production technologies scaled up
- Mid-term development programme implemented
- Leader by share of commercially recoverable reserves

2020: Social focus as a sustainability factor

- RussNeft remains sustainable, in spite of the extraordinary pressure from negative external factors
- Anti-crisis measures successfully scaled up across the management structure

2021: Agility

- Best management practices scaled up
- Anti-crisis measures implemented
- Financial indicators improving rapidly, driven by an increase in production subject to OPEC+ restrictions

Statement by the Chairman of the Board of Directors

Dear Shareholders,

The global collapse caused by COVID-19 has affected literally all sectors of the world economy. The pandemic and the related restrictive measures interrupted the progressive development of the economy, brought down oil prices, and became a test of strength for RussNeft's corporate governance system.

The year 2021 demonstrated RussNeft's ability to quickly recover after the crisis. As a result of efficient efforts by the management team, RussNeft has weathered the macroeconomic storm. The rapid decline in the financial flow in 2020 changed to an equally dynamic growth in the reporting period, and we continued implementing our medium-term development plan aimed at increasing production and solving the most complex engineering challenges in developing hard-to-recover reserves.

In 2021, we reduced RussNeft's leverage by over 30%. Net profit grew by **254%** to **RUB 32.78 billion**, with EBITDA up **172%** to **RUB 73.38 billion**.

Obviously, 2022 is not going to be easy either. Yet I am confident that our team will be successful in meeting the challenges that lie ahead of us and implementing the ambitious plans of our long-term strategy.

Victor Martynov
Chairman of the Board of Directors
PJSC RussNeft

"Agile decision-making
as a paradigm for success."



Strategy

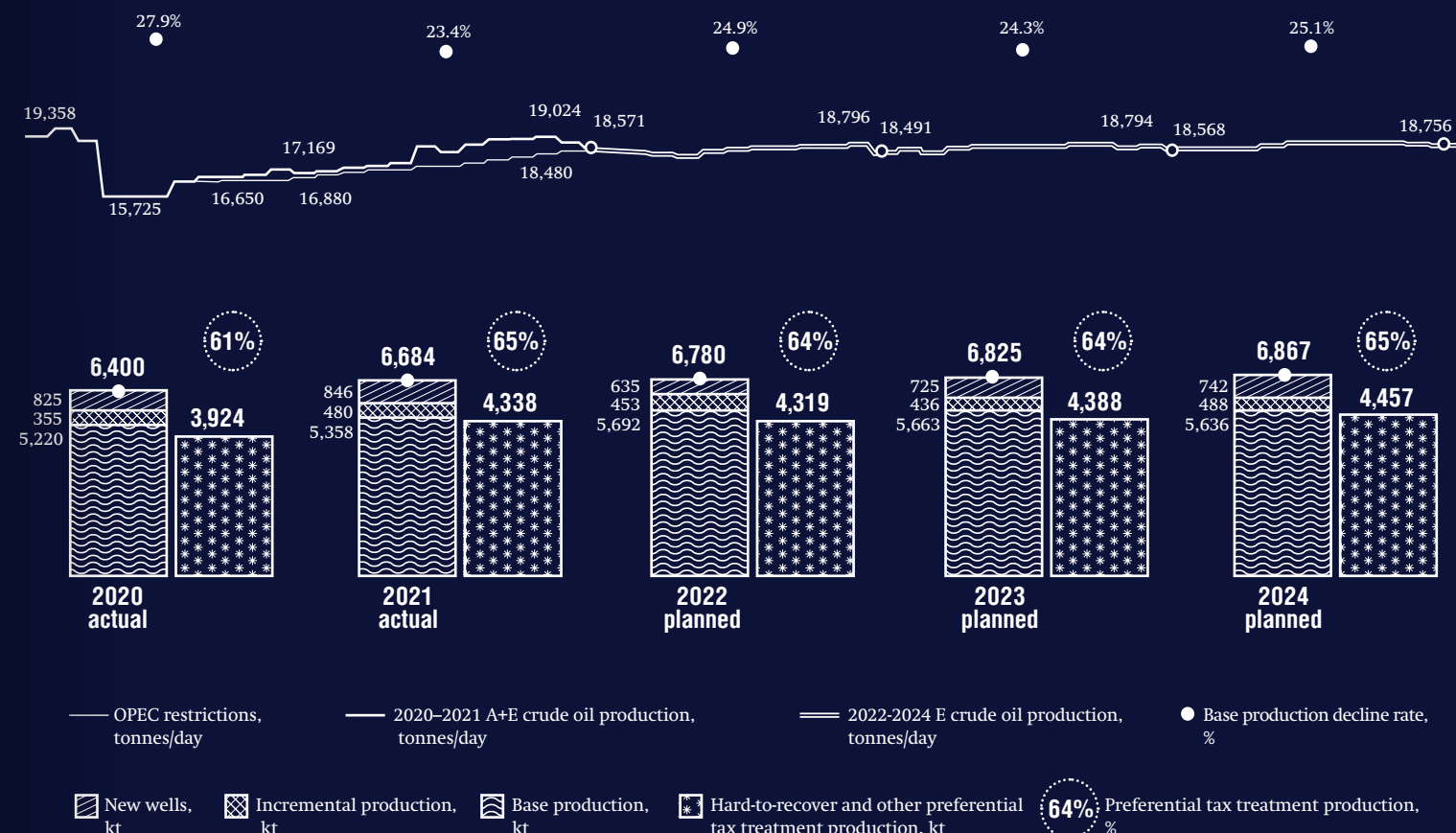
We aim to ensure long-term, sustainable development and forecast a 2-4% annual increase in production over the next 5 years. In order to achieve this target, we focus on the following key areas for development:

- Maintenance of brownfield crude oil production at current levels using efficient drilling techniques, sidetracking and well interventions, and better formation pressure maintenance
- Active development of (high-margin) reserves of the Tagrinskoye and Verkhne-Shapshinskoye fields under preferential tax treatment
- Development of the abundant Vostochno-Kamennoye field
- Implementation of our greenfield exploration (GE) programme to expand development of 3P reserves across our fields and licensed areas (GE projects) while improving macro parameters

According to our long-term forecast, we can reach an annual production of 8 million tonnes by 2028.

Every year, in addition to development drilling of our licensed greenfields, we implement an intensive GE programme. Our resource base will be built up in the mid-term with hard-to-recover and unconventional reserves. In this way, we will be able to promptly prioritise projects in order to select the most attractive and promising ones.

2020-2024 indicators



Investments:

Year	Investment (million RUB)	Investment including new wells (million RUB)	Investment including new wells (%)
2020	RUB 12,983 million	RUB 9,576 million	74%
2021	RUB 19,781 million	RUB 14,450 million	73%
2022 (E)	RUB 22,693 million	RUB 15,158 million	67%
2023 (E)	RUB 27,697 million	RUB 16,901 million	61%
2024 (E)	RUB 25,353 million	RUB 18,301 million	72%

Business model

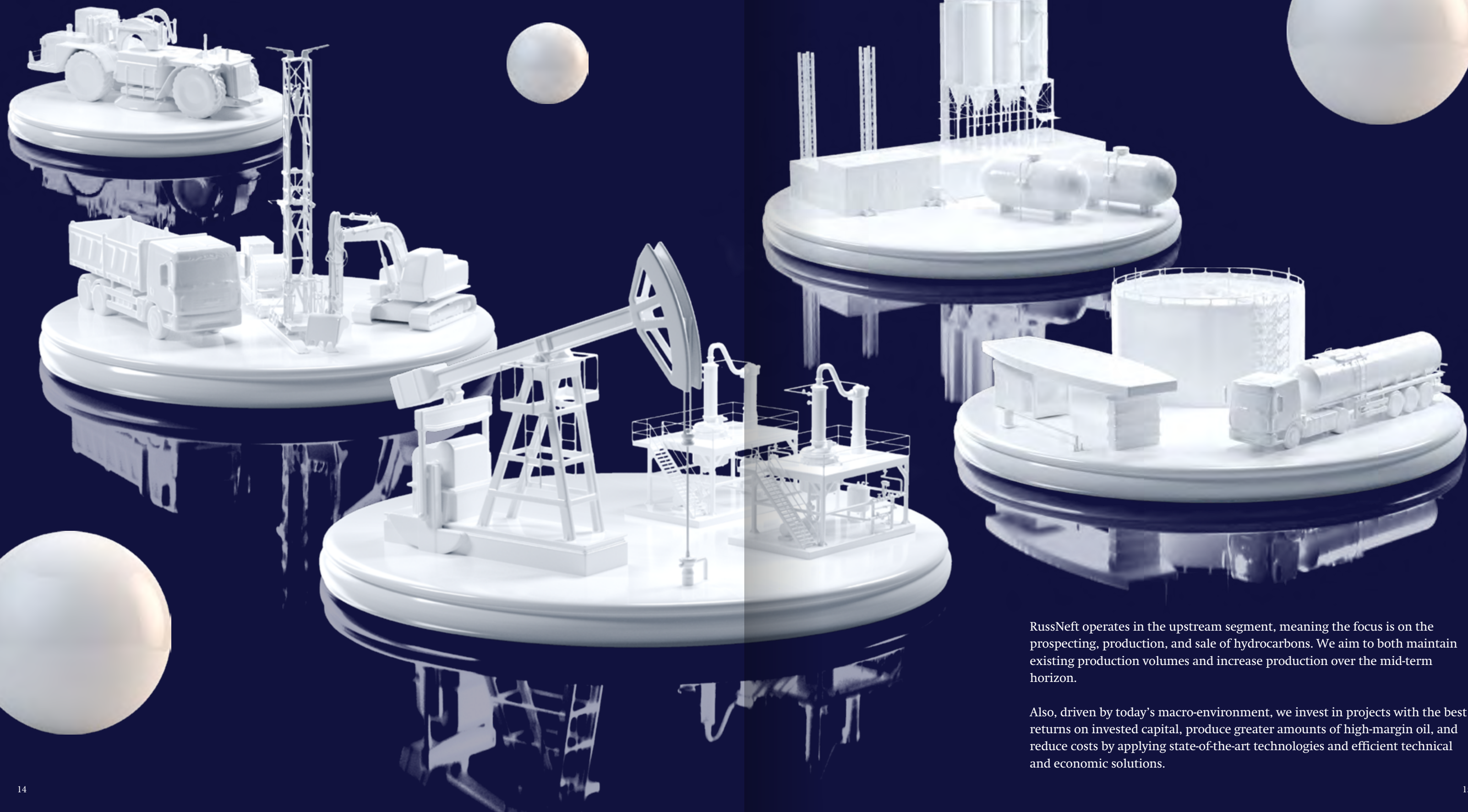
Exploration

Reserves

Production

Processing

Sales



RussNeft operates in the upstream segment, meaning the focus is on the prospecting, production, and sale of hydrocarbons. We aim to both maintain existing production volumes and increase production over the mid-term horizon.

Also, driven by today's macro-environment, we invest in projects with the best returns on invested capital, produce greater amounts of high-margin oil, and reduce costs by applying state-of-the-art technologies and efficient technical and economic solutions.

Oil production (mt)



Gas production (bcm)



Oil reserves (mt)



Mineable AB1C1+B2C2 oil reserves (Russian-classified) growth, mt



SPE 1P oil reserves growth, mt



Sustainable development

Climate change is one of the key global issues. The international 2015 Paris Agreement notes the inevitability of global climate change, emphasises the need to combat it by adapting economies to changing conditions, and highlights the importance of this issue. A key requirement of the Paris Agreement is the adoption and implementation of national long-term low greenhouse gas emissions development strategies to reduce the risks of climate change for the population and economies of the Parties to the Agreement.

The energy sector is considered one of the largest contributors to greenhouse gas emissions. Therefore, the protection of the environment is becoming increasingly associated with the transition to clean energy and the development of green technologies in the production and processing of hydrocarbons.

Russia has significant potential to reduce greenhouse gas emissions due to the high CO₂ absorption capacity of its forests and the development of energy-efficient technologies, including the development, transportation, and consumption of energy used in various industrial sectors. The country has adopted and continues to develop strategic documents aimed at countering and adapting to climate change. Measures are in place to reduce greenhouse gas emissions, and a 2030–2050 strategic greenhouse gas emissions reduction target has been set.

Russia's climate agenda focuses on:

- Adapting to climate change
- Unlocking the energy efficiency potential
- Protecting and restoring forests, and
- Implementing environmental and ecological initiatives

The key priority is the implementation of the RF President's Message in respect of the reduction of greenhouse gas emissions to below the European Union's level for the period 2021–2050.

RussNeft recognises the importance of measures to prevent global climate change and supports Russia's efforts to implement the Paris Agreement.

The Company participates, at national and regional levels, in the development of tax incentives to mitigate the economic consequences for oil-producing companies and help them achieve compliance with carbon neutrality laws while maintaining their financial stability.

The Company also participates in updating the industry laws and developing a national system of instruments to legislate carbon-neutrality goals and help reduce CO₂ emissions on a planetary scale.

At present, RussNeft is using state-of-the-art environmental process solutions to implement a full range of environmental programmes to minimise its environmental footprint.

The Company is developing its own strategy to reduce greenhouse gas emissions and is implementing a number of measures to manage climate risks. The Company has an Investment Gas Programme to increase the rate of utilisation of associated petroleum gas, an Energy-Saving and Energy-Efficiency Programme, and a Reforestation Action Plan. One promising area is the introduction of CO₂ capturing and storing technologies.

The implementation of these programmes will reduce the APG flaring rate, increase the efficiency of the Company's own thermal and electric power generation, and improve the energy efficiency of equipment used in the production, treatment, and transportation of oil and gas. Together, these steps will help reduce the negative impact on the environment and diminish the carbon footprint.

Coherence of RussNeft’s goals with the Sustainable Development Goals of the UN 2030 Agenda for Sustainable Development

In our care for the environment, we have been implementing the climate agenda with due regard of Russia’s Energy Strategy for the period up to 2035 and the goals of the Paris Agreement.

RussNeft’s 2022 Development Strategy, covering all facets of our operations, including environmental, social, and economic (including corporate) aspects, aims to ensure sustainable production, minimise our environmental footprint, and preserve the environment for future generations.

We are strongly committed to the majority of the UN Goals.



SUSTAINABLE DEVELOPMENT GOALS

Goal 3

Ensure healthy lives and promote well-being for all at all ages.

Goals 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 6

Ensure availability and sustainable management of water and sanitation for all.

Goal 7

Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 12

Ensure responsible consumption and production patterns.

Goal 13

Take urgent action to combat climate change and its impacts.

Goal 14

Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

Goal 15

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Goal 16

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Goal 17

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

President's statement

Dear Shareholders,

Our key achievement in 2021 is that the Company has successfully recovered from the shocks of the pandemic, collapsing prices, and the massive series of negative oil market forecasts.

After the crisis that befell the global economy in 2020, we once again realized that great teamwork is our key asset.

In the reporting year, RussNeft began to take stock of emissions sources. Today, we are intensively implementing programmes to reduce energy consumption, increase the energy-efficiency of production processes, and reduce associated petroleum gas flaring: the utilisation rate is currently over **96%**. We are continuing to implement our tree-planting programme in the regions where we operate to maintain a balance between the emission and absorption of greenhouse gases.

Our operating results show that the medium-term strategy is being steadily implemented. The rate of decline in base oil production has been reduced from **27.9%** to **23.4%** (exclusive of the impact of the OPEC+ restrictions). In 2021, oil production amounted to **6.684 million tonnes**, with **104** new oil wells put into operation. Well interventions brought us **1,326** thousand tonnes in incremental production. RussNeft's performance in terms of average flow rate and specific production efficiency per well is one and a half times greater above the industry average.

The replacement rate in the reporting year amounted to **115%** for AB1C1+B2C2 reserves and **149%** for hard-to-recover reserves. SPE 2P reserves increased to **13.8 million tonnes** over 2020–2021.

In 2021, we raised the efficiency bar to new heights. Thanks to our management's teamwork and professionalism we ended the reporting year with excellent results and started the year of our 20th anniversary with new goals in sight challenging us to reach out for even better production and financial performance.

Evgeny Tolochev
President

“Our key priorities remain improving operational efficiency, developing competencies, and becoming environmentally neutral as a new standard in our industry.”



RussNeft's Management



Evgeny Tolochev
President
(6+ years with the Company)

Olga Prozorovskaya
Senior Vice-President for Economics
and Finance
(17+ years with the Company)

Andrei Dokhlov
Vice-President for Economics
and Budgeting
(19+ years with the Company)

Alexey Fedoseev
Vice-President for Security
(15+ years with the Company)

Dmitry Romanov
Vice-President for Corporate Relations
(16+ years with the Company)

Evgeny Pitsyura
Vice-President for Geology & Development
(2+ years with the Company)

RussNeft's Management



Alexander Malyshev
Vice-President for Oil and Gas
Production
(5+ years with the Company)

Magomed-Ali Yevloev
Vice-President for Commerce
(14+ years with the Company)

Alexander Permyakov
Vice-President for Capital
Construction
(5+ years with the Company)

Elena Makarova
Vice-President for Public Relations
and Foreign Business
(17+ years with the Company)

David Avalishvili
Vice-President, Head of Prospective
Projects and Services
(17+ years with the Company)

Tatyana Semerikova
Chief Accountant
(17+ years with the Company)

CHAPTER 2

ACHIEVE MEASURABLE SUCCESS

“Science starts with the measurement.
Exact science is inconceivable without
measures.”

— Dmitry Mendeleev

Our dynamism is not a mere declaration. Behind each of our success stories is the strenuous effort it took us to achieve it. This is not going to change. Our revised medium-term strategy targets an annual output of **7 million tonnes**. For some fields, the output will double by 2025. Lower debt burden and larger free cash flow give us grounds to expect RussNeft’s credit rating to be upgraded in 2022.

Situation in the industry and development prospects

In 2019, the domestic oil industry hit a new post-Soviet high with oil and gas condensate production reaching 560.2 million tonnes. A year later, driven by the collapse of global demand brought about by the COVID-19 pandemic, oil production in Russia fell back to its lowest point for the last 10 years. In 2021, however, the domestic oil production rebounded to **524 million tonnes**, up **2.1%**.

In 2022, the Russian Government expects oil production to continue its recovery and reach **540–550 million tonnes**. This forecast is driven by a pick-up in demand which analysts believe is set to return to the pre-pandemic level as early as the following year. Alexander Novak, Deputy Chairman of the Russian Government, stated late in 2021 that a **4 million barrels** per day increase in demand would permit production to be restored to the level it was at before the production cut imposed by the OPEC+ in 2020.

OPEC expects daily demand to increase by 4.2 million barrels to average **100.8 million barrels** in 2022. The International Energy Agency is less optimistic, forecasting growth at **3.3 million barrels** to reach **99.7 million barrels per day**.

Among factors that may adversely affect new oil projects in 2022, Bernstein analysts name:

- Rising inflation worldwide, coupled with a shortage of offshore installation vessels, currently in widespread use for offshore wind projects
- Soaring sales of SUVs, which consume more fuel than smaller cars
- Shrinking crude stockpiles.

The above factors may drive up oil prices as soon as late 2022. Bank of America analysts predict that oil prices will go as high as **USD 120 / barrel** or even higher, amid higher prices for alternative hydrocarbons.

Observers also name a number of risks that may increase oil price volatility in the current year. The major short-term risk is the emergence of new coronavirus variants and their further spread, which may force countries to re-impose restrictions. Another risk is a lack of coordinated decision-making within the OPEC+ alliance, which may cause the market to fall out of balance. In the longer run, the key risk is a transition into a low-carbon economy.

In 2022, the price range of **USD 65–80 / barrel** will be quite comfortable for Russia, says Novak. This range is wide enough to factor in the highly likely market volatility. The Deputy Chairman believes Russia might be able to restore its oil production to the pre-pandemic level by April or May.

In 2021, RussNeft produced 6.684 mt of crude oil, 0.28 bcm of natural gas, and **1.885 bcm** of APG. The reserve replacement rate reached **149%** for AB1C1+B2C2 hard-to-recover reserves, with the overall replacement rate at **115%**.

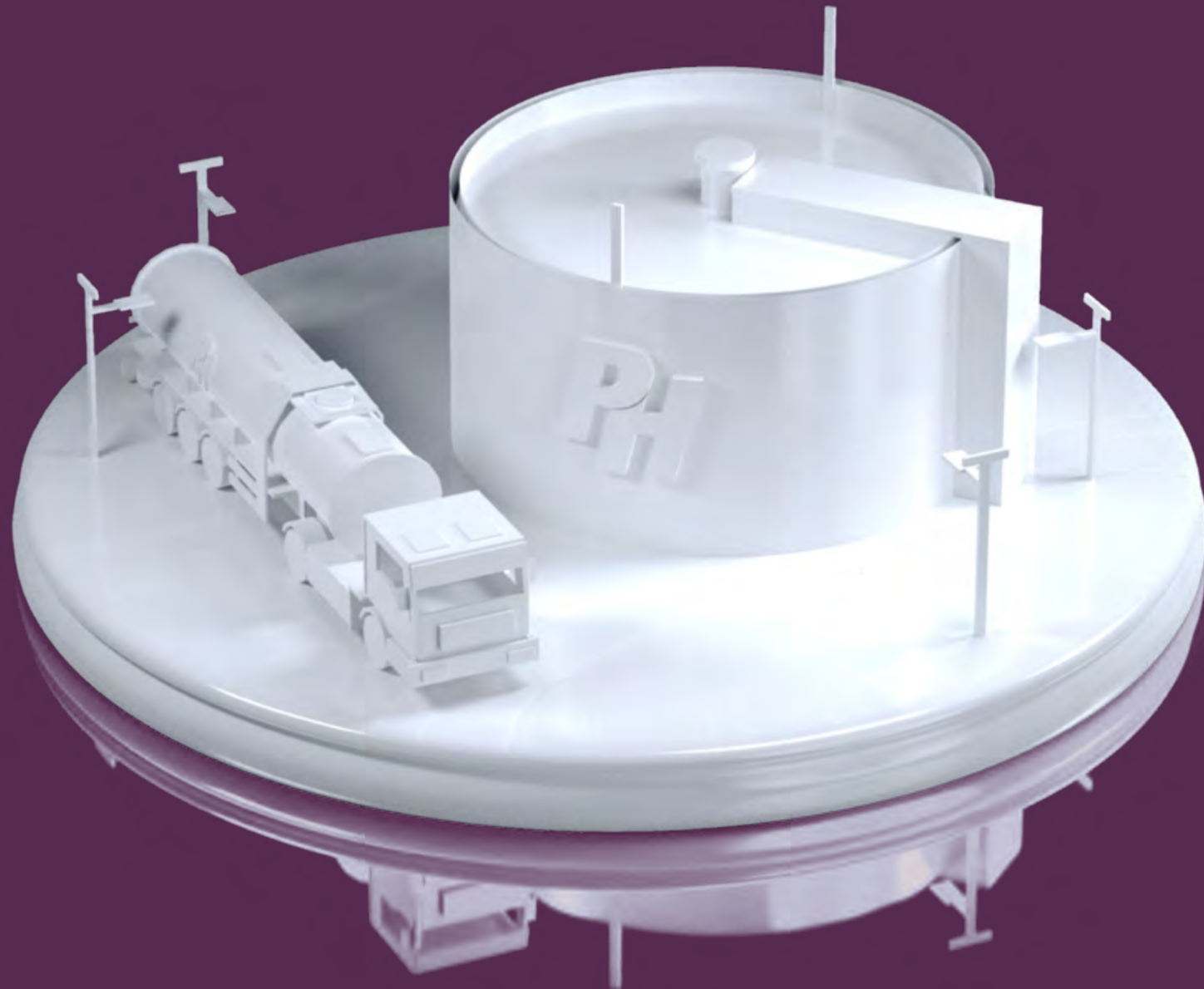
In the reporting year, RussNeft began to take stock of emission sources and develop a strategy to achieve carbon neutrality. Today, we are intensively implementing programmes to reduce associated petroleum gas flaring (our utilisation rate is over **96%**) and energy consumption, increase the energy-efficiency of production processes, and restore biological resources through the reforestation programme we run in the regions where we operate.

RussNeft management is ready to implement a new medium-term strategy to reach an annual production of **7 million tonnes** by continuing the development of the Tagrinskoye and Verkhne-Shapshinskoye fields, beginning the development of the Vostochno-Kamennoye field in 2023, and drilling its target assets: the Zapadno-Varioganskoye, Yuzhno-Pervomayskoye, Radishchevsko-Gartovskoye, Perelyubskoye, Kamelik-Pervomayskoye, Severo-Zimnitskoye, Poselkovoye and Stolbovoye fields.

Assets overview. Reserves

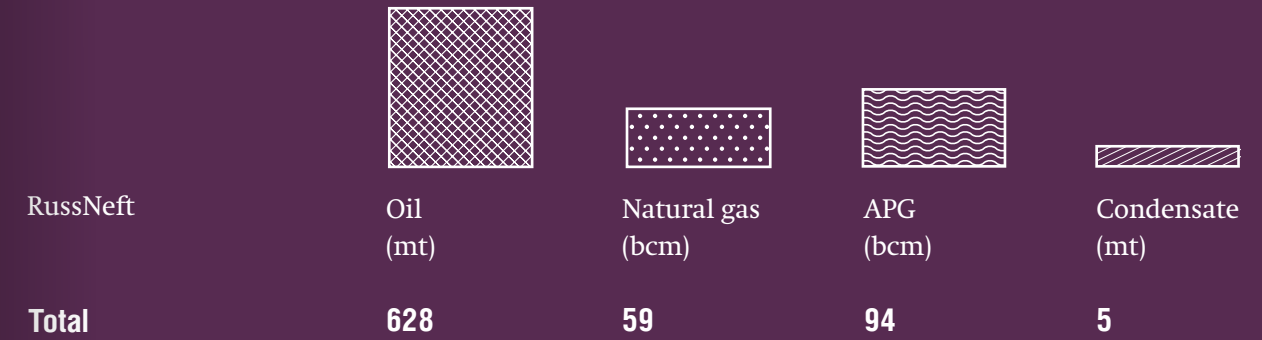
Summary

RussNeft benefits from a balanced asset portfolio in Russia's key oil-and-gas provinces (Volga Region, West Siberia and Central Siberia). The Company also participates in oil development and production projects in Azerbaijan.

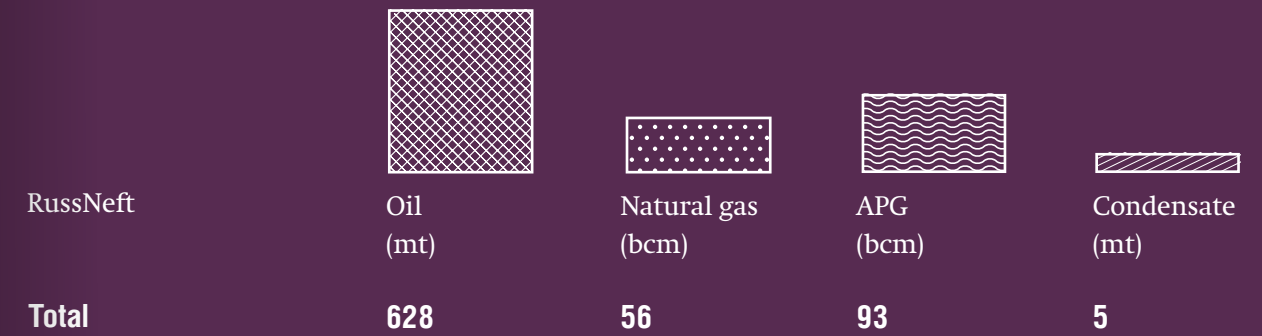


RussNeft's reserves were last audited in accordance with SPE-PRMS as at 31 December 2021.

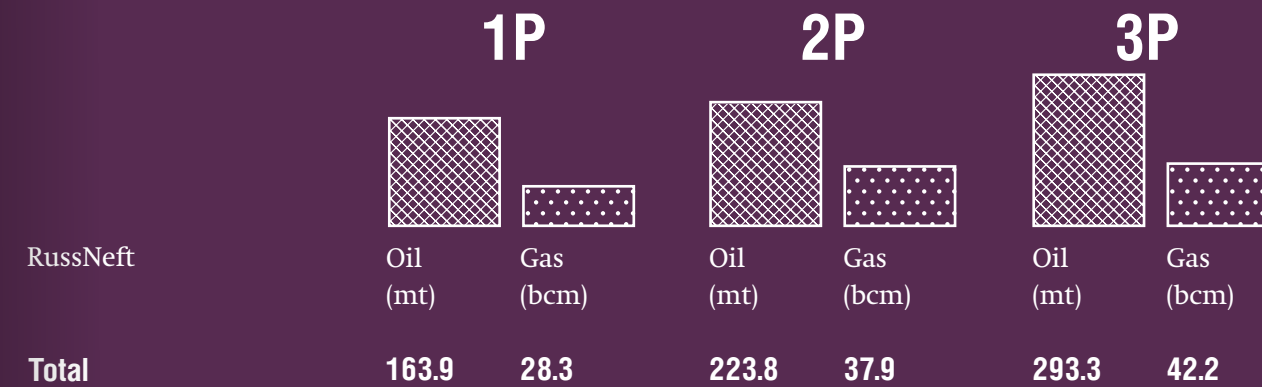
AB1C1+B2C2 reserves as at 1 January 2021



AB1C1+B2C2 reserves as at 1 January 2022



SPE reserves as at 31 December 2021



The West Siberian group accounts for approximately **81%** of all proven and probable oil reserves of the Company; the Volga Region and Central Siberian groups account for **14%** and **5%**, respectively.

RussNeft's asset portfolio comprises brownfields with a stable output and greenfields that offer substantial production upside. The West Siberian group boasts the highest output and the lowest cost of production.

By year end 2021, the Company's recoverable AB1+B2 reserves were up **4 million tonnes (0.9%)**, while 2P reserves (SPE) were **7%** higher than on the previous evaluation date, 31 December 2019 (excluding **13 million tonnes** for oil reserves replacement).

West Siberian group

The West Siberian group is the Company's biggest production cluster. It includes fields in the Khanty-Mansi and Yamal-Nenets Autonomous Districts: Varioganskoye, Tagrinskoye, Zapadno-Varioganskoye, Verkhne-Shapshinskoye and Vostochno-Kamennoye.

The West Siberian group accounts for **79%** of total production and for **81%** of 2P re-serves. Its deposits are divided into two blocks: the Khanty-Mansiysk block and the Nizhnevar-tovsk block. Key production assets are in the Nizhnevar-tovsk block, while the Khanty-Mansiysk block fields have long been less explored. Further exploration and drilling performed at these fields in 2017-2020 helped stabilise and boost production.

By year end 2021, recoverable AB1+B2 re-serves in the West Siberian group were **1 million tonnes (0.2%)** higher than on 1 January 2021.

Driven mainly by horizontal drilling and multi-stage hydraulic fracturing at the Achimov deposits in the Verkhne-Shapshinskoye and Tagrinskoye fields, average oil production is currently being maintained at **5 million tonnes**.

We plan to increase production in the West Siberian group through the development of the Verkhne-Shapshinskoye and Vostochno-Kamennoye fields of the Khanty-Mansiysk block, and the Achimov deposits at the Tagrinskoye and Zapadno-Varioganskoye fields of the Nizhnevar-tovsk block, as well as through intervention operations to stimulate mature wells.



SPE reserves as at 31 December 2021

Block	1P		2P		3P	
	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)
Nizhnevar-tovsk	90.1	22.9	114.4	26.8	136.3	29.6
Khanty-Mansiysk	43	1.8	67	2.6	104.8	3.5
Total	133.1	24.7	181.4	29.4	241.1	33.1

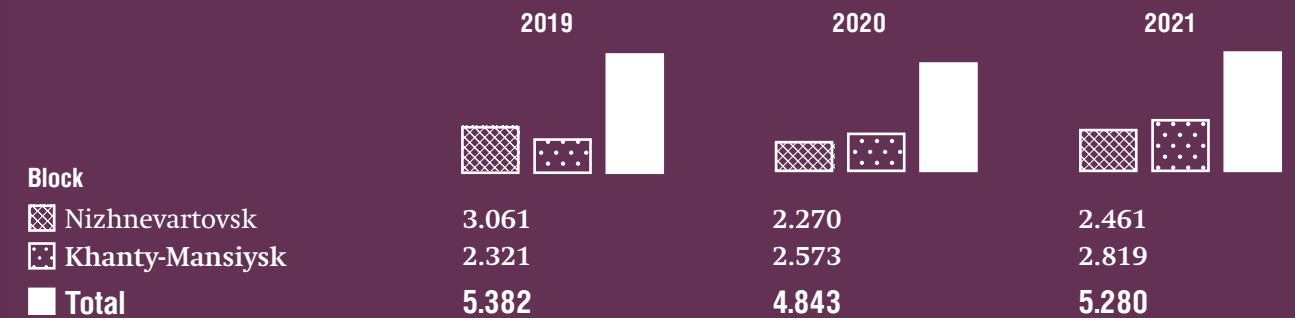
AB1C1+B2C2 reserves as at 1 January 2021

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Nizhnevar-tovsk	294	30	67	2
Khanty-Mansiysk	213	-	17	-
Total	507	30	82	2

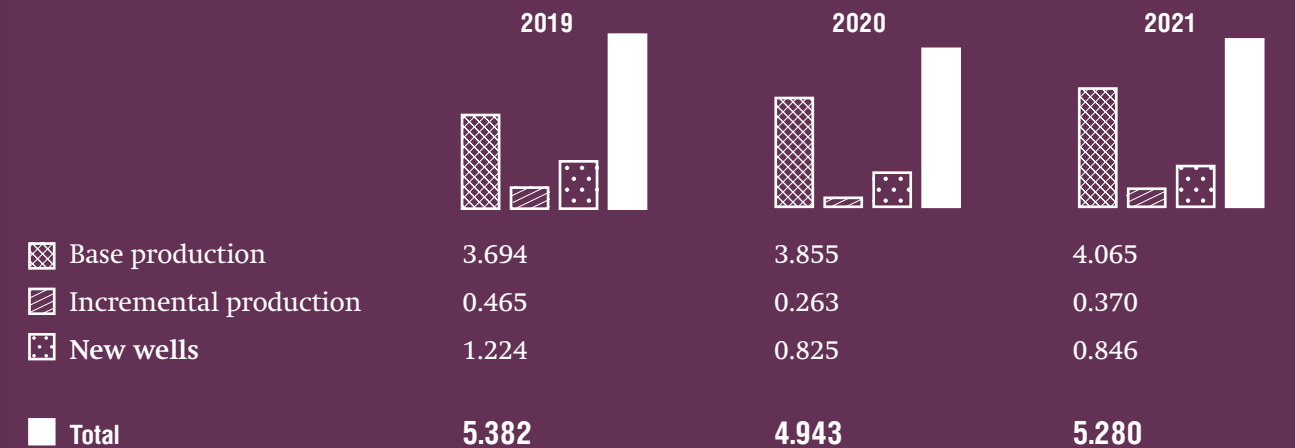
AB1C1+B2C2 reserves as at 1 January 2022

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Nizhnevar-tovsk	296	30	65	2
Khanty-Mansiysk	212	-	17	-
Total	508	30	82	2

Oil production (mt)



Oil production (mt)



Volga Region group

Our second largest production cluster is located in the Volga Region, with key assets of the group in the Saratov, Penza and Ulyanovsk Regions and in Kalmykia.

The group's largest fields are Irinovskoye, Zimnitskoye, Severo-Zimnitskoye, Mordovoozerskoye and Belokamennoye.

The Volga Region group accounts for **17%** of total production and for **14%** of 2P reserves. The group is divided into the Saratov block and the Ulyanovsk block, and includes brownfields generating stable operating cash flows with significantly low CAPEX levels.

By year end, recoverable AB1+B2 oil reserves in the Volga Region group were **1 million tonnes (1.4%)** lower than on 1 January 2021.

We expect to increase the Volga Region group's resource base by tapping into overlooked oil reserves and to maintain stable output at brownfields through effective well intervention operations.



SPE reserves as at 31 December 2021

Block	Oil (mt)	1P		2P		3P	
		Gas (bcm)	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)	
Saratov	7.9	3.4	9	3.8	9.3	4	
Ulyanovsk	14.7	0	21.3	0	27.9	0	
Total	22.6	3.4	30.3	3.8	37.2	4	

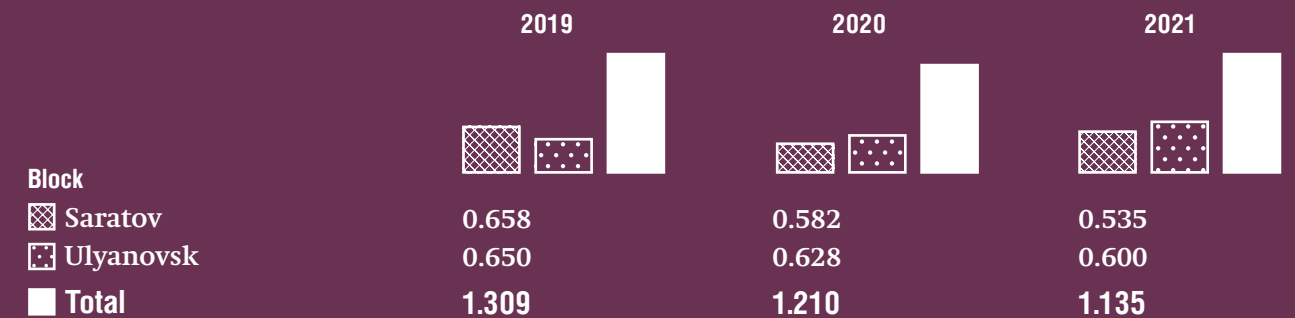
AB1C1+B2C2 reserves as at 1 January 2021

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Saratov	31	18	8	2
Ulyanovsk	54	-	-	-
Total	85	18	8	2

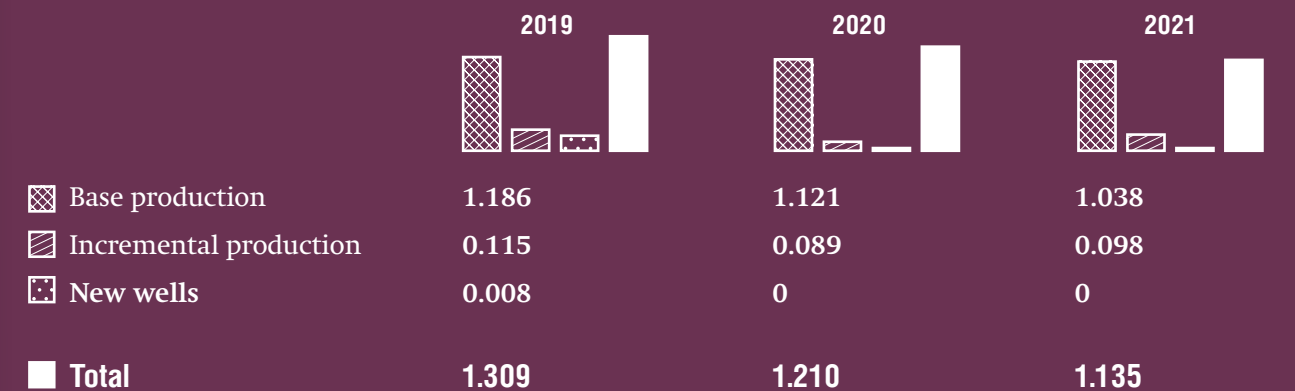
AB1C1+B2C2 reserves as at 1 January 2022

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Saratov	30	18	8	2
Ulyanovsk	54	-	-	-
Total	84	18	8	2

Production (mt)



Oil production (mt)



Central Siberian group

RussNeft's third-largest production cluster is the Central Siberian group, with assets in the Tomsk Region, including the largest fields: Stolbovoye, Verkhnesalatskoye, Fedyushkinskoye, Gurarinskoye, and Sobolinoye.

The Central Siberian group accounts for **4%** of total production and **5%** of 2P reserves. By year end 2021, recoverable AB1+B2 oil reserves for the Central Siberian group did not change, compared to 1 January 2021.



SPE reserves as at 31 December 2021

Block	Oil (mt)	1P		2P		3P	
		Gas (bcm)	Oil (mt)	Gas (bcm)	Oil (mt)	Gas (bcm)	
Total	8.2	0.17	12.1	4.7	15	5.1	

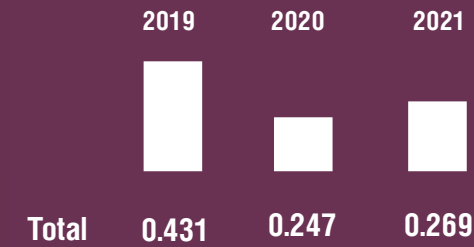
AB1C1+B2C2 reserves as at 1 January 2021

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Total	35	8	3	1

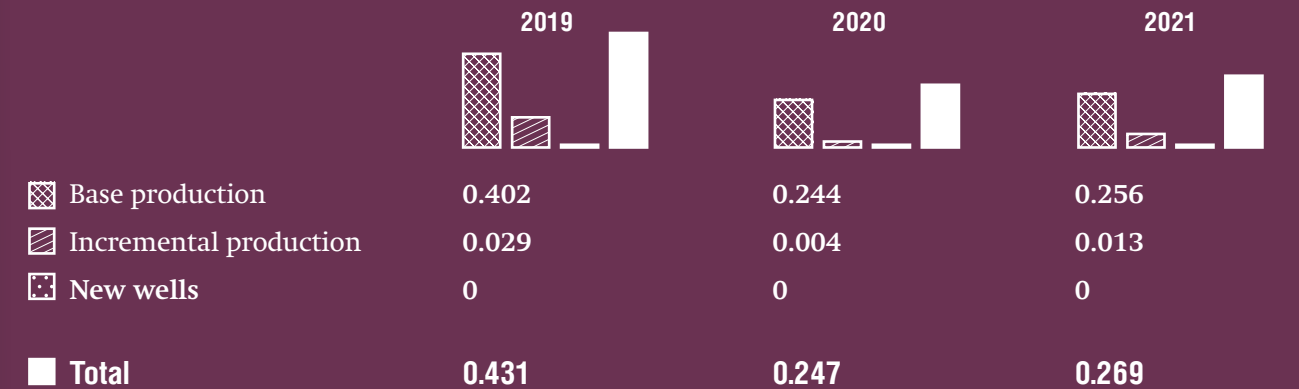
AB1C1+B2C2 reserves as at 1 January 2022

RussNeft	Oil (mt)	Natural gas (bcm)	APG (bcm)	Condensate (mt)
Total	35	8	3	1

Oil production (mt)



Oil production (mt)



2021 assets overview by geographical area



Development and production

Our field development strategy is primarily focused on growing our resource base and increasing our hydrocarbon output.

To achieve these goals, we:

- implement additional exploration and greenfield exploration (GE) programmes
- monitor our mineral reserves and make inorganic acquisitions
- select the best engineering solutions to develop low-margin fields
- carry out comprehensive optimisations of development systems in drilling areas based on actual geological data and well performance profiles
- introduce innovations to stimulate oil production and enhance oil recovery
- take measures to reduce the basic production decline rate, including optimisation of the formation pressure maintenance system

Production

In 2021, the Company produced

6.684 mt of crude oil

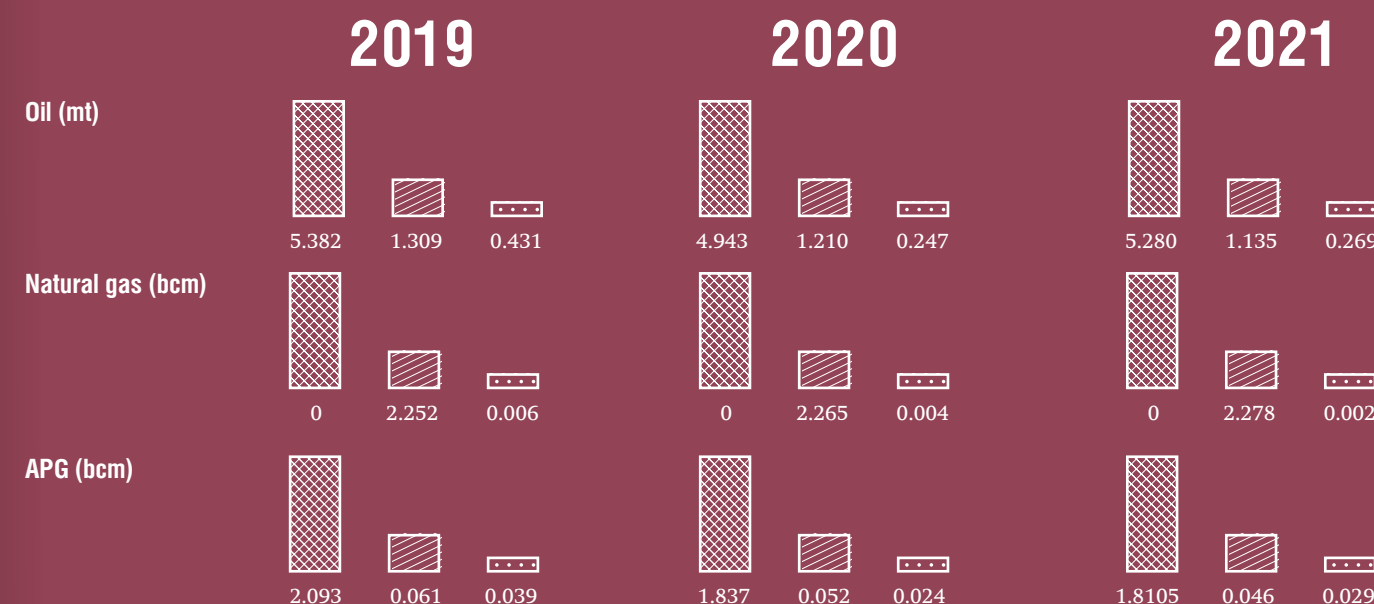
0.280 bcm of natural gas

1.885 bcm of APG
from 101 producing fields.



Production

Group	2019			2020			2021		
	Oil (mt)	Gas (bcm)	APG (bcm)	Oil (mt)	Gas (bcm)	APG (bcm)	Oil (mt)	Gas (bcm)	APG (bcm)
West Siberian	5.382	0	2.093	4.943	0	1.837	5.280	0	1.8105
Volga Region	1.309	0.252	0.061	1.210	0.265	0.052	1.135	0.278	0.046
Central Siberian	0.431	0.006	0.039	0.247	0.004	0.024	0.269	0.002	0.029
Total	7.122	0.258	2.193	6.400	0.269	1.913	6.684	0.280	1.885



Average daily production of oil, tonnes/day

Group	2019	2020	2021
West Siberian	14.745	13.505	14.466
Volga Region	3.586	3.305	3.110
Central Siberian	1.181	676	736

Year	West Siberian	Volga Region	Central Siberian
2019	14.745	3.586	1.181
2020	13.505	3.305	676
2021	14.466	3.110	736

Base production

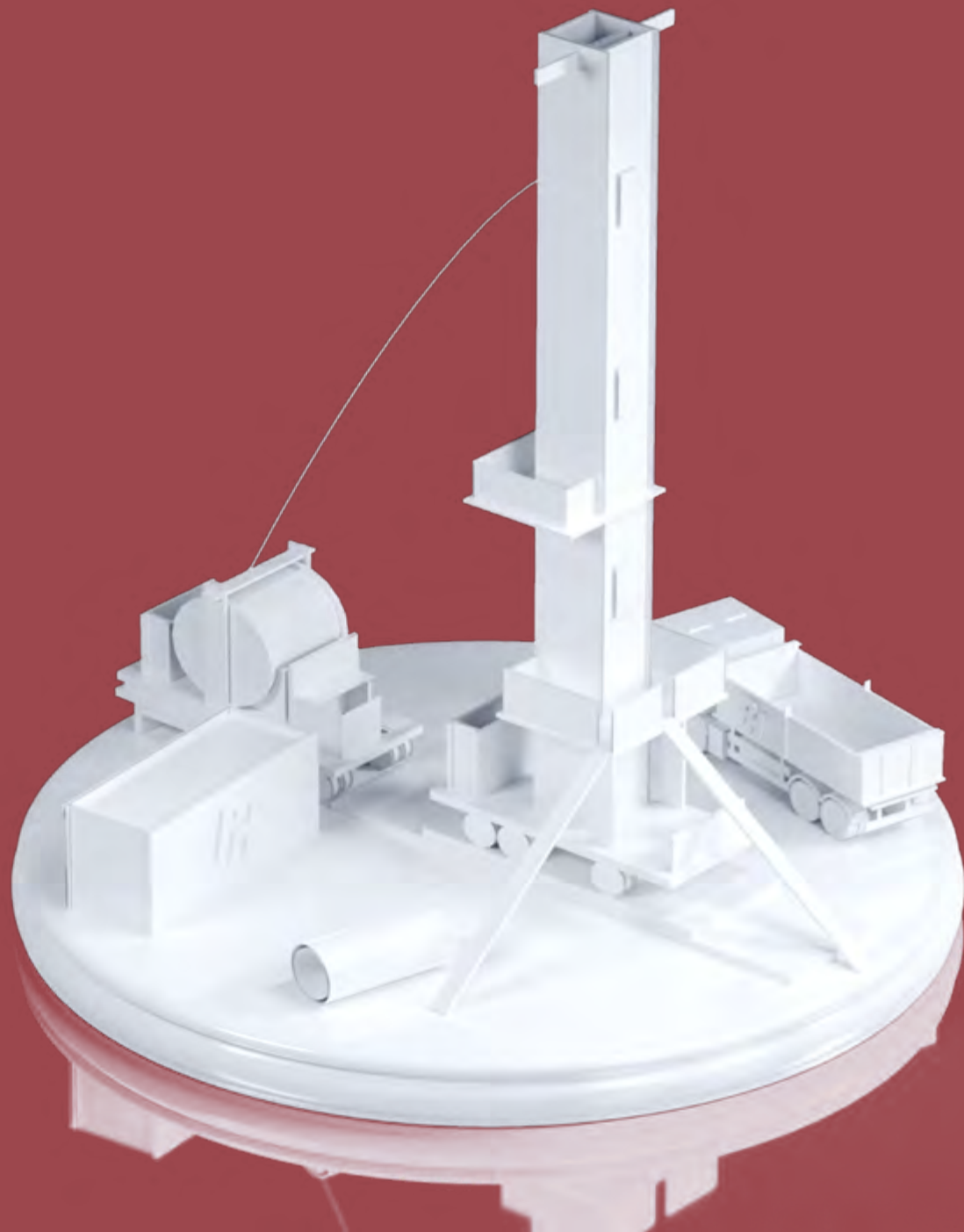
Measures taken by the Company in 2021 slowed down the decline in base production by **16% (4.5 pp)** compared to 2020 (which marked a record low for the last decade). Over the last three years, our Comprehensive Field Development Optimisation System of well interventions has allowed us to reduce the production decline rate by over **25%** (by an average of 3.00 pp annually).

The Company expects to sustain the rate achieved throughout 2022.

Drilling

We build many new wells to access untapped reserves.

By the end of 2021, 113 new wells (104 oil wells and 9 water wells) were commissioned – more than in 2020 due to the resumed development of the Achimov deposits at the Tagrinskoye field.



New oil wells

Group	2018	2019	2020	2021
West Siberian	130	147 (incl. 4 water wells)	83 (incl. 7 water wells)	113 (incl. 9 water wells)
Volga Region	3	1	0	0
Central Siberian	1 (plus exploratory well No. 23R)	0	0	0
Total	134 (plus exploratory well No. 23R)	148 (incl. 4 water wells)	83 (incl. 7 water wells)	113 (incl. 9 water wells)

Future projects

In 2021, the oil market environment was more favourable than in 2020. With higher hydrocarbon prices and relaxation of OPEC+ output curbs, we were able to first stabilise and then increase production by the year-end. Yet we remained focused on maximising marginal production while optimising costs. Our further strategy is to ensure long-term sustainable development. According to the long-term forecast, annual production may be increased, reaching a peak of 8 million tonnes by 2028.

Every year, in addition to development drilling of our licensed greenfields, we implement an intensive GE programme. Our resource base will be built up in the mid-term with hard-to-recover and unconventional reserves. This way, we will be able to promptly prioritise projects in order to select the most attractive and promising ones.

This includes both 2D and 3D seismic surveys and exploratory drilling. In the near future, we expect to proceed with 3D seismic surveys at the Vostochno-Kamennoye and Tagrinskoye field flanks, and in the Vostochno-Kalinovy licensed area to verify the reserves structure and support the development drilling. Exploratory drilling is scheduled in the Soboliny licensed area and Zapadno-Vishnevsky licensed area in the Saratov Region.

In the medium term, we will build up our reserve base mostly through:

- Updating our existing reserves (verifying deposit boundaries, identifying and documenting previously-overlooked deposits)
- Additions resulting from GE programmes
- Non-organic growth through acquisitions

Brownfields

Verkhne-Shapshinskoye field

The oil-bearing capacity of the Verkhne-Shapshinskoye field is proven in the Neocomian deposits and the Bazhenov suite. The reserves of this low-permeable deposit qualify for substantial benefits in terms of mineral tax treatment.

According to our 2021 current reserves estimates for the Verkhne-Shapshinskoye field, the aggregate increase in the oil reserves of the Verkhne-Shapshinskoye field is **2.3 million tonnes**. **47 wells** were commissioned at the Achimov deposits, including **25 wells** where horizontal drilling and multi-stage hydraulic fracturing were implemented.

In 2022, we will continue commercial development of the Achimov deposits and will commission **32 wells**, including **20** horizontal and **12** directional wells.

We are also implementing a programme to develop non-producing reserves in the AS 12 group, which also enjoy preferential tax treatment. The plan is to use a mobile oil rig to build and commission **13 wells**, including eight MSHF horizontal wells.

We plan to commission a total of **50 wells** in 2022 at the Verkhne-Shapshinskoye field to produce over **292,500 tonnes of oil**.

Further deposit development will involve drilling in the southern part of the Achimov formation, and selective infill drilling of the AS formation remaining reserves.

The exploration of hard-to-recover reserves of the Ach-Nizhny deposit has slowed due to OPEC+ restrictions in 2020–2021.

Sredne-Shapshinskoye field

The commercial oil-bearing capacity of the Sredne-Shapshinskoye field has been proved in the AS12/3-5 formation deposits, the Achimov formation, and the Bazhenov suite.

Based on available data and results obtained, we decided to continue exploration and commercial development of the Bazhenov suite. We are actively expanding our competencies in the commercial exploration and development of hard-to-recover and unconventional reserves in the Bazhenov suite. In particular, a cross-disciplinary task-force consisting of geologists and developers has been formed within the production block. To cover the analytical part of work, partnerships are being built with industry players who have experience with the Bazhenov suite.

Within the next three years, the Company is planning to implement a number of experimental drilling and development programmes in the Bazhenov suite of the Sredne-Shapshinskoye field. The site has already been identified for this purpose, and the Company has proceeded with a detailed design and engineering feasibility study for the project.

Tagrinskoye field

The Tagrinskoye field is our key project in terms of development of hard-to-recover reserves of the Achimov deposits using MSHF techniques.

Recalculation performed in 2021 produced a **2.7 million tonne** aggregate increase in the oil reserves of the Tagrinskoye field.

In the reporting year, **50 wells** were commissioned, including **47 wells** where horizontal drilling and multi-stage hydraulic fracturing were implemented.

In 2022, we will continue commercial development of the Achimov deposits and will commission **36 wells**, including **32 wells** with up to **1,500 m** horizontal drilling, to produce over **280,100 tonnes of oil**.

Further development of this field will involve finishing drilling in the south-eastern and western regions of the Achimov formation, as well as localised drilling and sidetracking in other areas where residual reserves are located.

Zapadno-Varioganskoye field

In terms of its resource potential (**56 million tonnes**), the Zapadno-Varioganskoye field is the fourth-largest asset in the Company's structure. Hard-to-recover reserves account for **21%**.

The reserves are concentrated in the Lower Cretaceous Achimov, Vasyugan, and Tyumen deposits. In addition to deposits in Tyumen reservoirs, a hard-to-recover deposit is Novosardakovskaya, a Vasyugan deposit that offers significant promise for increasing oil output at the field. The deposit is eligible for MET benefits with a Kd coefficient of **0.2**, and **19 wells** are expected to be drilled there over the next three years. Over the next five years, **56** new wells and **47** sidetrack/horizontal sidetrack wells will be drilled within the boundaries of the Zapadno-Varioganskoye field. This programme will allow the Company to double the field output by 2025.

Greenfields

Vostochno-Kamennoye field (Vodorazdelny licensed area) Major Project

In 2021, the Company completed the laboratory work for a CDP-3D seismic survey, which involved processing and interpreting seismic data for the area of **160 sq km** and **729 linear metres**. An additional exploration programme is currently in the pipeline. In the 2022–2023 surveying season, the Company expects to carry out a CDP-3D seismic survey covering **160 sq km** on the left bank of the Ob river.

In 2021, as part of the experimental programme, five new prospecting wells were drilled at the field, including two horizontal ones. In four wells, core was sampled within the boundaries of productive sediments of the Vikulovo and Tyumen suites in order to study the permeability and porosity of the rocks and determine if these reserves are eligible for MET benefits with a Kd coefficient of **0.2**. From January 2022, the Company expects to proceed with hydraulic fracturing and, later, development.

Development drilling and production are scheduled to commence in 2023, with peak annual production of 1.5 million tonnes to be reached in 2029.

Khanty-Mansi field

We processed and interpreted data from an earlier 2D seismic survey to identify areas for further study and a detailed 3D seismic survey for Paleozoic deposits. Exploratory drilling is planned to be carried out in the future.

The estimated increase in reserves is **3 million tonnes**.

Zapado-Sobolinaya field

Based on the completed 3D seismic survey, exploratory drilling is planned at the Zapadno-Sobolinaya field, which is considered the most promising for further exploration. In 2024, the Company expects to drill an exploratory well to be used for commercial development. Upon completion of the exploration programme, we expect to add **2.184 million tonnes** to our resource potential.

Tagrinskoye field flanks and Vostochno-Kalinovy licensed area

RussNeft is licensed to develop a plot adjacent to the east side of the Tagrinskoye field (Tagrinskoye field flanks) and the area to the south of it (the Vostochno-Kalinovy field).

According to current reserves estimates for the said plots, potential high-margin B2 reserves in the southern reservoir of the Ach-Tagrinskoye field, which extends beyond the boundaries of the Tagrinskoye licensed area and into the areas in question, amount to over **10.4 million tonnes**.

In 2020–2021, CDP-3D seismic surveys covering **280 sq km** were carried out at the flanks of the Tagrinskoye field of the Khanty-Mansi Autonomous District – Yugra and laboratory work performed to process and interpret the seismic materials and well data. This has enabled us to plan production drilling for the medium-term future (2022–2024).

Crude oil and gas sales

Gas

In 2021, our domestic market sales of natural gas and APG were on a par with 2020, amounting to **2.0 bcm**.

The Volga Federal District purchased 14.3% (0.286 bcm) of our total supplies, including **0.155 bcm** sold to Gazprom's subsidiaries.

The other **85.7% (1.7 bcm)** of our gas sales were to the Ural and Siberian Federal Districts. The key customer there was SIBUR Holding, which purchased **1.5 bcm** of gas under its long-term contract with RussNeft.

Crude oil Domestic market

In 2021, our domestic crude oil sales totalled **5.3 million tonnes**: the Afipsky Refinery purchased **2.5 million tonnes of oil**, and the remaining **2.8 million tonnes** were supplied to the following refineries:

- Gazpromneft – Omsk Oil Refinery
- Saratov Oil Refinery
- Yaya Oil Refinery
- Tomskneftepererabotka
- Slavyansk ECO
- Anzherskaya Oil and Gas Company
- VPK-Oil
- Itatsky Oil Refinery.

All supplies are based on long-term arm's-length contracts, which may be revised in response to abrupt changes in the market environment.

In addition to oil, in the reporting year we sold **23,000 tonnes of stable gas** condensate to refineries.

Exports Non-CIS countries

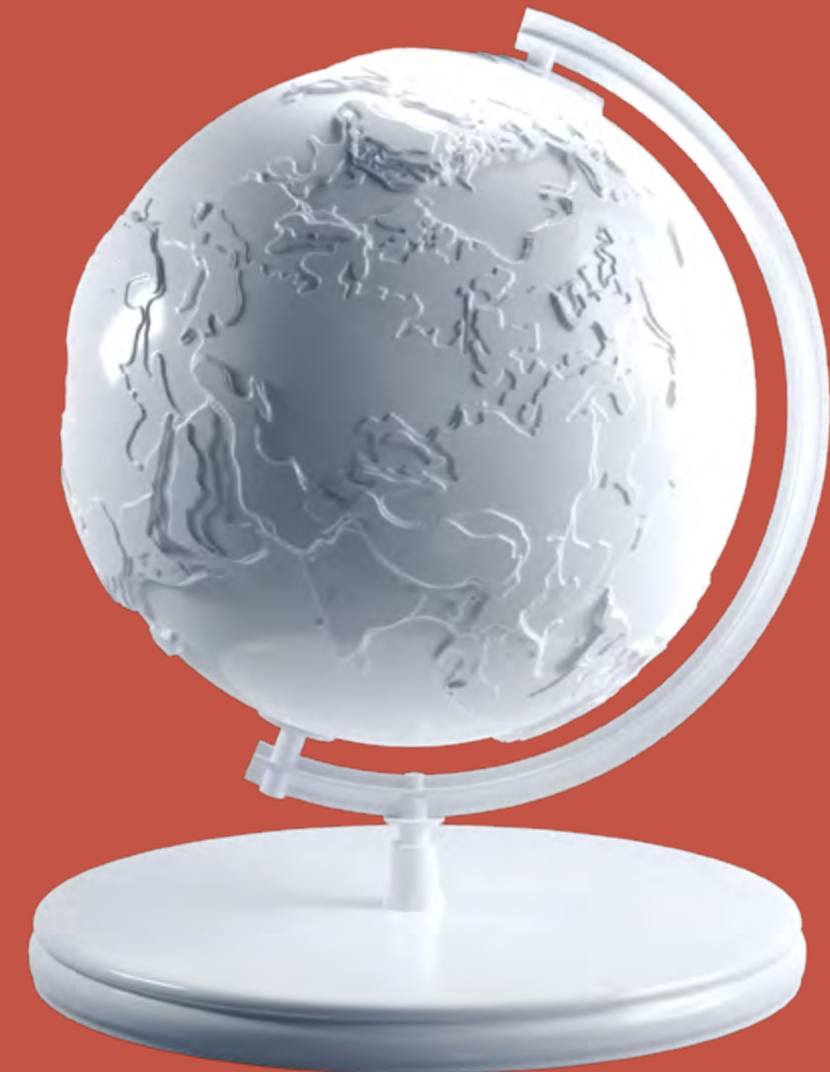
We export oil via the Black Sea port of Novorossiysk and the Baltic Sea ports of Ust-Luga and Primorsk.

Export shipments to Germany and Poland are by trunk oil pipelines.

In 2021, we supplied **1.73 million tonnes of oil** to non-CIS countries. Oil trader Glencore remains our key business partner in export shipping. We cooperate under an arm's-length contract, the key terms and conditions of which are revised from time to time.

CIS countries

In the first six months of 2021, we supplied **118.73 tonnes of oil** to Belarusian refineries.



2021 milestones

Production

1. In 2021, RussNeft produced **6.683 million tonnes** of crude oil, including **3.507 million tonnes** from hard-to-recover deposits. Hard-to-recover deposits accounted for **52%** of our total output. Overall crude oil output was up **4.4%** year-on-year, while output from hard-to-recover deposits grew by **15%**. For comparison, in 2020 RussNeft produced **6.4 million tonnes**, including **3.053 million tonnes** from hard-to-recover deposits (**48%**).

2. In 2021, RussNeft produced **2.165 bcm of gas**, including **0.28 bcm of natural gas** and **1.8848 bcm of APG**. APG utilisation was **96.6%**. For comparison, in 2020 gas output was **2.182 bcm**.

Geology and development

1. In 2021, the Company moved to an active stage in an investment project for the development of the Vostochno-Kamennoye field.

A number of wells were drilled, and core was sampled from the Tyumen and Vikulovo suite sediments. Overall, in 2021, **353 linear metres** were sampled, comprising **298 linear metres** from the Tyumen suite sediments and **55 linear metres** from the Vikulovo suite sediments. To date, petrophysical evaluation has been completed for rocks sampled from well no. **156**; core sampled at well nos. **154** and **132** is still being analysed.

2. To enhance the economic performance of the project, which is currently pending before the reserves commission, in 2021 RussNeft carried out a current estimation of reserves for the Vostochno-Kamennoye field, in order to justify the claim that its Tyumen suite deposits qualify for tax benefit. The Company will be relying on the results of this estimation to prove that the project with its reservoir permeability is eligible for tax benefit.

3. Solutions introduced to improve the efficiency of the Achimov deposit development at the Tagrinskoye field (increasing the average horizontal shaft length to **900 m** for newly drilled wells) delivered good results. On average, for wells with a **900 m** long horizontal shaft, the initial oil production rate was **150 tonnes per day** in 2021.

4. As the Company proceeded with intensive development drilling in the Tagrinskoye licensed area, completed a CDP-3D seismic survey at a Tagrinskoye field flank, and processed and interpreted the survey findings, it was able to update the geological map of the respective deposits and enhance the drilling programme for 2021–2024. Between 2022 and 2024, the Company expects to use its two-string well construction programme to drill new wells with up to **1,500 m** horizontal sections. The forecast oil production rate for such wells is **150 tonnes** per day. This programme also made it possible to make a preliminary prediction of the prospective output of the Achimov deposits in the Vostochno-Kalinovy licensed area. In order to provide a more detailed forecast of the Achimov strata distribution and oil-bearing capacity, RussNeft plans to continue its exploration of the area.

5. In 2021, we optimised the horizontal well spacing pattern for the Verkhne-Shapshinskoye field. Over time, this will allow us to improve the economic efficiency of drilling along the edges of AS12/3-5 and Ach-Nizhny deposits. We have developed a programme for well reconstruction by sidetracking. The programme will kick off in 2022 and will target eight wells.

Earlier laboratory processing of seismic data allowed us to obtain a clearer view of the AS deposit geological composition for the Verkhne-Shapshinskoye field and significantly expand our infill drilling programme using a mobile drilling rig. This programme is expected to yield approximately **40,000 tonnes of oil**. The three-year business plan covers **5 pads**.

6. Starting from 2021, we have been working on the details of the project to begin the development of the Bazhenov suite of the Shapshinskaya group of fields. Once we proceed with the large-scale implementation of this project, we will be able to tap into the significant additional reserves qualifying for tax benefits.

7. Having completed its comprehensive base production management programme, in 2021 RussNeft expects the base production decline to slow down by **4.5%** compared with 2020.

Our efforts in this area over the last five years reduced the annual base production reduction rate by **9%**.

Subsoil Use

1. In 2021, RussNeft obtained subsoil license KhMN 03740 NP dated November 9, 2021 allowing it to carry out geological surveys, including mineral resources exploration and reserves estimation, on the subsoil plot along the lower horizons of the Nizhne-Shapshinskoye field. According to preliminary estimates, this will add over 10 million tonnes of recoverable oil reserves to our resource base.
2. The Company was granted subsoil use license KhMN 03745 NR dated November 16, 2021 at an auction, allowing it to carry out geological surveys, including reserves exploration and estimations, as well as mineral resources exploration and extraction within the boundaries of the Snegiriny 3 subsoil plot in the Khanty-Mansi Autonomous District – Yugra.
3. With a view to building up its resource base, RussNeft has been reviewing the boundaries of the Tagrinsky and Yuzhno-Yarainersky subsoil plots in order to include within its licensed areas hard-to-recover deposits in the Tagrinskoye field that have not yet been licensed out.

Drilling

1. The Company has started drilling production wells at the Vostochno-Kamennoye field using a mobile drilling rig. In 2021, it drilled four wells, including three directional wells and one 700 m long horizontal well. We have improved our two-string well design by adding a 114 mm section for horizontal sections, allowing us to drill deeper wells without changing the type of drilling rig.

The two-string design was first used by RussNeft's Khanty-Mansiysk branch to sink well no. 2118 of pad 9 at the Verkhne-Shapshinskoye field. The horizontal section is 1,037 m long.

At the Tagrinskoye field, we achieved record drilling depth (4,385 metres) and horizontal section length (1,300 m) for a two-string design (Tagrinskoye field well nos. 42485/406 and 48357/14a). At the Verkhne-Shapshinskoye field, the maximum drilling depth of 4,413 metres was achieved for well no. 4253/23 with a 168 x 114 mm design.

2. Two wells were sunk on pad 23 of the Verkhne-Shapshinskoye field using a small-size rotary steerable system with a maximum length of 1,179 metres for the horizontal section. 12 fracports were installed in the wells.
3. In January 2021, the Company achieved the pre-pandemic development drilling level of 14 active drilling crews.
4. In 2021, the Company completed 115 wells, 37 more than in 2020.
5. We successfully completed our experimental programme using a small-size fracturing device (stringer) for hydraulic fracturing in two-string wells.
6. At the Tagrinskoye field, we have planned an experimental programme using CemRit for well completion, which improves the reliability of the dual stage cementing collar (DSCC) in the plugging process for new wells.

7. For the Tagrinskoye field, an experimental programme has been developed to drill wells with up to 1,500 m horizontal sections.
8. We have continued improving the sidetracking processes, which has allowed us to lengthen the horizontal section beyond 500 m.

Well interventions and improving operating efficiency for mature fields

1. In 2021, the Company performed **502 well** interventions (with sidetracking) on declining well stock, while producing an extra **480,000 tonnes of oil**, up **20%** in quantitative terms and up 35% in terms of extra oil output compared to 2020.

2. Our Nizhnevartovsk branch is implementing a project for well inspections and interventions on the BV3 formation of the Varioganskoye field. After 42 manipulations were performed, the total flow rate increase reached **728 tonnes per day**, and cumulative production was recorded at **68,000 tonnes**.

Technologies have been tested on depleted sites of the BV4 formation of the Varioganskoye field and BV8/1 formation of the Tagrinskoye field. Seven interventions were carried out with total output increase at launch of over **180 tonnes per day**. For the first time in fifteen years, we achieved a 95 tonnes per day increase as a result of well intervention and recompletion. Cumulative oil production worked out at **7,600 tonnes**.

3. On horizontal wells of the Tagrinskoye field, we have introduced well acidizing to stimulate oil influx. **34 well** interventions were completed, yielding a total flow rate increase at launch of **181 tonnes per day**, and incremental oil production of **14,100 tonnes** with NPV of **RUB 255.4 million**. This technology was then used by the Khanty-Mansiysk branch to carry out **12 interventions**. As a result we expect to add **16,000 tonnes of oil**.

4. Using well sidetracking at the YuV1-2 formations of the Tagrinskoye field, we achieved a record-high flow rate increase of **130 tonnes per day**. Currently, the Company is working on a target programme that will involve seven sidetracking operations in this area.

5. The Khanty-Mansiysk branch has developed and approved an extended three-year target sidetracking programme. It involves drilling **27 sidetracks** to produce an extra **690,000 tonnes of oil**.

6. We have performed high-consumption large-volume hydrochloric acid treatment on carbonate reservoirs of the Ulyanovsk branch. Expected incremental oil production will amount to approximately **14,000 tonnes**.

Well stimulation technologies

1. In 2021, we started using SendRIT (fractionated silica sand) as a proppant, allowing us to reduce well intervention costs by **10%**. Currently, SendRIT accounts for **20-25%** of the total injected proppant volume.
2. In 2021, we successfully completed an experimental programme using an improved-design stinger to develop new **146 x 114 mm wells**. The modified polished-bore receptacle and stinger assembly allowed us to skip production string reaming while the dual stage cementing collar (DSCC) was being installed. As a result, well development time was reduced by three days. The Company has already been rolling out this stinger modification.
3. Over 2021, the Company completed approx. **860 stages of well intervention**, injecting approximately **58,000 tonnes of proppant**.

Pumping well operation technologies

1. In the light of the 2021 overhaul period estimate of **682 days**, the actual overhaul period was **695 days**. We consistently continue to introduce internally-coated tubing hangers from the world's leading manufacturers for use in artificial-lift wells. In 2021, **311 wells** were fitted with protected tubing, allowing us to prevent complications from corrosion and ARPD and reduce operating costs. The 2021 results are more than five times greater than the respective 2019 indicator (when **55 hangers** were introduced) and **1.5 times** greater than the 2020 indicator (when **190 hangers** were installed).

Pumping wells are operated in accordance with local regulations and annual programmes of organisational and engineering activities, which have a direct impact on the longer overhaul period for wells, smaller number of failures, and reduced well service frequency.

Organisational and Engineering Advancement Programme and production costs optimisation

1. Under the Organisational and Engineering Advancement Programme (OEAP), in 2021 the resulting performance reached **RUB 2.4 billion**, with the cumulative total at **RUB 9.3 billion** (including results achieved under the earlier operational improvement programme [OIP] between 2017 and 2021).
2. As part of its transition to a branch-based structure, on March 1, 2021 RussNeft reorganised Varioganneft PJSC and MPK Aganskneftegaz JSC into its Nizhnevartovsk branch. This saved the cost of maintaining the ANGG office.

Infrastructure development

1. In 2021, RussNeft's capital construction block achieved the following results:
 - **66.04 km** of oil- and gas-gathering pipelines constructed
 - **27.71 km** of power transmission lines constructed
 - **11.24 km** of on-site roads constructed
 - **5 new** pads constructed, and **8 existing pads** expanded
 - **14 well** pads set up
 - forest restored on **226 hectares**, **906 pine** seedlings planted.
 2. As part of the technical upgrade programme for the Vostochno-Kamennoye field development, RussNeft's Khanty-Mansiysk branch obtained from Transneft a revised version of the specifications for a tank park set up. This will allow the SIKN **596 oil metering station** capacity to be increased from **0.8** to **2 million tonnes of oil per year**.
- The construction of the **19 km** high-pressure oil pipeline connecting the Vostochno-Kamennoye field oil treatment facility to the oil loading station in Kamenny village has reached its final stage.
3. The Ulyanovsk branch chemical laboratory was accredited by the Russian Federal Accreditation Service (Rosakkreditatsiya) to carry out all necessary tests at its own testing facility, without engaging Transneft's services.
 4. To improve the oil shipment capabilities of its Nizhnevartovsk branch, RussNeft has been designing a **36 km** pipeline to connect Varioganneft's central processing facility (**DN 325 mm**) to the tie-in point in the Booster Pump Station **3 pipeline (DN 426 mm)** at the Roslavlskoye field and developing a renovation project for the **22 km** Booster Pump Station 3 pipeline in the Roslavlskoye field.
 5. The Saratov branch has completed the project for upgrading commercial-grade gas to the quality standards required by Gazprom's standardisation system. The BKM-OS-900 gas treatment unit was commissioned. Gas deliveries to Gazprom's gas transmission system have resumed from the Vostochnaya-Rybushka gathering station.

6. The Company has greenlighted an equipment upgrade project for the Saratov branch's Stepnovskaya booster station. Tomskaya Neft's booster station was renovated and relocated to the Saratov branch facility.

HSE

1. As a responsible subsoil user, RussNeft is committed to compliance with all applicable health, safety, and environmental requirements under the law.
2. While transitioning to a branch-based structure, the Company has continued its efforts to have all relevant authorisations reissued in the name of RussNeft PJSC. To name just a few of the most significant of these: the Company has obtained a waste management licence for the Saratov branch facilities and nuclear power use licences, and developed maximum permissible emission specifications (**41 documents in all**) and waste generation and disposal standards (**40 documents**) for the Saratov branch as a category I negative environmental impact facility. The Nizhnevartovsk branch has been licensed to carry out medical activities, and renewed six permissible emission specifications, **13** waste generation and disposal standards, and **13** environment monitoring programmes.
3. The Company's HSE team has developed, and obtained approvals from the appropriate government authorities for, Operating Procedures for the Verkhnee Dvuobye wetlands to regulate operations in the watershed subsoil areas of the Khanty-Mansiysk branch.

Financial performance

Financial Highlights RUB bn	2021	2020	YOY
Revenue	269.4	133.2	102%
EBITDA ¹	73.4	27.0	172%
Profit attributable to shareholders of the Parent Company	32.4	(17.0)	291%
Adjusted profit ¹	41.4	(24.0)	272%

The revenue increased due to a rise of oil prices (on the average, Urals cost USD 69.1 per barrel in 2021 vs USD 41.4 per barrel in 2020) and higher resale earnings (RUB 32.5 billion), despite insignificant production growth (284,000 tonnes or 4 %) and the devaluation of the Russian ruble.

EBITDA was mainly determined by the growing revenue (RUB 136 billion up) and profit margin. In view of rising oil prices, mineral tax and export duty payments also increased and had a positive budgetary effect.

The change in adjusted profit resulted from a significant increase in EBITDA (RUB 46.4 billion up) and decrease in operating expenses (RUB 28 billion up) thanks to, inter alia, financial asset reserves (RUB 26 billion up) along with and a concurrent increase in income tax payments (RUB 13.4 billion down).

¹Net of foreign exchange gain/loss and gain from revaluation of financial instruments under the IFRS.

Debt Portfolio

As at 31 December 2021, total principal owed by the Company to CQUR Bank LLC amounted to RUB 80.305 billion (USD 1.081 billion). Since March 2021, the Company paid USD 91 million (in equal quarterly installments) against its principal debt. RussNeft was performing all its obligations with respect to that loan in time and in full. As at 31

December 2021, we had no outstanding debt to the creditor.

Credit rating

MOODY'S

Moody's Investors Service

Caa2

(negative outlook)

According to Moody's Investors Service, in 2021 RussNeft's credit rating remained downgraded (Caa2). The Company, however, was able to materially improve its financial performance: high oil prices, sustainably weak national currency, and less stringent OPEC+ production restrictions had a positive effect on the Company's cash flow. Moody's attributes high value to the Company's sustainable output and large reserves, which meet the criteria for Baa rating.

Over 2021, RussNeft reduced its debt burden by USD 91 million. The resulting increase in its free cashflow allowed it to fully discharge its obligations in a timely manner.

CHAPTER 3

BE RESPONSIBLE TOWARDS OUR PLANET

“Nothing prevents a person from becoming smarter tomorrow than he was yesterday.”

— Pyotr Kapitsa

Mendeleev once compared burning oil to heating a stove with banknotes, and, in 2021, his words have a whole new meaning. Active use of hydrocarbons across many industries throughout the 20th century has raised a question of the price mankind will have to pay for such use in the future.

Today, rapid growth is inconceivable without hydrocarbon transformation. In 2021, RussNeft unveiled its Greenhouse Gas Reduction Strategy. By 2030, we expect to cut greenhouse gas emissions by 10% while improving our production process to reduce our environmental footprint.

ESG management system

An important change in the ESG management system in 2021 was the reinforcement of control over environmental and climate-change issues. The Board of Directors and the Company's management focus on ESG issues in the Company's long-term strategy. In order to implement the carbon reduction strategy, our management sets relevant goals and tasks, allocates the organisational and financial resources necessary for achieving these, and monitors and analyses ESG activities in the Company.

Key programmes to reduce greenhouse gas emissions

RussNeft's activities in the area of greenhouse gas emission reduction are based on its experience of implementing low-carbon projects comparable to those implemented by leading oil and gas companies.

As part of its activities, RussNeft is developing the Climate Strategy and establishing the 2030 targets for reducing greenhouse gas emissions. The Company plans to reduce controlled emissions by **10%** compared to 2019. This is equivalent to cutting gross greenhouse gas emissions by **140,000 tonnes** under comparable conditions.

Associated petroleum gas (APG) utilisation

RussNeft uses associated petroleum gas to generate thermal and electric power for own consumption. APG is also supplied to third parties' gas processing plants and gas transportation systems. As a result, our APG utilisation rate is **over 95%**. As prescribed by our Investment Gas Programme, relevant efforts continue at the new fields, which once implemented will increase the associated petroleum gas utilisation rate to the maximum level possible under our current technologies.

Improving energy efficiency

Improvement of energy efficiency is part of RussNeft's strategy to reduce greenhouse gas emission. The efforts needed are set out in detail in the Energy Saving and Energy Efficiency Programme, designed to achieve more efficient use of energy and reduce energy losses through the implementation of relevant annual measures, optimisation of oil and gas production and treatment equipment, and reduction of greenhouse gas emissions.

Reforestation

RussNeft compensates for its emissions by implementing major reforestation projects. Thus, the Reforestation Action Plan provides for planting **2 million** trees between 2020 and 2024, to absorb **493 tonnes of CO²** per year from 2024.

New areas

As part of compensatory measures and greenhouse gas emission reduction activities, RussNeft is looking for optimal technological solutions to capture CO² and inject it into reservoirs.

ESG and employee care

The year 2021 confirmed the critical importance of joining forces to combat the COVID-19 pandemic. The Company's comprehensive anti-COVID-19 programme is aimed at protecting the employees, ensuring the continuity of production, and maintaining the Company's financial stability.

From the start of the pandemic to the present, RussNeft has been doing its best to protect the life and health of its employees, their families, local communities, clients and partners.

The Company's priorities remain the following:

- creating a safe environment at its facilities through a system of regular mandatory testing;
- creating observatories where rotation personnel are quarantined before entering the field;
- transitioning a proportion of employees to working from home;
- cooperating with municipalities at production locations, with the aim of vaccinating the Company's employees and contractors.

RussNeft continues to help the indigenous minorities of the North by working with municipalities to procure equipment for medical facilities and assist vulnerable populations, participating in joint educational projects, and promoting healthy lifestyles and sports activities.

The Company plans to continue taking all necessary measures to implement its ESG Strategy, taking into account current Russian legislation on disclosure of non-financial information.

In 2022–2024 it is planned to establish a Committee reporting to the Company's Board of Directors to address ESG and transparency issues.

RussNeft will disclose the list of existing measures and plans that help to fight climate change and will continue to improve ESG disclosure.

The success of the Company is determined not only by its production figures, but also by the value created for society in general. The Company is always striving for more and will continue to contribute in a meaningful way towards environmental preservation and social development.

Stakeholder engagement

RussNeft is constantly improving the openness and transparency of information about its activities. It is in the Company's interests to maintain a mutually beneficial cooperation with its stakeholders. Meaningful cooperation exists at all management levels.

The Company has in place a Procedure for disclosing information to stakeholders, approved in 2020.

The Company's stakeholders:

Group of stakeholders	Form of interaction
Investment community (shareholders, investors, analysts, rating agencies)	<ul style="list-style-type: none"> • Publishing reports on the Company's website and at the Interfax Corporate Information Disclosure Centre • General meetings of shareholders • Meetings of the Board of Directors and its Committees • Communicating with minority shareholders about exercising their rights • Publishing reference materials and presentations on the Company's website • Meetings and teleconferences with analysts and investors • Providing answers to questions asked by analysts and investors • Providing information to rating agencies
Creditors	<ul style="list-style-type: none"> • Meetings and negotiations with creditors and rating agencies • Disclosure of information about the debt portfolio and debt policy in the Company's financial reports and annual reports
Company employees	<ul style="list-style-type: none"> • Employee motivation system • Employee training and continuing professional development • Mandatory health checks • Sports and cultural events • Employee social security: voluntary healthcare insurance, accident insurance, non-state pension arrangements • Preventing the spread of COVID-19 among employees and voluntary vaccination
Professional associations	<ul style="list-style-type: none"> • Regular meetings • Disclosure of information on the Company's website
Suppliers and contractors	<ul style="list-style-type: none"> • Transparency, absence of any discrimination or unreasonable restraints on competition for bidders • Compliance with environmental and industrial safety requirements on the part of suppliers; establishing long-term relationships with counterparties

State administration bodies (the Government of Russia, industrial regulatory bodies and organisations, ministries and departments, regional government agencies)

- Cooperating within the framework of existing regulations
- Registering and posting information in the Fuel Energy Complex State Information System

State regulatory and supervisory bodies

- Regular inspections
- Regular meetings and collaboration

Local government bodies

- Cooperation agreements
- Social and charity programmes
- Public consultations to assess the environmental impact of new projects

Population in the regions of operation (including indigenous minorities, as well as civil society organisations)

- Social and charity programmes
- Public consultations
- Mass media releases

Business communities

- Public events (forums, conferences, etc.)

Social and charitable organisations

- Collaboration within the framework of social projects
- Cooperation agreements

Educational establishments (higher education institutions etc.)

- Employee training, additional training and continuing professional development

Mass media

- Prompt dissemination of information messages
- Response to questions and requests from the media

Environmental protection

As a responsible subsoil user, RussNeft has been committed to compliance with environmental laws and international treaties and conventions. Our environmental safety policy focuses on: sustainable use of natural resources; implementation of resource-saving technologies, innovative materials, and scientific advances; and ensuring the reliability of production processes and safe, fault-free operation of production equipment.

RussNeft has been implementing comprehensive projects for utilisation of associated petroleum gas, prevention of pipeline ruptures and failures, rehabilitation of lands and sludge pits. It has introduced advanced solutions to enable safe accumulation, storage, and disposal of production and consumption wastes. Within the boundaries of its licensed sites, RussNeft conducts environmental and in-process monitoring to assess and control the environmental impact of its production activities.

The Company encourages each employee to be environmentally responsible, to comply with environmental standards, and to use natural resources in a sustainable manner, in order to preserve biodiversity and the environment for future generations.

Environmental measures financed by RussNeft every year help to improve environmental quality in oil production areas, renovate older production facilities, and upgrade equipment.

SOILS



RussNeft aims at reducing environmental pressure on the soil as much as possible and minimising damage to land resources.

The Company rehabilitates oil-contaminated land and sludge pits, in each case subject to the specifics of the particular plot of land. Land damaged in the process of production is reclaimed by the State when it can once again be used for its original purpose and is promptly reclassified as forest land of the Russian Federation.

We have implemented the Old Sludge Pit Liquidation Programme. In 2021, three pits were liquidated at the Tagrinskoye field and a temporary sludge pit at the Marovaya field in the Sobolinoye area in Kargasok District of the Tomsk Region with project costs of RUB 17.385 million. Four more sites are scheduled for liquidation under the Programme in 2022.

The Company takes all necessary steps to prevent and reduce the number of ruptures in oil-gathering systems in its licensed areas. Improved corrosion-resistant pipes, such as pipes with an internal corrosion-resistant coating, are used in such systems. For upstream pipelines situated in high environmental risk areas, the Company uses corrosion inhibitors, taking into account the exposure to corrosive fluids and the results of in-line diagnostics.

The corrosion monitoring and pipeline diagnostics system created to prevent oil spills includes such methods and tools as:

1.1. Non-destructive tests:

- ultrasonic inspections,
- radiographic inspections,
- liquid penetrant inspections,
- visual inspections and measurements.

1.2. Destructive tests:

- hardness measurements,
- rupture tests (measurements of ultimate tensile strength, breaking stress, relative elongation).

1.3. Monitoring of the carrying medium and soils:

- measurements of corrosion speed (using corrosion control units),
- monitoring of soil corrosivity,
- detection of stray currents in the pipeline.

Any defects in pipeline linear sections revealed by such diagnostics are quickly rectified, enabling restoration of the pipeline stock.

AIR



Minimising the negative impact on atmospheric air is one of RussNeft's priorities in the area of environmental protection.

In order to reduce emissions of pollutants into the atmosphere, the Company is increasing energy efficiency and reducing energy losses. Planned measures developed for this purpose are aimed at optimising oil and gas production and treatment equipment and timely performance of scheduled preventive maintenance, inspections, and performance tuning on air pollution sources.

RussNeft takes all possible measures to maintain its 95% APG utilisation. The Company develops its APG sales to gas processing plants and gas engine power plants, for boiler facilities, recovery plants, oil heaters, and other production equipment.

The Investment Gas Programme includes projects for constructing and commissioning gas treatment units, compressor stations, gas pipelines, and other facilities.



CLIMATE



Sharing environmental and climate change concerns, RussNeft has actively joined the effort to manage greenhouse gas emissions. Maintaining its utilisation of associated petroleum gas (APG), reducing the APG flaring rate, improving the energy efficiency of oil production, and reducing greenhouse gas emissions have become top priorities for the Company.

In 2021, RussNeft presented its Strategy to Reduce Greenhouse Gas Emissions, providing for a 10% reduction of emissions by 2030. The Strategy includes a list of measures to be taken as a precondition for the development of short-, medium- and long-term decarbonisation programmes:

- analysis of production operations for compliance with the criteria required for greenhouse gas emission reduction projects;
- developing measures and initiatives to upgrade equipment and improve the efficiency of production processes;
- investigating available economic methods for reducing greenhouse gas emissions from sources used in production processes for their further inclusion in the Company's climate projects;
- considering a more efficient use of land and forests in areas where the Company operates.

Tackling these tasks will reduce the APG flaring rate, improve the energy efficiency of equipment used in the production, treatment and transportation of oil and gas, and increase the efficiency of the Company's own thermal and electric power generation facilities (boiler stations, gas engine power plants). Together, these steps will help reduce the negative impact on the environment and reduce the carbon footprint.

RussNeft's transition to carbon neutrality includes the development of investment programmes for optimising its production process to reduce its environmental impact. Technological solutions and instruments created under these programmes will reduce greenhouse gas emissions and help build a new low-carbon business.

WATER



RussNeft has contributed to water conservation by preventing water pollution and the depletion of bodies of water, while at the same time economising water and ensuring it is used in a sustainable way.

The Company accounts for its consumption of fresh water for domestic use and drinking and for process and production needs.

To reduce fresh-water consumption for the Company's oil producing facilities production needs, water recycling and reuse systems are used.

Formation water extracted along with oil is re-injected to maintain pressure.

WASTE



RussNeft has been actively reducing waste generation, disposal and burial. With drill cuttings accounting for a significant part of its waste, the Company uses pitless drilling in order to minimise soil degradation with drill cuttings recycled into construction materials using eco-friendly technologies.

In this way, a total of **68,070 cubic metres** of drill cuttings were recycled with project costs of **RUB 254.01 million**.

Production wastes are accumulated in dedicated areas. The duration of storage does not exceed 11 months from the moment the waste is generated; during this time, the wastes are handed over to licensed waste management organisations for treatment, recycling, decontamination, or disposal.

RussNeft and its employees regularly participate in voluntary projects and events organised as part of nationwide and municipal environmental initiatives.

- In 2021 the Company received an award in the "Best Oil and Gas Production Company in Yugra in the Area of Environmental Protection" competition (in category II, for companies producing less than five million tonnes per year).
- Employees of the Saratov branch took part in the nationwide "Russian Water" event and cleaned up the banks of the Karamysh and Sestra rivers at water extraction points. The "Russian Water" event, which has been taking place every year since 2014, brings together more than **6.2 million** people and is considered to be one of the largest environmental initiatives in the country. In May 2021, employees of the Saratov branch did several clean-ups on the Rovesnik children's wellness centre campus on the banks of the Volga and on adjacent production areas: they collected and removed household refuse, cut the grass, and raked up dead branches and leaves.
- In September 2021, employees of the Khanty-Mansiysk branch took part in the "Green Russia" nationwide environmental clean-up event in the Samarovsky Chugas natural park.
- In May 2021, a leading specialist in the Environmental Department of the Khanty-Mansiysk branch won an award at the 10th anniversary conference of young specialists working at oil production companies in the Khanty-Mansi Autonomous District. He received a monetary incentive prize from the Deputy Governor of the Khanty-Mansi Autonomous District – Yugra for his project "Management of Environmental Activities in the Business Planning Format" presented at the conference.
- In October 2021, specialists from the Ulyanovsk branch took part in the round table "Current State of the Volga Population of the Eastern Imperial Eagle: Issues and Prospects for Conservation". The participants of the round table summarised the results of activities aimed at conservation and study of the Eastern Imperial Eagle, establishing and developing a specially-protected natural area, preventing bird fatalities on electric power lines, and also discussed the cooperation plan for 2022. During the city-wide clean-up event, employees of the branch cleaned up the Oil and Gas Workers' Park.

Health and safety



In addressing health and safety issues, we have implemented and are constantly improving Workplace Safety Frameworks and Employee Health Frameworks. We have also developed and complied with internal regulations governing staff training and certification in health, workplace safety, fire safety, and safety monitoring/assurance at hazardous production facilities, incident management, and medical checkups. The Company pays special attention to workplace safety and incident-free operation. It has a system of correction and prevention actions in place to prevent such incidents in the future. The circumstances of and reasons for each incident are communicated to employees.

RussNeft practices regular mandatory medical examinations and psychiatric checkups for employees exposed to harmful and/or hazardous environments. Such employees have voluntary occupational accident and disease insurance certificates. Voluntary healthcare insurance is also available to other categories of employees.

In the reporting year, RussNeft spent more than **RUB 280 million** on health and safety activities.

With the aim of preventing the spread of the new coronavirus infection, the Company undertook a number of effective measures, such as:

- controlling compliance with sanitary and epidemiological requirements,
- mass vaccination/revaccination of employees,
- non-contact body temperature measurement,
- mandatory COVID-19 tests,
- urgent response to new cases.

The Company's expenditure on prophylaxis and COVID-19 prevention amounted to about **RUB 12 million**.

As part of optimising its corporate structure, RussNeft re-registers and insures hazardous production facilities. Licensing of activity types takes new hazardous production facilities into account.

To ensure our preparedness for accidents, fires, and other emergencies, action plans have been developed to prevent and respond to oil and oil product spills. Agreements with professional emergency rescue teams are in place.

In 2021, no fires or emergencies were reported at the Company's hazardous production facilities.

In the interest of fire safety, we:

- have set up agreements with both local EMERCOM (Russian Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters) units and specialised licensed organisations to ensure fire prevention and response at our facilities,
- upgrade our fire-fighting equipment on a timely basis to be always prepared for emergencies,
- conduct on-site fire safety briefings and drills for volunteer fire fighters
- organise fire-fighting drills, including in conjunction with local fire units, for employees and volunteer fire fighters involving fire-hazardous on-site equipment and administrative buildings. Some of these drills are carried out in conjunction with local fire brigades.

Every year, the Company carries out emergency response drills, including drills with special service providers and EMERCOM staff.

Human resources



Professionalism and commitment is a keystone ambition of our leadership and central to the Company's sustainable development.

Our HR strategy aims at acquiring and retaining talent and includes:

- making sure our HR function is up to the highest compliance standards;
- developing an efficient incentive programme
- improving labour productivity and organisational effectiveness
- providing better social security to employees
- a systematic approach to recruitment and job rotation
- continuous development for employees
- caring about and supporting the health of Company employees.

In 2021, RussNeft continued to streamline its governance and corporate frameworks to improve organisational performance. Our strategy includes certain cost-cutting measures. One of the key components in this segment is enhancing labour productivity.

We focus on acquiring, engaging and retaining the best people by respecting their interests and needs and making sure each of them is personally committed to highest performance.

To improve manageability, optimise business processes and cut costs, the Company transformed Varioganneft PJCS and MPK Aganneftegazgeologiya JSC into RussNeft's Nizhnevartovsk branch.

As part of the Nizhnevartovsk branch integration, we:

- developed and approved the branch's organisational chart and staff schedule,
- streamlined the branch's organisational structure,
- formalised employment relations with the staff within the new organisational structure,
- developed and approved by-laws governing employment relations between the Company and the branch employees
- provided HR support in documenting employment relations with the branch's employees to ensure compliance with the applicable Russian employment laws.

As a member of the Russian Union of Industrialists and Entrepreneurs task force, RussNeft participates in the Russian Trilateral Commission, contributing to the discussion of new labour laws and regulations at various stages of their drafting.

HR highlights

In 2021, the Company employed over 7,000 people, with administrative and production personnel accounting for 14% and 86%, respectively. The average headcount decreased by 6.8% in the reporting period as a result of streamlined corporate structure and management processes, which supports higher operational efficiency and labour productivity. Staff turnover in 2021 averaged 14%.

Incentive system

The employee incentive system is aligned with the Company's strategy and is designed to provide competitive compensation, retain and develop talents, and support employee career advancement and professional growth.

Since 2019, the Company and its branches have been using a unified incentive model. It includes a compensation package and a package of benefits and career and professional growth opportunities for employees. It allows us to align the Company's goals with the needs of the employees and to be flexible when implementing our HR Strategy.

RussNeft is aiming to ensure the competitiveness of its compensation system. Salaries are reviewed to reflect the dynamics of labour markets in the regions of operation and the consumer price index. The average monthly salary in the Company in 2021 amounted to RUB 62,171 — 3.1% higher than in 2020 (despite the difficult economic and market situation).

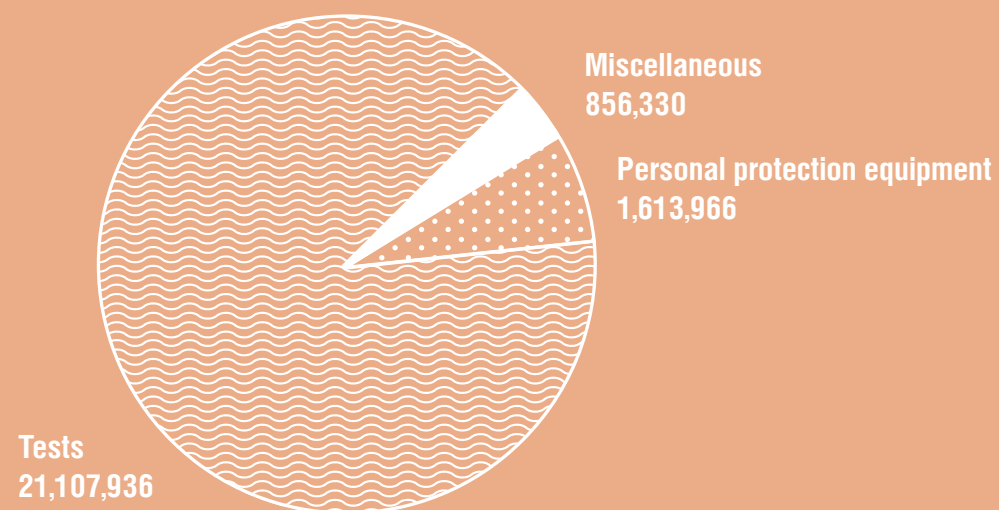
Quarantine measures and employee health protection

In 2021, we focused on combatting the spread of COVID-19.

RussNeft was able to put in place a new efficient HR management system to curb the spread of the disease within the Company and take care of each employee's health.

During the reporting year, over 9,000 tests (PCR and IgM/IgG antibody tests) were performed, including 4,500 rapid tests. The Company purchased personal protection equipment and antiseptics in the required quantities. Production and office premises were sanitised.

In 2021, 86 of the Company's employees and 579 employees at its branches became infected with and recovered from coronavirus. We provided each affected worker with all possible support. To minimise the spread of the virus within the Company and its branches/subsidiaries, we organised work from home for an average of 30% of our office staff. Over the year, the cost of COVID-19 response measures amounted to over RUB 23 million, including approximately RUB 15 million for measures within the Company.



HR automation

In order to monitor and automate management processes, the Company's branches are successfully creating a unified corporate HR management and payroll processing platform based on the 1C information platform.

Benefits of this project:

- standardisation of the Company's business processes and HR management records;
- automation of payroll processing;
- optimisation of HR processes, reduction of effort on HR management and payroll processing;
- control of compliance with Russian labour laws and Company by-laws; security and protection of personal data.

Compensation and social policy

We are constantly improving our by-laws to ensure that job compensation and incentive schemes are in line with the Company's strategic objectives. In 2021, we adjusted our quarterly and monthly bonuses to boost workers' motivation and commitment to performance targets. We regularly monitor the market and strive to offer employees a competitive aggregate remuneration package.

Our social initiatives are aimed at providing employees with comfortable, safe working conditions, improving their quality of life and work, and offering financial support to retired employees and veterans. Our corporate social benefits scheme includes both basic and additional benefits, such as private pension plans, health resort treatment, and children's recreation programmes, financial support in case of family emergencies, etc.

To ensure employee engagement in corporate culture building, we hold, subject to the approved budget and the Covid-19 situation in the particular region, professional skills competitions, organise the introduction of state-of-the-art technologies and improvements to process efficiency (via dedicated project groups), initiate sports events, competitions, and recreational group activities.

Since 2007, we have been successfully operating our own corporate pension plan. In addition to their state pension, each retired employee is eligible for a private (corporate) pension covered by RussNeft.

In 2021, 20 of the Company's employees won professional awards from the Russian Ministry of Energy. Over 1,000 employees received corporate awards from RussNeft for professionalism and contribution to the Company's development.

Talent pool

As part of the plan for 2022, the Company updated its talent pool for middle and top management positions in the Company's branches: more than 300 succession candidates were approved. The Moscow central office created a talent pool of 162 candidates for middle and top management positions.

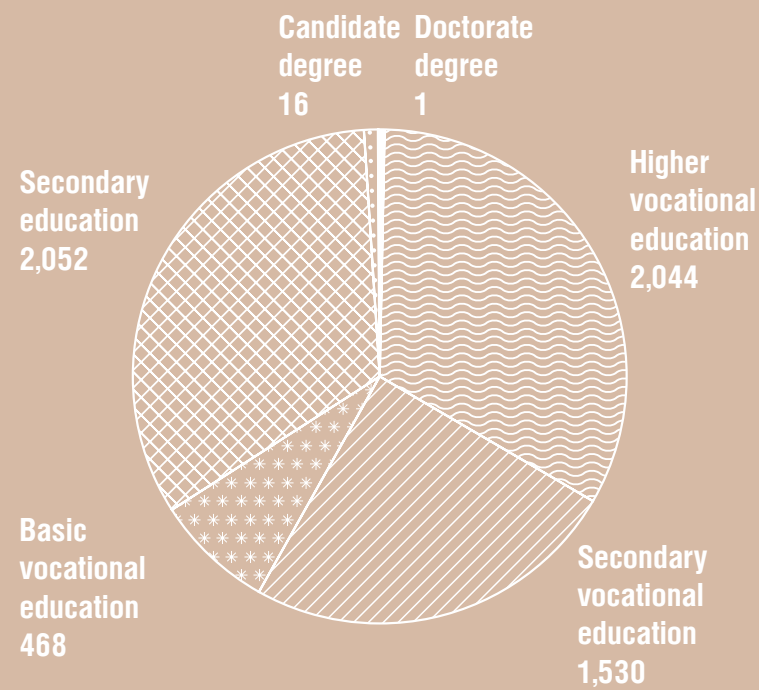
Staff training and development

We prioritise education and training for our personnel, including development of professional, management, and leadership skills. Training programmes are tailored to our strategic objectives.

In 2021, approximately 4,000 employees participated in various extended education, retraining, and professional development programmes. The cost of training initiatives was in excess of RUB 15 million.

The Competency Model successfully used by the Company since 2015 helps to assess and motivate managers and specialists in an effective manner. Managerial skills are upgraded based on modular programmes designed for specialists at various levels – linear managers, middle management, and top management.

In order to build a talent pool for itself, RussNeft is creating an HR development system. This system includes career guidance for higher-education graduates, a system for identifying high-potential employees, and a strategy for planning their careers. The Company works with the leading specialised higher education institutions in regions where it operates to attract promising graduates.



In light of the Covid-19 situation, Gubkin Russian State University of Oil and Gas regional preparation centres operated in distance mode in 2021. Approximately 50 prospective students hoping to enrol on our targeted educational programme at the University in 2022 were trained at the facilities of the Saratov and Nizhnevartovsk branches.

In 2021, 14 students of the tenth enrolment continued working towards their Master's degrees at Lomonosov Moscow State University. A total of 160 specialists graduated from Lomonosov Moscow State University as a result of just nine enrolments in our educational programme.

Our branches and subsidiaries hold annual professional contests among core operational workers (Best in Profession). The first rounds of the contest are held at subsidiary/branch level. The winners are then invited to compete on an inter-regional level to identify the best of the best. This annual contest encourages employees with different experience and backgrounds, and coming from different locations, to share their expertise, serves the purpose of team building, and enhances corporate culture.

2022 HR priorities

HR priorities for 2022 are:

- To monitor and plan HR requirements for up to three years ahead
- To use HR potential more efficiently
- To boost performance and labour productivity across all regions where the Company operates
- To improve incentive schemes and key performance indicator frameworks
- To draft, revise, and harmonise HR by-laws
- To integrate the personnel of Tomskaya Neft
- To update and streamline the Company's organisational structures to enhance governance efficiency
- To foster young talent acquisition, adaptation and development of competencies
- To further harmonise and digitalise the Company's HR management business processes
- To improve HR processes and reduce HR costs
- To improve the effectiveness of internal training using the Corporate University as a unique knowledge base and foundation for employee development
- To promote a safe working environment at Company facilities
- To care about employees' health and provide support where necessary.

Charity and sponsorship projects



RussNeft takes an active part in the social and economic life of the regions where it operates and contributes to their sustainable development. Social and economic partnership, with a focus on developing local communities and providing support to municipal initiatives, is becoming the foundation of the Company's relationship with the regions. In 2021, the Company signed more than 30 cooperation agreements with the constituent entities of the Russian Federation. All RussNeft's branches and subsidiaries are involved in the Company's social activities. Management and employees take part personally in charitable work.

Support for regional projects

The Company supports municipal and regional programmes aimed at upgrading the basic infrastructure of social, educational, and cultural establishments and improving the environment of urban and rural areas in the regions where it operates.

Every year RussNeft signs agreements with regional administrations to provide finance for national projects and socially-important municipal programmes. In the Khanty-Mansi Autonomous District – Yugra, we financed the implementation of socio-economic programmes in the regions of our production operations, including such prominent ones as “Promotion of Employment”, “Sports and Tourism Development”, “Education Development”, and “Housing, Utilities and Urban Environment”. The Company continued to provide funding for rebuilding the church in Novoagansk, an urban locality in the Nizhnevartovsk District.

In 2021, within the framework of cooperation with the district government, the Company financed such regional events as the “Treasures of the North. Russian Masters and Artists – 2021” International Exhibition Fair, the World-wide Reindeer Herders Convention, the Fitness Forum in Surgut, and the International Ecological TV Festival “To Save and to Preserve”. RussNeft also made a donation to the Yugra Endowment Fund.

In the Yamal-Nenets Autonomous District, we continued to provide materials, equipment and financial support to agro-industrial enterprises in the Pur District under the municipal programme “Development of Priority Areas of Economy” and its sub-programme “Support of Branches of Economy”.

Our Saratov Region production facilities are located in 13 districts, hence the relevant socioeconomic projects are provided as part of a number of municipal and federal programmes, the key one being the municipal programme for education development in the Saratov Region in 2021–2023. Other programmes financed by RussNeft include: “Development of Physical Education and Sports and Organisation of Rest and Recreation for Children in Countryside Wellness Centres”, “Comprehensive Development of the Municipal Entity”, “Develop-

ment of Physical Education and Sport, Tourism and Youth Policy”, and the national “Culture” project.

In the Ulyanovsk Region, the Company supports local social and economic programmes under the “Education” national project by financing renovation works in municipal budget-funded educational establishments in various districts. In furtherance of the federal project “Development of the Primary Healthcare System” (under the “Healthcare” national project), the Company financed renovation works in a paramedic and midwife station. In 2021, within the framework of the agreement with the district government, the Company financed landscaping, renovation, and restoration activities at cultural and religious sites in the Ulyanovsk Region.

In the Staraya Poltavka District of the Volgograd Region, RussNeft provided finance for renovation works in the rural cultural and recreation centre library.

In the Iki-Burul District of the Republic of Kalmykia, the Company participated in the municipal programme “Development of Comfortable Urban Environment”.

In the Penza Region, the Company provided support for such municipal programmes as “Development of Territories and Utility Infrastructure, Energy Saving and Improvement of Energy Efficiency” and “Development of Comfortable Urban Environment” in the Kameshkir District.

In the Tomsk Region, the Company's 2021 activities included financing social and economic development programmes in nine municipal districts, two cities, and one urban district.

In furtherance of the agreement signed with the regional government, the Company provided funding for such municipal programmes as “Development of Physical Education, Sport and Youth Policy”, “Development of Education”, “Development of Culture”, “Promotion of Sustainable Development of Municipal Entities”, “Development of Comfortable Urban Environment”, and “Social Development”.

Support for indigenous peoples

RussNeft shares the principles of the United Nations Declaration on the Rights of Indigenous Peoples and participates in projects aimed at preserving territories where indigenous minorities of the North have traditionally lived and helping them maintain their customary way of life. Every year, the Company enters into agreements with the heads of the households in the territories where natural resources have traditionally been used by indigenous peoples, to provide them with financial support in retaining their traditional territories and preserving their national identity

We participate in the municipal programmes “Sustainable Development of Indigenous Peoples of the North in the Nefteyugansk District for 2019–2024 and for the Period up to 2030” and “Sustainable Development of Indigenous Peoples of the North in the Surgut District”.

Within the framework of cooperation with the Foundation for the Support of Indigenous Minorities of the North, Siberia, and Far East, RussNeft implements socially-important projects aimed at providing better education and career guidance for the indigenous minorities, preserving and developing their culture, traditions and languages. In connection with the Russian chairmanship of the Arctic Council in 2021–2023, the Company implemented a number of activities to support the initiatives put forward by indigenous youth, to strengthen ethnic relations, and to ensure that indigenous minorities are represented in international activities.



Support for educational projects

RussNeft has continued the implementation of its large-scale targeted educational programme for students of two Russian universities named in world university rankings, the Graduate School of Innovative Business at Lomonosov Moscow State University (LMSU) and the Gubkin Russian State University of Oil and Gas.



Support for orphans and handicapped children

RussNeft’s charity projects are tailored to improve the social climate and ensure a better quality of life for people. We help socially-vulnerable populations, handicapped children, orphans, and children in care who are in need of rehabilitation, social adaptation, and social integration. We support charitable cultural, educational, and other events, including international ones.

We support charity projects running at the Rovesnik children’s wellness centre. Located in a picturesque forest on the banks of the River Volga near the village of Orlovskoye in the Saratov Region, Rovesnik focuses on social adaptation of orphans and disadvantaged children, and support for young talents.



Support for sports projects

We promote sports for children and have been sponsoring the Neftyanik children's football club ever since it was created. Today the Neftyanik FC brings together some 200 children between 7 and 17, including the children of employees of RussNeft's Ulyanovsk branch. It is the only club in the district to provide training, sports kit, and equipment, along with free participation in all competitions.

Sponsored by RussNeft, the reconstruction of Novospasskoye central stadium, Neftyanik's main training facility and the best football venue in the Ulyanovsk Region, is nearing completion.

In 2021, RussNeft-sponsored Neftyanik Football Club from Novospasskoye village in the Ulyanovsk Region notched up yet more sports achievements.



WINNERS of:

- the *AFL KIDS SYZRAN* Cup interregional boys' football tournament (birth year 2009) in Syzran
- the *Azbuka Sporta* interregional boys' football tournament (birth years 2008/2009) in Syzran
- the *PRORYV 2021 (Breakthrough 2021)* Russian National Boys' Futsal Tournament (birth years 2005/2006) in Ulyanovsk
- the girls' futsal tournament (birth years 2005/2006) held by the *Privolzhye (Volga Region)* Interregional Football Union in Nizhny Novgorod
- the *PRORYV 2021 (Breakthrough 2021)* Russian National Boys' Futsal Tournament (birth years 2008/2009 and 2005/2006) in Adler
- the *AFL KIDS SYZRAN* Cup interregional boys' football tournament (birth years 2008/2009) in Syzran
- the *Proryv 2021 (Breakthrough 2021)* II Russian National Boys' Tournament (birth years 2005/2006) in Adler

CHAMPIONS of:

- the final round of the girls' futsal tournament (birth years 2005/2006) held by the *Privolzhye (Volga Region)* Interregional Football Union in Nizhny Novgorod, 2nd place
- the *Victory Day* boys' and girls' futsal tournament (birth year 2011) in Volgograd, 2nd and 4th places
- the *Football Syzran* boys' futsal tournament (birth year 2011) in Syzran, 3rd place
- the *Spartak Summer Cup* football tournament for boys (birth years 2008/2009) and girls (birth years 2005/2006) in Anapa
- *III Russian National Street Child Football Festival* in Moscow for boys and girls (birth years 2007/2008), in which 70+ teams from all over the country took part *III Russian National Street Child Football Festival* in Moscow for boys and girls 2007/2008, in which a total of 70+ teams from all over the country took place

Corporate governance

Corporate governance is a system of relations between the Company's management, Board of Directors, shareholders, and other stakeholders. Based on worldwide best practices, RussNeft's corporate governance frameworks are in line with Russian laws, the Moscow Exchange Rules for Listing, and the recommendations of the Corporate Governance Code.

Committed as it is to high standards of corporate governance, RussNeft is continually improving its practice and closely follows trends in this area. Requirements laid down by the regulators are also taken into account and reflected in the Company's corporate governance practice.

In 2021, RussNeft focused specifically on internal corporate procedures and corporate governance efficiency.

In 2022, we shall continue to implement the key elements set out in the Company by-laws:

- equitable and fair treatment of all shareholders;
- Efficient, responsible, and professional Board of Directors;
- Openness of information and transparency;
- Prevention of corrupt practices;
- Compliance with standards of ethical behaviour;
- Corporate social responsibility.

The priorities for 2022 include further improvements to the work procedures for the Board of Directors and its Committees, on the basis of experience gained, as well as updating internal documents to reflect legislative changes. The Company will continue to improve corporate governance to enhance its performance.

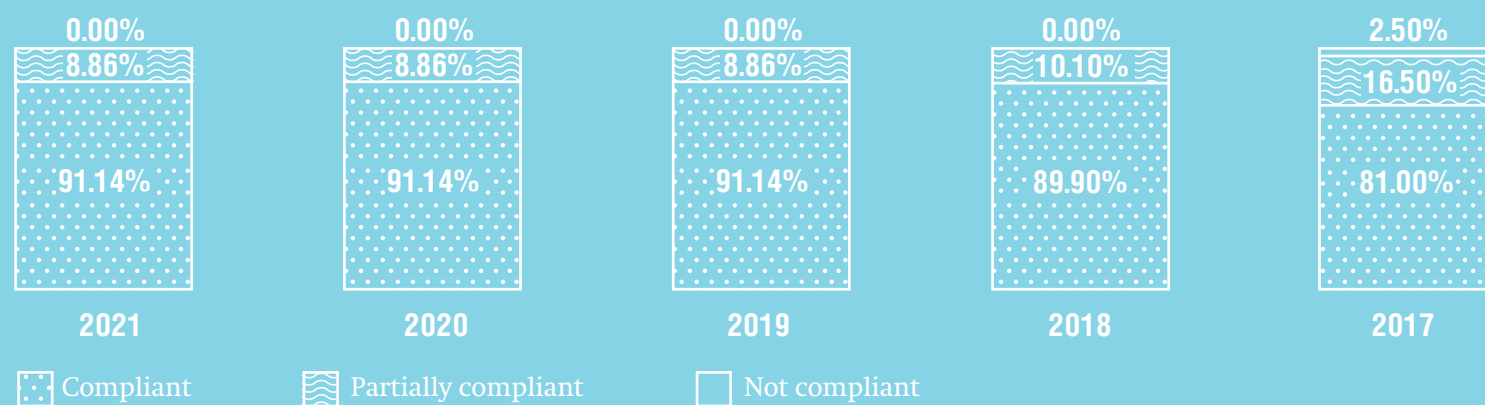
Corporate governance procedures and practice are outlined in the Company's bylaws, such as:

- Articles of Association;
- Regulations on the General Shareholders' Meeting;
- Regulations on the Board of Directors;
- Regulations on the Board of Directors Committees;
- Regulations on the Internal Audit Commission;
- Regulations on the Corporate Secretary;
- Regulations on Board of Directors Remuneration and Reimbursement of Expenses Relating to the Discharge of Duties by the Board of Directors;
- Regulations on the Dividend Policy;
- Regulations on the Internal Audit Department;
- Regulations on Insider Information;
- Risk Management Policy;
- Internal Control Policy;
- Regulations on Communications Policy;
- Board of Directors Membership Policy;
- Regulations on Performance Evaluation for the Board of Directors and the Board of Directors Committees.

Self-assessment of corporate governance practice and its compliance with the Code's principles and recommendations**

Corporate governance principles	Number of principles recommended by the Code	2021		
		Compliant	Partial compliance	Not compliant
Shareholders' rights and equitable conditions for shareholders to exercise their rights	13	13	0	0
Board of Directors	36	32	4	0
Corporate Secretary	2	2	-	0
Remuneration for Board of Directors members and senior Company management	10	10	0	0
Risk management and internal controls	6	6	0	0
Corporate disclosure	7	5	2	0
Material corporate actions	5	4	1	0
Total score	79	72	7	0
	100%	91.14%	8.86%	0%

Compliance with the Corporate Governance Code



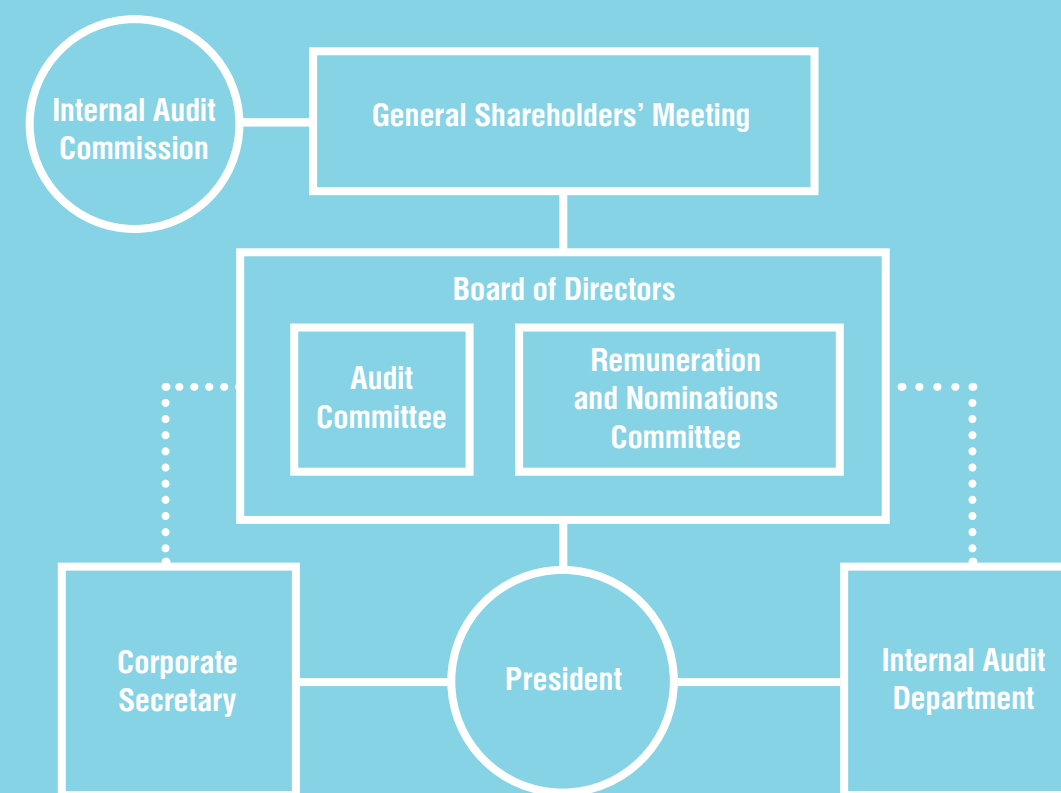
* Company compliance with the Code is assessed by comparing Company practices with the detailed recommendations of the Code. If at least one detailed recommendation in any section of the Code is not complied with, the Company is considered to be in partial compliance with that section. If none of the detailed recommendations in any given section are observed, the Company is considered not compliant with that section.

** Data based on the Report on Compliance with the Code's Principles and Recommendations. For the Report on Compliance with the Corporate Governance Code see Appendix __, p. _____. (hyperlink)

RussNeft's corporate governance structure

Governance within the Company is exercised through its governing bodies. According to existing corporate regulations, the corporate governance structure of RussNeft includes:

- General Shareholders' Meeting, the supreme governing body of RussNeft, which takes decisions on key matters relating to the Company's operations,
- Board of Directors, the governing body responsible for general management of the Company's operations, except for the matters falling within the competence of the General Meeting as per the Articles of Association,
- Board of Directors' committees which review the most important matters related to the Company's operations and assist the Board of Directors in drafting and making decisions within their relevant functional areas,
- President (executive officer), who manages the Company's day-to-day operations and ensures their efficiency by performing tasks assigned by the Board of Directors,
- Corporate Secretary, whose responsibilities include shareholder relations management, co-ordination of the Company's activities to protect shareholder rights and interests, and administrative support to the functioning of the Board of Directors and its committees, and
- Board of Directors' Audit Committee, the Internal Audit Commission, and the Internal Audit Department, which supervise the Company's business and financial operations.



..... Officers and departments that are functionally subordinate to the Board of Directors.

General Shareholders' Meeting

The General Shareholders' Meeting is the supreme governing body of RussNeft. It takes decisions on key matters relating to the Company's operations.

The procedures for preparing, convening, and holding annual and extraordinary General Shareholders' Meetings are set out in the Regulations on RussNeft General Shareholders' Meetings (restated version approved by a resolution of RussNeft Annual General Shareholders' Meeting on 21 June 2019). The procedure for holding a General Shareholders' Meeting ensures that all of the Company shareholders have equal opportunities to participate.

At a General Shareholders' Meeting, shareholders are proposed a draft resolution for each item on the agenda. Voting ballots allow shareholders to express their opinions on agenda items and vote for or against the proposed draft resolution, or abstain from voting.

During the course of 2021, the Company held two Extraordinary General Shareholders' Meetings and one Annual General Shareholders' Meeting. In accordance with Articles 2 and 3 of Federal Law no. 17-FZ dated 24 February 2021, the Company was allowed in 2021 to hold the Annual General Shareholders' Meeting and the Extraordinary General Shareholders' Meetings, both convened to re-elect the Board of Directors, using absentee voting.

Agendas of the General Shareholders' Meetings

EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING (on 14 January 2021)

(absentee vote)

1. To remove members of RussNeft's Board of Directors
2. To elect members to RussNeft's Board of Directors.

ANNUAL GENERAL SHAREHOLDERS' MEETING (on 28 June 2021)

(absentee vote)

- 1 To approve RussNeft's annual report for 2020
2. To approve RussNeft's annual financial statements for 2020
3. To distribute profit for 2020 and, in particular, to authorise payout of dividends on RussNeft's shares
4. To determine the number of members on RussNeft's Board of Directors
5. To elect members to RussNeft's Board of Directors
6. To elect members to RussNeft's Internal Audit Commission
7. To approve RussNeft's auditors
8. To determine remuneration to members of RussNeft's Board of Directors and reimbursement of expenses incurred in connection with their respective duties as members of RussNeft's Board of Directors
9. To authorise conflict-of-interest transactions.

EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING (on 17 September 2021)

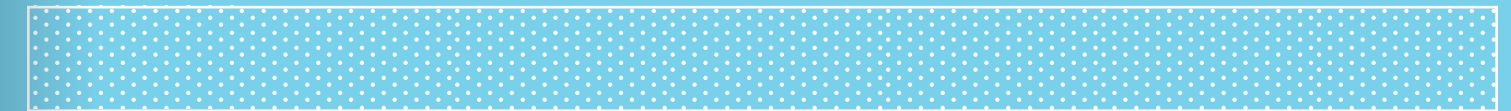
(absentee vote)

1. To remove members of RussNeft's Board of Directors
2. To elect members to RussNeft's Board of Directors
3. To determine remuneration to members of RussNeft's Board of Directors and reimbursement of expenses incurred in connection with their respective duties as members of RussNeft's Board of Directors.

Quorum at General Shareholders' Meetings in 2019–2021

28 June 2021, annual GSM

95.831%



24 September 2020, annual GSM

94.547%



21 June 2019, annual GSM

93.483%



Voting results and resolutions passed by the General Shareholders' Meeting are disclosed as required by the laws of the Russian Federation and posted

- on the Company's website: https://russneft.ru/shareholders/corporate_governance/meeting/
- on the website: <https://e-disclosure.ru/portal/company.aspx?id=534>

Board of Directors

The Board of Directors is responsible for the strategic governance of the Company's operations. Acting within the scope of its authority, the Board determines the priority segments of the Company's business and its strategic goals. The Board of Directors plays the key role in shaping and improving the Company's corporate governance frameworks, ensures the protection and exercise of shareholders' rights, and monitors the operation of the Company's executive bodies.

The Company's Articles of Association define the scope of the Board of Directors, which is clearly differentiated from that of the Chief Executive Officer, who manages the Company's day-to-day operations.

One of the Board's key functions is to set up strong executive bodies and oversee their performance. The Board of Directors is authorised to elect and remove the chief executive officer, and determine his/her incentives.

The Board of Directors approves internal controls and risk management policy, and supports the operation of these. In defining the risk management policy, the Board of Directors seeks to strike a reasonable balance between risks and profitability. The Board of Directors manages the key risks impacting the achievement of the Company's strategic objectives.

Based on pre-approved plans, the Board of Directors conducts annual performance reviews, monitors the efficiency of risk management and internal controls, prepares general shareholders' meetings, authorises transactions, and transacts such other business as may be required by RussNeft's articles of association.

The Company has a highly professional Board of Directors with the correct balance of independent and non-independent directors and an appropriate mix of skills and competencies required for the Board members to carry out their functions in the most efficient manner.

Board of Directors Members

14 January 2021 – 28 June 2021

1. Mikhail Gutseriev (retired on 21 June 2021)
2. Andrey Derekh
3. Anton Zhuchenko
4. Andrey Zarubin
5. Victor Martynov
6. Ann Nash
7. Dmitry Romanov
8. Svetlana Sagaidak (retired on 8 February 2021)
9. Robert Skidelsky
10. Sergey Stepashin
11. Yana Tikhonova
12. Roman Tyan

28 June 2021 – 17 September 2021

1. Andrey Derekh
2. Anton Zhuchenko (retired on 9 August 2021)
3. Andrey Zarubin
4. Victor Martynov
5. Vyacheslav Marchenko
6. Ann Nash (retired on 12 August 2021)
7. Dmitry Romanov
8. Robert Skidelsky
9. Sergey Stepashin
10. Yana Tikhonova
11. Roman Tyan
12. Sergey Chernyshev

17 September 2021 – 31 December 2021

1. Andrey Derekh
2. Andrey Zarubin
3. Victor Martynov
4. Vyacheslav Marchenko
5. Olga Prozorovskaya
6. Dmitry Romanov
7. Maria Sergeeva
8. Robert Skidelsky (retired on 1 January 2022)
9. Sergey Stepashin
10. Yana Tikhonova
11. Roman Tyan
12. Sergey Chernyshev

In 2021, four independent directors joined the Board, each bringing a fresh perspective to matters transacted at Board of Directors meetings, as well as independent judgement stemming from his/her knowledge, experience, and skills. Constructive feedback from independent directors and their lack of bias are of great value to the Board of Directors and the Company as a whole. Independent directors contribute to better managerial decisions. They play a particularly important role in determining the Company's development strategy, assessing the performance of the executive bodies, and evaluating the performance of risk management and internal controls.

The Remuneration and Nominations Committee submits its opinion on each director's compliance with the Board of Directors independence criteria. As RussNeft is a public company and its shares are traded on the Moscow Exchange, the Board of Directors and the Remuneration and Nominations Committee apply the directors' independence criteria laid down in the Listing Rules.

In 2021, the Board of Directors Remuneration and Nominations Committee assessed the independence of nominees to the Board of Directors in April and September. The Committee members reviewed nominations in the Board of Directors elections at the annual General Shareholders' Meeting and assessed the independence of current members of the Board of Directors.

As RussNeft is a public company and its shares are traded on the Moscow Exchange, the Board of Directors and the Remuneration and Nominations Committee apply the directors' independence criteria laid down in the Listing Rules.

In line with the requirements of Schedule 4 to the Moscow Exchange Listing Rules, in March and September 2021 the Board of Directors evaluated the compliance of its members with the independence criteria.

By its resolution of 30 September 2021, the Board of Directors recognised Mr Sergey Stepashin as an independent director, despite the fact that Mr Stepashin is formally affiliated with VTB Bank (the Company's material counterparty) and its controlled entities (Business Finance LLC, VTB Capital JSC, VTB Commodities Trading LLC, and VTB Commodities Trading DAC), since the amount outstanding and payable by the Company under its agreements with these counterparties* exceeds 2% of the Company's consolidated book value as at 30 June 2021 and 2% of the Company's consolidated revenues for 2020, and Mr Stepashin's related person, i.e. Tamara Stepashina, his wife, is an employee of VTB Bank (PJSC). Mr Stepashin is also a member of the Board of Directors of Dinamo-Moscow Football Club that is controlled by VTB Bank.

*The transactions involve:

- issue by the Company of independent guarantees in favour of the said counterparties (the Bank, Business Finance LLC, VTB Capital JSC, VTB Commodities Trading LLC, VTB Commodities Trading DAC),
- pledge of shares (interests) in the Company's subsidiaries to VTB Capital JSC,
- oil export sales (VTB Commodities Trading DAC).

The rationale behind this decision was the fact that the affiliation between Mr Stepashin and the Company's material counterparties is of a formal nature and does not affect his ability to serve on the Company's Board of Directors for the benefit of the Company and all of its shareholders, for the following reasons:

- The transactions were entered into under the applicable Russian laws on an "arm's length" basis. Under the joint-stock company laws, the respective transactions did not and do not constitute transactions in which Mr Stepashin had interest (i.e. conflict-of-interest transactions). Mr Stepashin is not an employee and does not serve on the governing bodies of the Bank or its controlled entities from among RussNeft's counterparties (Business Finance LLC, VTB Capital JSC, VTB Commodities Trading LLC, VTB Commodities Trading DAC); his spouse, although an employee of the Bank, does not serve on the governing bodies of the Bank or its controlled entities (Business Finance LLC, VTB Capital JSC, VTB Commodities Trading LLC, VTB Commodities Trading DAC), either. Hence neither Sergey Stepashin nor Tamara Stepashina is in a position to influence VTB Bank's policy in relation to the Company,
- since the organisation controlled by the Bank, namely, the Dinamo-Moscow Football Club, does not operate in the banking or oil and gas sector and is not an essential organisation because its activities are non-core for the Bank, decisions made by the Dinamo-Moscow Football Club governing bodies have no significant impact on the core activities of the Bank,
- Mr Stepashin's membership of the Company's Board of Directors (since 2016), his work in the Audit Committee which he has chaired since October 2016, and his voting history at their meetings prove the independence of his position from the Company's executive bodies, management, shareholders, or other interested parties, and show that it is based entirely on professional experience and knowledge. Thus, when matters related to strategic planning (including lending policies) are discussed at Board meetings, Mr Stepashin takes an active role in the discussion, expressing opinions independent of the Board of Directors' majority shareholders, and takes decisions guided solely by the interests of the Company and of all of its shareholders,
- During the time he served on the Company's Board of Directors, Mr Stepashin attended all meetings of the Board and the Internal Audit Committee,
- Over a number of years, Mr Stepashin has held a number of senior government positions; Mr Stepashin is a top-notch professional with vast experience in audit business and a sterling reputation, in particular, amongst investors, proving he is capable of independent, unbiased judgment and is deserving of his independent status in relation to matters transacted by the Company's Board of Directors.

By its resolution of 30 September 2021, the Board of Directors also recognised Mr Victor Martynov as an independent Director, despite the fact that Mr Martynov is formally affiliated with Gazprom Neft, which is the Company's material counterparty, since the amount outstanding and payable by the Company under the three oil and gas sales agreements with Gazprom Neft exceeds 2% of the Company's consolidated book value as at 30 June 2021 and 2% of the Company's consolidated revenues for 2020, and Mr Martynov is a member of the Board of Directors of Gazprom, the legal entity controlling Gazprom Neft.

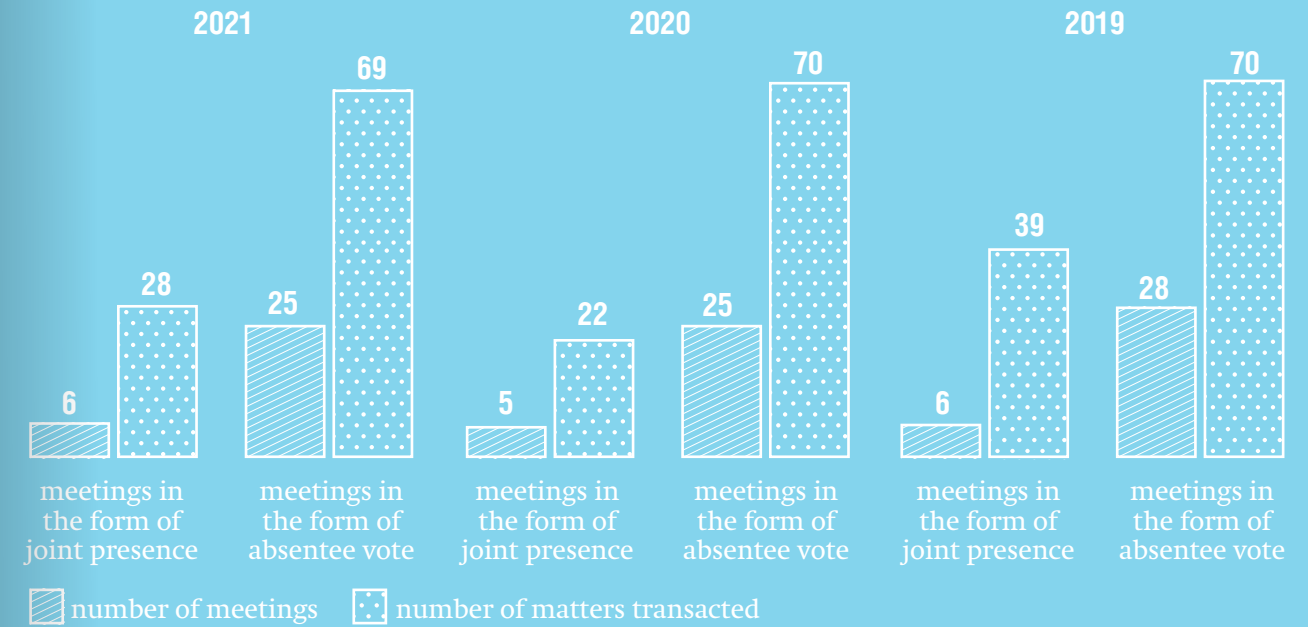
The rationale behind this decision was the fact that the affiliation between Mr Martynov and the Company’s material counterparty is of a formal nature and does not affect his ability to serve on the Company’s Board of Directors for the benefit of the Company and all of its shareholders, for the following reasons:

- The agreements between RussNeft and Gazprom Neft were entered into under the applicable Russian laws on an “arm’s length” basis. Under the joint-stock company laws, the respective transactions did not and do not constitute transactions in which Mr Martynov had interest (i.e. conflict-of-interest transactions),
- Mr Martynov is not an employee and does not serve on the governing bodies of the Bank. Despite his membership in Gazprom’s Board of Directors, he is not in a position to influence Gazprom Neft’s commercial policy in relation to the Company, or transactions entered into by Gazprom Neft and their terms and conditions,
- During the time he served on the Company’s Board of Directors, Mr Martynov attended all meetings of the Board, the Internal Audit Committee, and the Remuneration and Nominations Committee, which he has chaired since October 2016. Mr Martynov’s membership of the Company’s Board of Directors, his work in its Committees, and his voting history at their meetings prove the independence of his position from the Company’s executive bodies, management, shareholders, or other interested parties, and show that it is based entirely on professional experience and knowledge. Thus, when matters related to strategic planning (including commercial operations) are discussed at Board meetings, Mr Martynov takes an active role in the discussion, expressing his independent opinions based on his critical review of the management’s position, and takes decisions guided solely by the interests of the Company and of all of its shareholders,
- Author of more than 210 scientific and methodological works, a prominent scientific figure, and long-standing Rector of Gubkin Oil and Gas University in Moscow, Mr Martynov has impeccable, universally-recognised reputation, including among investors.

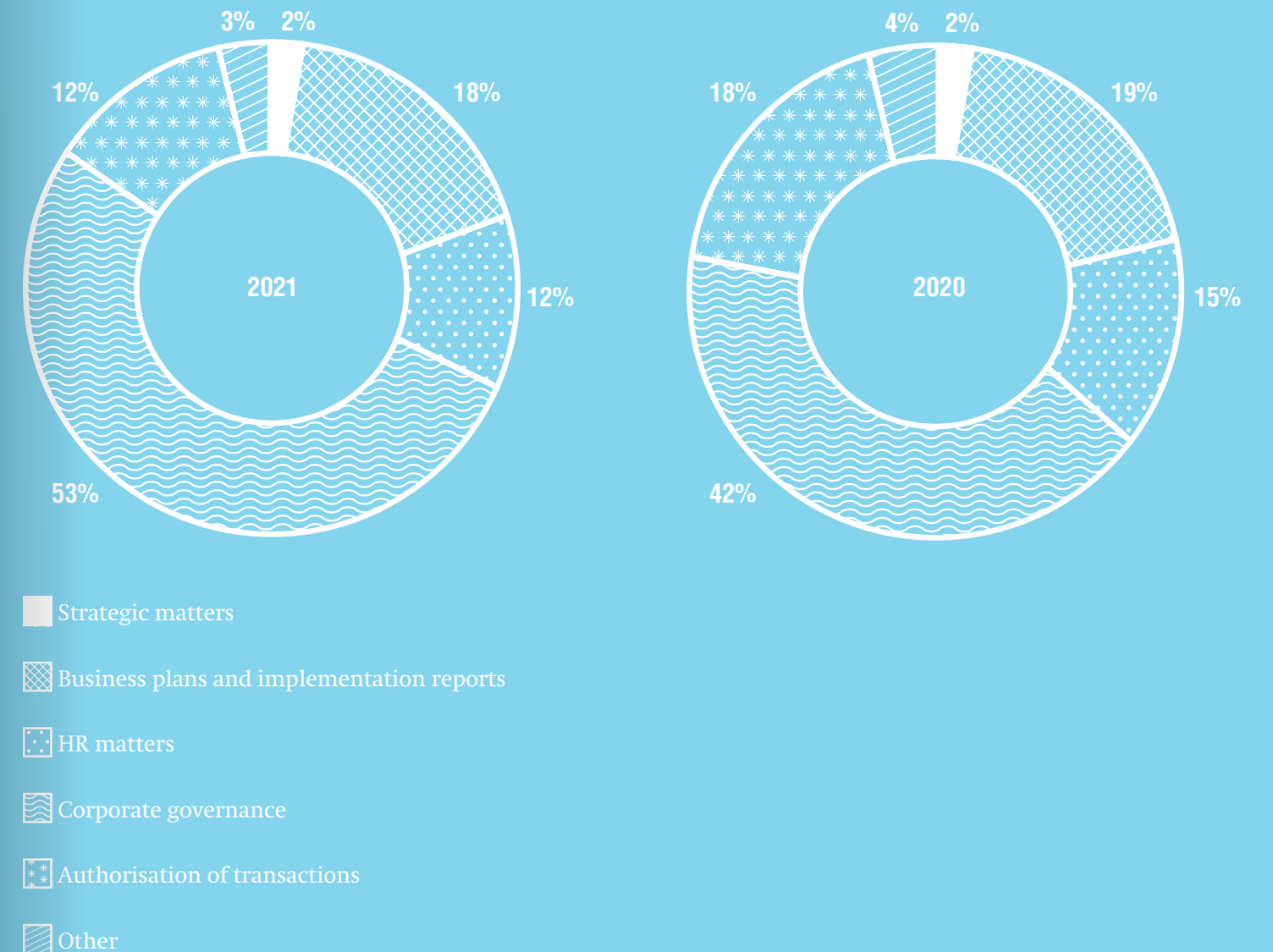
His many years of experience, comprehensive expertise, and high level of qualification in oil and gas are of particular value for the successful development of the Company and efficient operation of the Company’s Board of Directors and its Committees. Mr Martynov’s experience and professional qualities, and his work on the Company’s Board of Directors and its Committees define him as a person who makes independent, objective judgements and who holds his own independent opinions.

In 2021, the Board of Directors met six times in the form of joint presence, and 25 in the form of absentee vote. The Board of Directors discussed 97 matters.

Board of Directors meetings and matters transacted in 2019-2021



The chart below shows the breakdown of matters transacted at the Board of Directors meetings for each of the two most recent years.



Key motions passed by the Board of Directors in 2021:

- To review and approve the Company's financial and business performance reports for 2019 and Q1-Q3 2020
- To approve RussNeft's business plan for 2021
- To approve the decision to establish the Nizhnevartovsk Branch and the relevant Branch Regulations
- To authorise a major transaction involving the amendment of the earlier facility agreement with VTB Bank
- To approve the decision to re-elect the Company President for another term

The form of each Board meeting is determined taking into account the significance of the agenda items. The most significant matters within the competence of the Board of Directors are transacted at meetings held in the form of joint presence and are usually first reviewed by the Board Committees to ensure their comprehensive discussion and carefully weighed decisions on them. Information about the Board of Director's performance, including members of the Board and its Committees, meetings held, and motions passed, is disclosed on the Company's website (<https://russneft.ru/>).

In 2021, Board of Directors members achieved high attendance and engagement in the activities of the Board of Directors and its Committees. Due to the challenging epidemiological situation, some meetings were held by videoconference.

Engagement of Board of Directors Members in the Activities of the Board and its Committees in 2021*

Board of Directors member	Board meetings	Audit Committee	Remuneration & Nominations Committee
Mikhail Gutseriev	14/14		
Andrey Derekh	30/31	6/6	
Anton Zhuchenko	18/19		
Andrey Zarubin	29/31		
Victor Martynov	30/31	6/6	9/9
Ann Nash	8/19		
Olga Prozorovskaya	9/9		
Dmitry Romanov	30/31		9/9
Svetlana Sagaidak	4/4		
Maria Sergeeva	7/9		
Robert Skidelsky	21/31		8/9
Sergey Stepashin	30/31	6/6	
Yana Tikhonova	22/31		
Roman Tyan	29/31		
Sergey Chernyshev	14/16		

*Note: "29/30" in the table above means that a member of the Board of Directors attended 29 out of the 31 meetings that were held. If the number of meetings attended corresponds closely to the number of meetings held, the director is likely to be highly engaged in the activities of the Board of Directors and/or its Committees.

Current members of RussNeft's Board of Directors as at 31 December 2021:

Victor Martynov

Chairman of RussNeft's Board of Directors
Independent Director
Member of RussNeft's Audit Committee
Chairman of RussNeft's Remuneration and Nominations Committee

First elected to RussNeft's Board of Directors in 2016

Born in 1953

Educational level: university degree

Graduated from the Gubkin Russian State University of Oil and Gas in 1975 with a degree in Reservoir Engineering and Geophysics.



Professional experience:

Period	Company	Position
2013–2018	Gubkin Scientific and Technical Society of the Oil and Gas Industry	Chairman of the Central Board
2015–2018	Association for Engineering Education, Russian National Public Organisation	Board Member
2015–2019	Russian Gas Society, Union of Oil and Gas Companies	Member of the Supervisory Board
2017–2018	WPC RNC	Chairman
2008–present	Gubkin Russian State University of Oil and Gas	Rector

Member of the board of directors of Gazprom
Mr Martynov does not own shares or any other securities in the Company.

Andrey Derekh

Independent Director

Member of RussNeft's Audit Committee

First elected to RussNeft's Board of Directors in 2016

Born in 1968

Educational level: university graduate

Graduated from Minsk Radiotechnical Institute in 1992.

Graduated from the International Management Institute of the Belarus Republic in 1994.



Professional experience:

Period	Company	Position
2012–present	UNITER Investment Company	Deputy Director for Foreign Trade
2017–2019	New Economic Strategy Foundation	Board Member

Member of the board of directors at:

UNITER Investment Company

Mr Derekh does not own shares or any other securities in the Company.

Andrey Zarubin

First elected to RussNeft's Board of Directors in 2015

Born in 1971

Educational level: university graduate

Graduated from Perm State University in 1998 with a degree in Hydrogeology and Engineering Geology.

Graduated from the Industrial University of Tyumen in 2005 with a degree in Development and Operation of Oil and Gas Fields.

Graduated as a Master of Business Administration from the Stockholm School of Economics in 2013.



Professional experience:

Period	Company	Position
2011–present	Neftisa	General Director
Nov 2015–present	GEA Holdings Limited	Director

Member of the board of directors at:

Neftisa, Belkamneft, CanBaikal

Interest held in RussNeft's share capital: 0.0005 %

RussNeft's ordinary shares held: 0.0006 %

Transactions to buy/sell Company shares: none

Vyacheslav Marchenko

First elected to RussNeft's Board of Directors in 2021

Born in 1962

Educational level: university graduate

Graduated from Bauman Moscow Higher Technical School with a degree in Mechanical Engineering; holds a PhD in Engineering from the same school in its new status as Technical University



Professional experience:

Period	Company	Position
Jul 2016–present	Pioneer Estate	CEO
Jan 2017–Sept 2017	Rost Capital	CEO
Mar 2016–Dec 2019	Mytishchinsky Plastik	CCO
Apr 2008–Jan 2020	Mosstroyplastmass	CEO
Jun 2016–present	Firma Uyt Branch of Mospromstroy	Branch Head

Member of the board of directors at:

Pioneer Estate, Saltykovsky Breeding Farm, Domestic Music Support Fund

Mr Marchenko does not own shares or any other securities in the Company.

Olga Prozorovskaya

First elected to RussNeft's Board of Directors in 2021

Born in 1965

Educational level: university graduate

Graduated from Ordzhonikidze Moscow Institute of Management as a planning engineer with major in Construction Business Administration.



Опыт работы:

Period	Company	Position
2010–present	RussNeft	Senior Vice-President for Economics and Finance
2014–present	Russneft (UK) Limited	Director
2014–present	GEA Holdings Limited	Director
2014–present	Global Energy Azerbaijan Limited	Director

Member of the board of directors at:

Safmar Charitable Foundation, Forte Invest, Neftisa, Afipsky Refinery, SAFMAR GROUP, Russian Coal, Kuzbasskaya Toplivnaya Company

Interest held in RussNeft's share capital: 0.0005 %

RussNeft's ordinary shares held: 0.0006 %

Transactions to buy/sell Company shares: none

Dmitry Romanov

Member of RussNeft’s Remuneration and Nominations Committee

First elected to RussNeft’s Board of Directors in 2003

Born in 1963

Educational level: university graduate



Professional experience:

Period	Company	Position
Jan 2010–present	RussNeft	Vice President for Corporate Relations
Apr 2014–present	GEA Holdings Limited	Director
Apr 2014–present	Global Energy Azerbaijan Management Limited	Director
Apr 2014–present	Global Energy Azerbaijan Limited	Director
Apr 2014–present	Global Energy Caspian Limited	Director
Apr 2014–present	Neftechala Petroleum Limited	Director
Apr 2014–present	Neftechala Investments Limited	Director
Apr 2014–present	Neftechala Operating Company	Director
Apr 2014–present	Absheron Petroleum Limited	Director
Apr 2014–present	Apsheron Investments Limited	Director
Apr 2014–present	Absheron Operating Company Limited	Director
Apr 2014–present	Shirvan Petroleum Limited	Director
Apr 2014–present	Shirvan Investments Limited	Director
Apr 2014–present	Shirvan Operating Company Limited	Director
Apr 2014–present	Binagadi Oil Company	Director
Apr 2014–Apr 2019	Kura Valley Petroleum Company	Director
Sept 2014–present	Kura Valley Holding Company	Director
Sept 2014–present	Karasu Petroleum Company	Director
Sept 2014–present	Karasu Development Company	Director
Sept 2014–present	Karasu Operating Company	Director
Sept 2014–Apr 2019	Kura Valley Development Company	Director
Sept 2014–Apr 2019	Kura Valley Operating Company	Director
Sept 2015–present	SAFMAR Charitable Foundation	Chairman of the Board of Trustees

Member of the board of directors at:

Ulyanovskneft, Saratovneftegaz, Russian Coal, Neftisa, Kuzbasskaya Toplivnaya Company

Mr Romanov does not own shares or any other securities in the Company.

Maria Sergeeva

First elected to RussNeft’s Board of Directors in 2021

Born in 1977

Educational level: university graduate

MGIMO, 1999



Professional experience:

Period	Company	Position
Dec 1999–present	Representative Office of Glencore, Switzerland	Lawyer

Ms Sergeeva does not own shares or any other securities in the Company.

Robert Jacob Alexander Skidelsky

Independent director

Member of RussNeft’s Remuneration and Nominations Committee

First elected to RussNeft’s Board of Directors in 2016 (retired on 1 January 2022)

Born in 1939



Professional experience:

Oxford University, 1958–68

Professional experience:

Period	Company	Position
1991–present	UK Parliament	Member of Parliament (lords)
2002–present	Center for Global Studies	Director
2016–present	Skidelsky Consultancy Ltd	Director

Mr Skidelsky does not own shares or any other securities in the Company.

Sergey Stepashin

Independent director

Chairman of RussNeft Board of Directors' Audit Committee

First elected to RussNeft's Board of Directors in 2016

Born in 1952

Educational level: university graduate

Graduated from the Higher Political School of the USSR Ministry of the Interior in 1973.

Graduated from the Lenin Military Political Academy in 1981.

Graduated from the Finance Academy under the Government of the Russian Federation in 2002.



Professional experience:

Period	Company	Position
2015–2018	“Factors and Indicators of Russian Society” RAS Interdepartmental Co-ordination Council	Director
Sept 2001–present	Russian Book Union, a non-profitPartnership	President
Dec 2005–present	Association of Lawyers of Russia, a national non-governmental organisation	Co-Chairman
Jul 2007–present	Imperial Orthodox Palestine Society, an international non-governmental organisation	Chairman of the Board
Dec 2013–present	Fund for Promoting Housing and Utilities Reform, a state-run corporation	Chairman of the Supervisory
Feb 2014–present	Council of the National Centre for Public Control over Housing and Utilities “Housing and Utilities Control”, a non-profit partnership	Board Co-Chairman of the Board
Apr 2014–present	Community Council at the Ministry of Construction, Housing and Utilities of the Russian Federation	Chairman
Feb 2019–present	”Revival of Cultural Heritage Sites in the City of Pskov (Pskov Region)”, an autonomous non-commercial organisation	Chairman of the Board
Dec 2019–present	Expert Board at the Government of the Russian Federation	Presidium member
Nov 2021–present	Association of Higher Education Institutions for the Support of Russian Professors	President

Member of the board of directors at:

Russian Railways, SoyuzNefteGaz, Dinamo-Moscow Football Club.

Mr Stepashin does not own shares or any other securities in the Company.

Roman Tyan

First elected to RussNeft's Board of Directors in 2019

Born in 1979

Educational level: university graduate

Graduated from the Gubkin Russian State University of Oil and Gas in 2001 with a degree in Oil and Gas Industry Economics and Management

California State University, East Bay, MBA, 2009

University of Navarra, MBA, 2014



Professional experience:

Period	Company	Position
2010–2020	Neftisa Oil Company	Deputy General Director for Economics and Finance
2020–present	ForteInvest	Deputy General Director for Economics and Finance

Member of the board of directors at:

CanBaikal, Geoprogress, Orsknefteorgsintez, Preobrazhenskneft, Oilgaztet, Afipsky Oil Refinery

Mr Tyan does not own shares or any other securities in the Company.

Yana Tikhonova

First elected to RussNeft’s Board of Directors in 2015
Born in 1966

Educational level: university graduate

Lomonosov Moscow State University with major in Law (1988)
Doctor of Philosophy in Law at Lomonosov Moscow State University (1988–1991)



Professional experience:

Period	Company	Position
2004–present	Representative Office of Glencore International AG, Switzerland	Head of Representative Office

Member of the board of directors at:

AKI-OTYR, Varioganneft, Saratovneftegaz, Tomskaya Neft, Uralskaya Neft, Udmurtskaya Neftyanaya Kompaniya, Regional Oil Consortium.

Ms Tikhonova does not own shares or any other securities in the Company.

Sergey Chernyshev

First elected to RussNeft’s Board of Directors in 2021
Born in 1981

Educational level: university graduate

Kiev National University of Economics, Finance Department, 1998–2002

Plekhanov Russian University of Economics, master programme in Finance, 2002–2004



Professional experience:

Period	Company	Position
Nov 2011–present	Representative Office of Glencore International AG, Switzerland	Financial Controller

Member of the board of directors at:

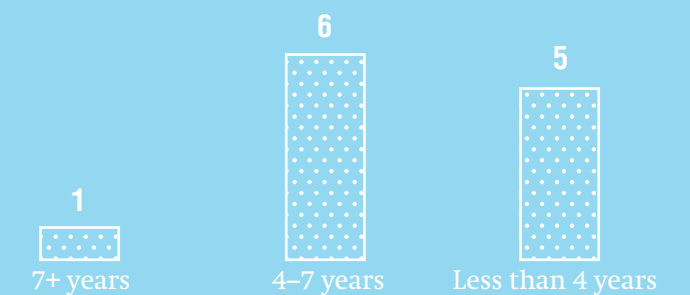
Ulyanovskneft, Aganneftegazgeologiya, Russneft-Bryansk, Belye Nochi, Ural Oil, Udmurt Oil Company, Regional Oil Consortium

Mr Chernyshev does not own shares or any other securities in the Company.

RussNeft Board members’ education and professional experience



Members’ length of service on RussNeft’s Board of Directors



Committees of the Board of Directors

The Board of Directors has two committees to review the most important matters related to the Company's operations – the Audit Committee consisting solely of independent directors and the Remuneration and the Nominations Committee consisting of two independent directors (including the Chair of the Committee) and one non-executive director.

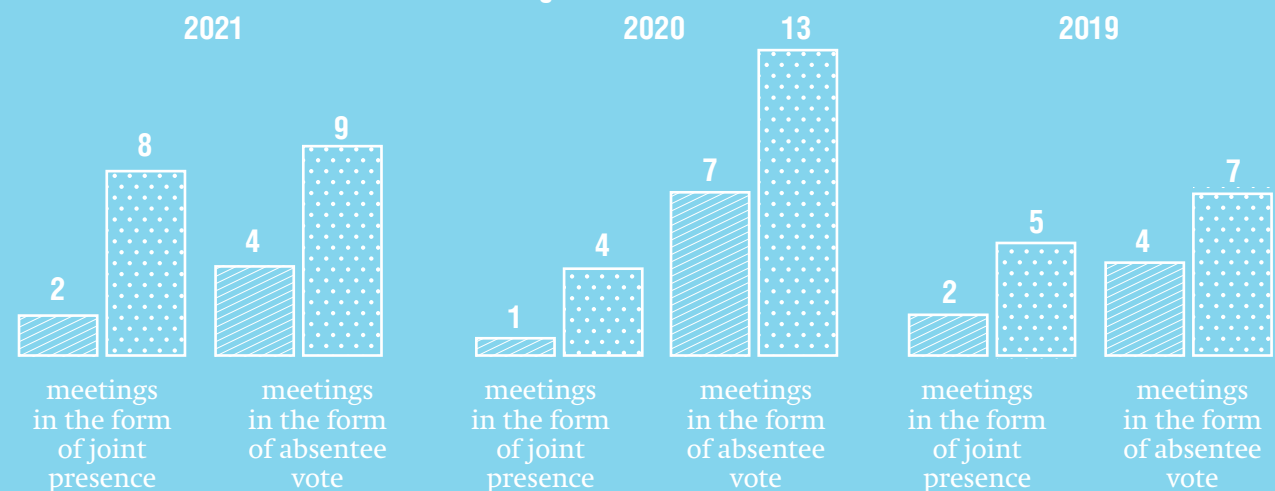
The key purpose of the Audit Committee is to facilitate monitoring of the Company's financial and business operations by the Board of Directors and its supervision over the Company's internal controls, reporting, and audit.

Members of the Audit Committee:

1. Sergey Stepashin, Committee Chairman, independent director
2. Andrey Derekh, independent director
3. Victor Martynov, independent director

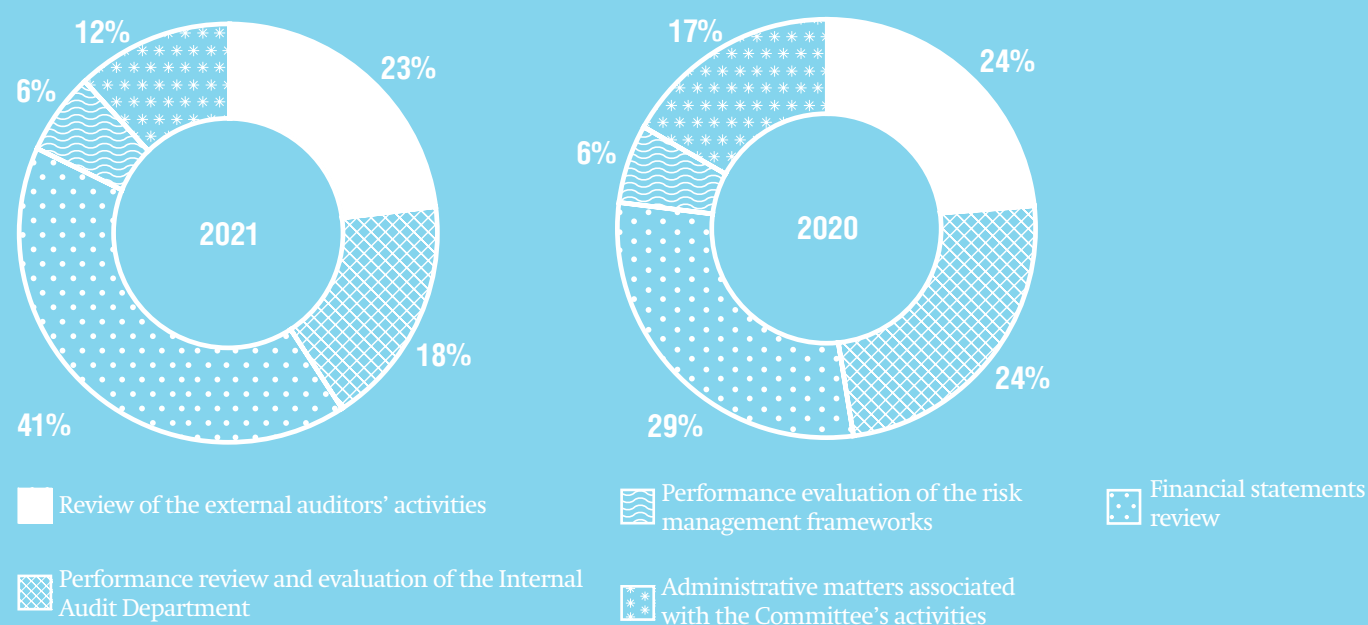
In 2021, the Audit Committee met six times.

Board of Directors Audit Committee meetings and matters transacted in 2019–2021



■ number of meetings ■ number of matters transacted

The chart below shows the breakdown of matters transacted by the Audit Committee.¹



¹According to the 2021 performance review results, the performance of RussNeft's Internal Audit Department was assessed as high.

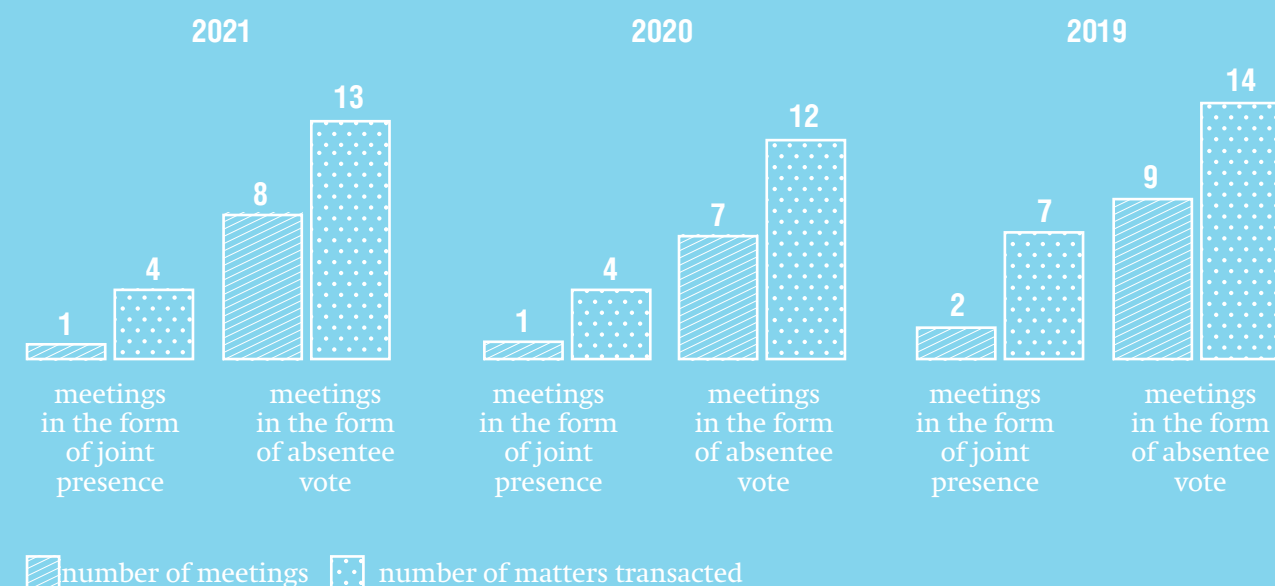
The Remuneration and Nominations Committee plays the main role in establishing a transparent, effective and solid remuneration policy within the Company, as well as in matters relating to the HR policy and to the composition and effectiveness of the Board of Directors and executive bodies.

Members of the Remuneration and Nominations Committee:

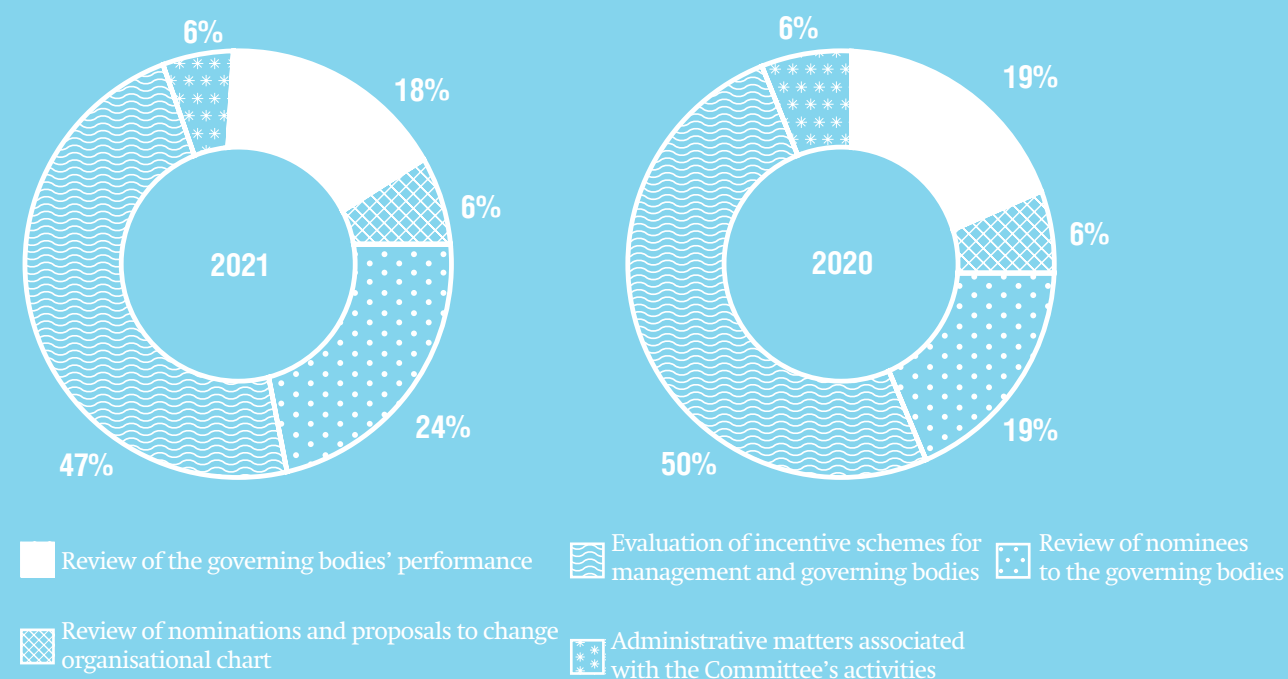
1. Victor Martynov, Chairman, independent director
2. Andrey Derekh, independent director
3. Dmitry Romanov

Over 2021, the Remuneration and Nominations Committee held nine meetings.

Board of Directors Remuneration and Nominations Committee meetings and matters transacted in 2019–2021



The chart shows the breakdown of matters transacted by the Remuneration and Nominations Committee.



Assessment of the Board of Directors

Improvements to processes and procedures of the Board of Directors as a strategic management and supervisory body is a key factor for leveraging the overall efficiency of the Company's governance system and boosting investors' confidence.

In line with international best practices as well as with the guidelines contained in the Corporate Governance Code endorsed by the Bank of Russia, the Company has introduced a Board of Directors (self-)assessment procedure since 2018.

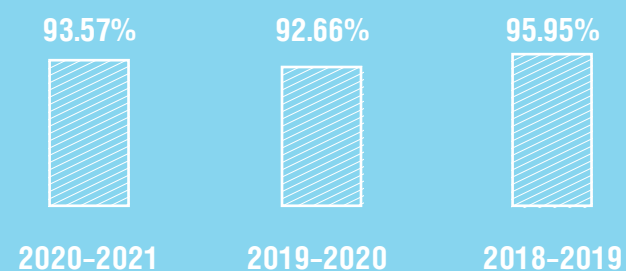
The procedure covers both the Board of Directors and its Committees. The primary objective of the Board of Directors assessment is to ascertain the effectiveness of the Board of Directors as a collegial governing body and to strengthen its role in driving the Company's successful growth.

Assessment allows to determine the direction and the rate of change in the performance of the Board (and its Committees) as well as to compare their contribution to the Company's successful growth and identify areas for further continuous improvement to their practices which are reported in a timely manner to the Company management and implemented to the extent practicable.

Where necessary, following the assessment, the Remuneration and Nominations Committee of the Board of Directors develops proposals for improving the performance of the Board of Directors and its Committees.

In 2021, the Board of Directors and its Committees carried out the self-assessment exercise for the corporate year of 2020-2021. The results were first reviewed by the Board of Directors Remuneration and Nominations Committee from an overall performance perspective. The Committee's recommendations to improve the procedures of the Board of Directors and its Committees were submitted for review to the Board. According to the self-assessment results, performance of RussNeft's Board of Directors was high in the said corporate year.

RussNeft Board of Directors assessment



Keeping newly elected members of the Board of Directors informed of the Company's activities

In order to ensure that the Board of Directors conducts its activities efficiently and in line with the best corporate governance practices, RussNeft has a Policy in place on the assumption of office by members of the Board of Directors. It is aimed at ensuring that newly elected members of the Board of Directors quickly and efficiently become familiar with the Company's key operational and financial indicators, corporate governance system, risk management framework, and internal controls. The Policy provides that meetings with the President, Board of Directors members and executive officers of the Company may be arranged for newly elected members of the Board.

In the reporting year, when Vyacheslav Marchenko, Sergey Chernyshev, Olga Prozorovskaya and Maria Sergeeva joined the Board of Directors as its newly elected members, in line with Policy, appropriate arrangements were made each time for them to become familiar with the requisite information on the Company's activities, its internal documents and financial statements, the Company's annual reports and other documents and information.

Corporate Secretary

The Corporate Secretary's key responsibilities include implementation of the Company's corporate policy, shareholder relations management, co-ordination of the Company's activities to protect shareholder rights and interests, and administrative support to the functioning of the Board of Directors and its committees.

The Corporate Secretary:

- organises and manages general shareholders' meetings in compliance with the applicable laws of the Russian Federation, the Company's Articles of Association and internal documents;
- supports the operation of the Board of Directors and its committees, organises and manages Board meetings;
- takes part in the Company's disclosure process;
- ensures safe keeping of corporate documents;
- facilitates communication with shareholders and participates in preventing corporate conflicts;
- takes part in improving the Company's corporate governance framework and practice;
- implements procedures intended to protect shareholder rights and legitimate interests in accordance with the applicable laws of the Russian Federation and the Company's internal regulations;
- monitors compliance with said procedures;
- ensures compliance with the Russian stock exchanges' listing and trading rules, etc.

The Corporate Secretary also acts as secretary to all the Board of Directors committees.

The Corporate Secretary's work is governed by RussNeft's Regulations on the Corporate Secretary, approved by the Company's Board of Directors in 2016.

Under the Regulations, the Company's Corporate Secretary is functionally subordinate to the Board of Directors and administratively subordinate to the RussNeft's President.

No conflict of interest with regard to the work of the Corporate Secretary has been identified.

In 2021, the Corporate Secretary prepared and ran

- three general shareholders' meetings,
- thirty-one Board meetings,
- six meetings of the Board of Directors Audit Committee,
- nine meetings of the Board of Directors Remuneration and Nominations Committee.

Svetlana Furs, Head of Corporate Support, Corporate Relations Department, has been Corporate Secretary since October 2016.

The Company's Corporate Secretary has the experience, knowledge, expertise, and qualifications required to perform their duties.

Svetlana Furs

Born in 1975

Ms Furs graduated from the Plekhanov Russian University of Economics with a PhD in Economics (1997).

Ms Furs has 20 years of experience in corporate governance.

Nationality: Russian.



Professional experience

Period	Company	Position
2016–present	RussNeft	Head of Corporate Support, Corporate Relations – Corporate Secretary

Ms Furs does not hold any shares or securities in the Company and is not affiliated with the Company.

Policy on remuneration and/or reimbursement of expenses to members of the Company's Board of Directors, President, and management

Under RussNeft's remuneration policy, remuneration must be adequate to hire, motivate, and retain personnel who have competences and qualifications necessary for the Company.

The Company pays remuneration to members of its Board of Directors, executive bodies, and key officers in accordance with Russian law (i.e. the Federal Law "On Joint-stock Companies" and the Labour Code), the resolution of the Company's general shareholders' meeting, which lays down the remuneration for the independent directors on the Board of Directors and the Chair of the Board of Directors, and other internal regulations, such as:

- Regulations on Remuneration to the Board of Directors and Reimbursement of Expenses Related to the Discharge of Duties by the Board of Directors, which define the procedure for calculating and paying remuneration
- Regulations for the Remuneration and Nominations Committee of the Board of Directors
- Regulations for RussNeft's Short-term Employee Incentive Programme
- Regulations for RussNeft's Long-term Employee Incentive Programme

In pursuance of the Corporate Governance Code recommended by the Central Bank of Russia, the General Shareholders' Meeting of the Company laid down fixed annual remuneration for the members of the Board of Directors, with provision for adjustments for additional duties associated with chairing the Board of Directors and its committees and involvement in such committees. For independent directors, an additional fixed fee is also established for personal attendance at meetings. The payment of such extra fees is a widely-used practice, both nationally and internationally, and, in the opinion of the Company, constitutes fair compensation for the independent directors' involvement in the work of the Board of Directors and its committees.

Remuneration scheme for Board of Directors members

Base (fixed)

- For service on the Board of Directors
- For work in committees

Extra

- For attending Board meetings
- For attending committee meetings

The remuneration and reimbursement to members of RussNeft's Board of Directors is calculated and paid pursuant to the Regulations on Remuneration to the Board of Directors and Reimbursement of Expenses Related to the Discharge of Duties by the Board of Directors. The Regulations were approved by a resolution of RussNeft's Board of Directors on 12 February 2018.

By resolution of the General Shareholders' Meeting, the Company reimburses members of its Board of Directors for their expenses associated with attending Board and committee meetings, including cost of travel to/from the venue for such meetings, airport or rail station charges, cost of accommodation during such meetings at hotels of any category, and other reasonable expenses associated with Board members exercising their rights or discharging their duties.

Remuneration to the Company President is paid subject to the terms and conditions of their employment contract, agreed for a term of five years. The President's remuneration consists of their monthly salary and quarterly bonus payable by resolution of the Board of Directors. The bonus amount depends on the achievement of their KPI targets as set by the Board of Directors.

Remuneration and reimbursement amounts paid out to members of the Company's governing bodies in 2021 are specified in the table below.

Remuneration paid and expenses reimbursed to the Company's governing bodies (RUB thousand)

	2021	2020	2019
Remuneration component	K RUB	K RUB	K RUB
Remuneration for membership of the governing bodies, including:			
base	68,427.00	74,400.00	76,000.00
extra	59,427.00	66,400.00	66,400.00
Salary	9,000.00	8,000.00	9,600.00
Bonus	71,600.69	58,292.79	62,176.51
Fees	64,931.52	114,887.77	74,606.53
Other	0	0	0
TOTAL remuneration	204,959.21	247,580.56	212,783.04
Reimbursements, including:			
travel	469.40	387.54	1,109.89
accommodation	277.30	224.60	567.07
other	157.30	162.94	313.85
	34.80	0	228.97

No remuneration is paid to members of the Company's executive bodies or its key officers for serving on the Company's governing bodies. Employment contracts with members of the Company's executive bodies and other key officers make no provision for severance pay, compensation, or any other payments as a result of their removal, apart from those benefits required under the applicable employment laws. The Company's remuneration policy in relation to its key executives provides for non-cash benefits, such as health insurance, company car, and company mobile phone plans.

The Company adopted a short-term incentive scheme (by resolution of the Board of Directors dated 22 July 2010) and a long-term incentive scheme (by resolution of the Board of Directors dated 23 September 2010) applicable to its management.

The long-term incentive scheme for RussNeft's management, updated to reflect the Company's public status, is presently linked to the market price of the Company shares and achievement of the oil production target. The scheme came into force on 26 May 2017 and is subject to revision every three years at the end of the scheme cycle. By a resolution of the Company's Board of Directors dated 8 October 2020, the effective term of the existing long-term RussNeft management incentive scheme was prolonged for another three years.

The short-term incentive scheme is based on two sets of key performance indicators, i.e. corporate (common) and individual (functional) KPIs, and has not been revised since it was introduced. However, the key performance indicators are revised annually and updated to reflect the Company's strategy. Corporate KPIs are the Company's key financial targets set in the budget adopted (revenues, EBITDA, capex).

On 15 December 2021, the Remuneration and Nominations Committee reviewed the effective KPI system and, based on its findings, confirmed that the short-term and long-term management incentive schemes are efficient and up-to-date (Minutes No. 9–21).

During the above meeting the Remuneration and Nominations Committee also analysed the current remuneration scheme for members of the governing bodies. The terms of contracts with members of the Board of Directors and the Company President are deemed adequate and not requiring any revision.

President

The Company's day-to-day operations are managed by its President, who is the Company's chief executive officer. The President is elected by the Board of Directors and reports to the Board of Directors and the General Shareholders' Meeting.

On 8 November 2016, Evgeny Tolochev was elected President of RussNeft. By a resolution of the Company's Board of Directors dated 25 October 2021, he was re-elected the Company President for another term.

Evgeny Tolochev

Born in 1975

Educational level: university degree.

Mr Tolochev graduated from Samara State Technical University in 1997 with a degree in Oil and Gas Field Development and Operation.



Professional experience (over the last five years):

Period	Company	Position
2016–present	RussNeft	President
2015–present	GEA Holdings Limited	Director

Member of the board of directors at:

Varioganneft, Saratovneftegaz, Neftisa, ForteInvest, Preobrazhenskneft, Oilgaztet, Geoprogress, SAFMAR Charitable Foundation.

Interest held in RussNeft's share capital: 0.0005 %

RussNeft's ordinary shares held: 0.0006 %

Transactions to buy/sell Company shares: none

Internal Audit Commission

The Internal Audit Commission is a body mandated to supervise the Company's financial and business operations to ensure their compliance with the applicable Russian laws, the Company's Articles of Association, and its internal regulations.

In 2021, the Company's business was audited by the Internal Audit Commission elected by the Company's Annual General Shareholders' Meeting on 28 June 2021, as follows:

Yulia Zhiltsova

Financial Controller at Glencore's Representative Office

Elena Samorukova

Head of Tax at RussNeft

Elena Sergeeva

Head of Internal Audit at RussNeft

Veronica Shkaldova

RussNeft's Deputy Chief Accountant

The audit conducted by the Internal Audit Commission provides it with reasonable grounds to confirm the disclosures made in the Company's reports and financial documents, including RussNeft's annual report for 2021.

Information for shareholders and investors

Breakdown of shareholders and share capital

The Company's share capital amounts to **RUB 196,076,000** divided into 392,152,000 shares with par value of **RUB 0.50** each, including:

- **294,120,000** ordinary shares, representing **75%** of the Company's share capital
- **98,032,000** cumulative preferred shares, representing **25%** of the Company's share capital.

The Company does not have any treasury or quasi-treasury shares.

Company shareholders holding at least 5% of its share capital or at least 5% of its ordinary shares as at 31 December 2021

Name	Percentage of share capital	Percentage of ordinary shares held
Nadezhnost Investment Company	4.95	6.60
Mlada	7.70	10.27
RAMBERO HOLDING AG	23.46	31.28
BRADINAR HOLDINGS LIMITED	12.05	16.07
WERIDGE INVESTMENTS LIMITED	7.21	9.61
TRUST Bank	19.23	3.61
VTB Bank	8.48	-

Information about the Company's shareholders is based on data provided by the registrar (subject to information disclosed by the nominee holder).

Such information is updated on a quarterly basis and is disclosed to the general public on the Company's website at <http://www.russneft.ru/> and in its issuer statements at <http://www.e-disclosure.ru/portal/company.aspx?id=534> and <http://www.russneft.ru/>.

Registrar

In the reporting year, the Company's registrar was Servis-Reestr acting under Register Maintenance License No. 045-13983-000001 issued on 2 March 2004 by the Russian Federal Commission for the Securities Market.

Registered and postal address:
12 Sretenka St.
Moscow, 107045, Russia
Tel.: +7 495 608 1043, +7 495 783 0162
E-mail: sekr@servis-reestr.ru

Dividends: taxation, dividend policy, report on the Payment of dividends declared/accrued on the Company's shares

To ensure maximum transparency of the dividend calculation and payout, on 26 May 2017 the Company's Board of Directors, by its resolution (Minutes No. 278), approved the restated Regulations on the Dividend Policy (the "Regulations").

The Regulations set forth the following key dividend payout principles:

- compliance with the applicable Russian laws, the Company's Articles of Association and its internal regulations;
- commitment to the best corporate governance practices;
- enhancement of the Company's investment appeal;
- support for steady dividend growth, subject to the Company's increasing net profit;
- commitment to ensuring the most convenient form of dividend payout to shareholders;
- commitment to ensuring maximum transparency of the dividend calculation.

The General Shareholders' Meeting of the Company passes its resolution to pay out dividends (including their amount and the form of payment) based on the Board of Directors' recommendations.

These recommendations take account of the following:

- availability and amount of the Company's net profit;
- financing required by the Company to expand its business and implement its development strategy in view of the dividend payout and projected performance for the year;
- material macroeconomic changes, other internal and external changes that have or may have a material impact on the Company's future operating performance, force majeure, including natural calamities and wars;
- the need to balance the interests of the Company and its shareholders, while improving the Company's investment case and respecting shareholder rights;
- the Company's intent to pay out in annual dividends at least 50% of the Company's net profit available after provisions are made to finance the approved capital expenditure programme and repay the Company's outstanding loans.

Annual dividends per preferred share are stipulated in clause 6.3.1. of RussNeft's Articles of Association. The dividends are declared and paid out provided that the Company's profit is sufficient for this purpose, as determined in accordance with the Articles of Association.

On 25 May 2021, the Board of Directors recommended to the General Shareholders' Meeting to pay out USD 60 million, i.e. USD 0.6120450465 per preferred share, in 2020 dividends.

On 28 June 2021, the Company's Annual General Shareholders' Meeting resolved to pay out the dividends as recommended by the Board of Directors.

Dividends were paid out to the preferred stock holders in full.

RussNeft's dividend history (over the last five years)

Period	Share category (type)	Date of the list of persons entitled to dividends	Dividends declared per share, RUB	Total dividends declared (before profit tax), RUB mn	Total dividends paid out (before profit tax), RUB mn
2016	preferred	17 July 2017	24.30	2,381.74	2,381.74
2017	preferred	12 July 2018	25.74	2,523.34	2,523.34
2018	preferred	11 July 2019	25.75	2,524.65	2,524.65
2019	preferred	13 October 2020	47.15	4,621.93	4,621.93
2020	preferred	18 July 2021	44.80	4,391.42	4,391.42

No dividends were declared or paid out on ordinary shares for 2016-2020

²At the exchange rate of the Russian Central Bank as at the date of dividend payout.

Risk management

RussNeft's integrated risk management framework is designed to support decision-making. The Risk Management Policy approved by the Company sets forth the key risk management principles and includes procedures to identify and assess risks and mechanisms to measure their potential impact.

The Company is committed to building and developing a smooth-running framework for managing the risks that are inherent in the Company's business and significantly affect it. RussNeft manages its risks in order to mitigate any possible damage and strengthen its operational and financial resilience in any anticipated unfavourable environment.

The Company is constantly improving its risk management system. This makes it possible to respond in a timely manner to emerging changes (both external and internal), maintain efficiency, and increase performance under conditions of risk and uncertainty.

Principles underlying the Company's risk management framework setup and functioning are:

- Continuous cycles
- Involvement in the Company's business processes
- Support to decision-making
- Clear identification of responsible persons
- Decentralised risk management framework
- Sensible budget planning
- Target-setting for budgetary purposes
- Consistent evaluations
- Business rationale
- Efficient risk management process
- Risk awareness

In spite of the Company's ongoing systemic efforts to mitigate risks, its business may be exposed to factors beyond its control. Set out below are the key material risks, as seen by the Company, that, if they occur, may adversely affect the Company's financial performance.

Industry risks

Risks of falling oil prices

Risk description

Company earnings, liquidity, and margins are highly dependent on both domestic and global crude oil prices. Historically, the volatility of these has been determined by a number of factors outside RussNeft's control. A reduction in oil and gas prices may result in lower production volumes.

Risk management

The Company uses a scenario approach to analyse the potential impact of falling oil prices on our financials. It tests its short- and long-term investment projects for sensitivity to these changes.

Country and regional risks

Risks related to geographic location

Risk description

The Company is registered as a taxpayer in Moscow and operates within Russia.

Most of its assets are located mainly in Russia (a low-risk country). Only a minor part of the assets are situated in Azerbaijan.

Risk management

Risks related to the location of the Company's upstream assets / subsidiaries and risks of natural disasters or other events are deemed insignificant and are outside the Company's control.

Financial risks

Interest rate risks

Risk description

In 2021, interest rates on foreign currency loans continued to decrease. The bulk of the Company's debt is represented by foreign currency loans with a variable rate linked to USD 3m LIBOR, which reduced from 0.23725% as at 4 January 2021 to 0.20913% as at 31 December 2021. The Company assesses this risk as material as it may have a material impact on the Company's financial standing.

Risk management

The Company is monitoring the USD 3m LIBOR and making relevant provisions to fully comply with its interest payment obligations.

One of the Company's subsidiaries has entered into an interest rate swap contract – a derivative financial instrument depending on FX and interest rates.

The derivatives, as evaluated on a fair value basis in accordance with IFRS 9, are shown in the IFRS consolidated financial statements for 2021.

Foreign exchange risks

Risk description

The bulk of the Company's revenue comes from oil exports, while the majority of its operating and capital expenses are denominated in Russian roubles. A large portion of RussNeft's outstanding loans are also denominated in foreign currency.

Risk management

The FX risk is beyond the Company's control. To minimise its impact, RussNeft is continuously monitoring and analysing the FX market developments to ensure the best timing of its FX transactions.

One of the Company's subsidiaries has entered into an interest rate swap contract – a derivative financial instrument depending on FX and interest rates.

The derivatives, as evaluated on a fair value basis in accordance with IFRS 9, are shown in the IFRS consolidated financial statements for 2021.

Significant FX rate changes can have a negative impact on their fair value, reducing the Company's margins.

Inflation risks

Risk description

Inflation leads to higher costs and lower income and thus has an adverse impact on the Company's financial performance.

According to the Federal Service for State Statistics (Rosstat), the 2021 inflation rate was 8.4%.

Current and anticipated inflation rates are far from being critical for the Company or the industry in general.

Risk management

Higher inflation has a direct impact on the Company's financial standing, particularly on CAPEX and real income amid stable oil prices. When developing its strategy, the Company seeks to fully factor in this risk, although it is outside its control.

Liquidity risk

Risk description

The Company's operating cash flow is unstable due to high oil price volatility, exchange rate fluctuations, and changes in taxes and duties.

These factors may affect Company cash flow volume and, as a result, its liquidity.

Risk management

The Company has a centralised liquidity management system that includes detailed budgeting, daily monitoring of the mid-term payment position, and daily, weekly, monthly, quarterly, and annual updating of the budget implementation plan.

The Company continuously monitors its liquidity ratios and manages the liquidity risk through detailed cost planning, budget discipline, and extensive use of prepaid oil export arrangements.

Supplier risk due to dependence on oil and gas transportation monopolies and their pricing policy

Risk description

In terms of oil transportation, the Company depends on monopolies, such as Transneft and Russian Railways, and cannot influence either the cost or the quality of their services. Any increase in oil transportation costs has an adverse impact on the Company's financial performance. Moreover, any major accident or other technical incident could affect transportation capacity and consequently the Company's financial results.

Risk management

This risk is outside the Company's control. The Company seeks to identify any persistent increases in costs, while also carefully planning its future expenses.

Legal risks

Risk of changes in foreign exchange regulations

Risk description

The Company is actively involved in foreign economic activities. Part of the Company's liabilities are denominated in foreign currency. As a result, foreign exchange regulation affects its operating and financial performance.

Risk management

The Company continuously monitors changes in foreign exchange regulation and control laws and ensures compliance with foreign exchange laws.

Over the reporting period, there were no material changes in the Russian foreign exchange regulation and control laws that could affect the Company's operations.

Risks of changes in tax laws

Risk description

The Company is a major taxpayer, and its business success largely depends on good faith and transparency of tax disclosures. The Company pays VAT, excise tax, mineral tax, and other taxes.

Risk management

To minimise this risk and its potential impact, the Company is continuously monitoring changes in tax laws and their application.

Risks of changes in customs and duties regulations

Risk description

As an active participant in foreign economic relations, RussNeft is exposed to certain risks related to changes in foreign trade laws and customs legislation governing the procedure for cross-border movement of goods, other customs procedures and their application, as well as customs duties and their collection.

Risk management

The Company is continuously monitoring changes in customs laws, assessing and forecasting their potential impact on its operations.

The probability of risk occurrence due to the enactment of amendments to customs laws in the reporting period is deemed low.

Risks of changes in courts' interpretation of matters related to the Company's business (including licensing) which may adversely affect its performance or the outcome of pending legal proceedings involving the Company

Risk description

In making business decisions, the Company takes account of any relevant judicial interpretation of laws in order to analyse and forecast potential scenarios and minimise risks. The judicial interpretation of law by the Constitutional Court, Supreme Court, and Arbitration Courts of the Russian Federation may affect the outcome of disputes in which RussNeft is involved.

Risk management

Over the reporting period, there were no court cases that could adversely affect the RussNeft's current operations and/or ongoing proceedings.

Reputational risk

Risk description

Strong emphasis is placed on promoting the Company as a reliable and attractive business partner both to the general public and to its clients, suppliers, contractors and other stakeholders. The Company strives to communicate a complete and true picture of its operations.

Risk management

The Company manages this risk through:

- timely, complete, and accurate disclosure of information about the Company's operations, as required by the applicable Russian laws, and additional disclosures including press releases on key events, comments for the media and investment community, and other material, information, and clarifications;
- constant dialogue with mass media, investors, analysts, clients and counterparties, federal and local authorities, industry bodies and other stakeholders; disclosure of any necessary information and clarification of it;
- various initiatives aimed at raising awareness of the Company's operations (participation in industrywide conferences, etc.);
- ongoing monitoring of information related to the Company's operations and the oil and gas industry as a whole in the mass media and other sources;
- prompt responses to negative publicity and presenting impartial information and the Company's official position.

Strategic risk

Risk of losses from incorrect strategic decisions

Risk description

The strategic risk is associated with exposure to incorrect decisions defining the Company's business and development strategy.

Risk management

The Company regularly analyses its strategy implementation indicators as part of the annual model review and extension. Strategic planning is based on current macroeconomic factors and takes into account the approved guidance for the development and ongoing optimisation of the Company's project portfolio.

The Company has implemented a risk management framework to support its decision-making.

Operational risks

Risks associated with ongoing proceedings in which the Company is involved

Risk description

In its day-to-day operations, the Company can face certain challenges that may result in legal proceedings.

Risk management

Over the reporting period, the Company did not participate in proceedings that could have material impact on its business or financial affairs. Accordingly, no risks associated with pending proceedings can be viewed as capable of significantly affecting the Company's financial performance.

Risks associated with the impossibility of renewing the Company's licences for certain types of business or for using assets with limited transferability (including natural resources)

Risk description

The existing subsoil laws provide for grounds for early termination, suspension, or restriction of subsoil rights. If a government authority believes that the Company has failed to meet certain licence requirements, it might impose a fine, or suspend or terminate the Company's subsoil rights. In either case, the Federal Agency for Mineral Resources (Rosnedra) and its local bodies do not take administrative measures for early termination until after the expiry of a three-month notice period granted to the licence holder to rectify any breaches identified. Over the reporting period, the authorised bodies did not serve any notices of suspension or early termination of the Company's subsoil rights. Furthermore, in case of disagreement with any early termination resolution by Rosnedra, RussNeft may challenge such resolution in administrative or court proceedings.

Risk management

The Company constantly monitors the validity of its licences and, if necessary, extends them for as long as a field is being developed. RussNeft is also obliged to obtain and extend other licences, permits, authorisations, land use rights, and approvals for the development of its fields.

As the Company is committed to fully complying with requirements for subsoil use and monitoring these, and makes every effort to update its licence agreements, the risks of early termination, suspension, or restriction of subsoil rights are assessed as extremely low.

ESG risks

Risks associated with health, safety and environment (ecological risks)

Risk description

At the Company's facilities there are risks associated with process interruptions, hazardous product emissions, environmental damage, accidents, fires and incidents:

- physical impact on the environment caused directly by the Company's operations;
- employee health risks;
- risks of impact on the environment and risk of incidents related to such issues as water use, quality of discharged water, waste recycling, air emissions (other than greenhouse gases), and environmental satisfaction of local communities. These may lead to the shutdown of the Company's production facilities.
- Physical impact on the environment caused directly by the Company's operations.
- Employee health risks.
- Risks of impact on the environment and risk of incidents related to such issues as water use, quality of discharged water, waste recycling, air emissions (other than greenhouse gases), and environmental satisfaction of local communities.

Risk management

To minimise these risks, the Company has created and is successfully operating an integrated health, safety and environment (HSE) management system. The following measures are in place:

- targeted corporate HSE programmes;
- in-process control of the operation of hazardous production facilities;
- diagnostic inspections (non-destructive tests) and equipment condition monitoring;
- repairs and timely replacement of equipment;
- control of compliance with HSE requirements by contractors at all stages of cooperation with them;
- guarantee of personnel qualification at all levels;
- control of compliance with sanitary and epidemiological measures;
- special assessment and improvement of employee working conditions;
- development of emergency response plans for hazardous production facilities, oil and oil product spill response plans, creation of manpower and equipment reserves for accident and emergency response, training of hazardous production facility personnel and emergency response teams to prevent and respond to emergencies. The Company uses advanced technologies for accumulation, storage and processing of production and consumption waste. A number of other measures are taken to reduce the number of accidents and injuries at the Company's production facilities.

Risks associated with climate change

(climate risks)

Risk description

Climate risks are risks associated with the effects of global warming.

To keep pace with the global agenda, the Company has begun to analyse potential risks and possibilities associated with climate change.

Tougher regulations in connection with climate change and its physical impacts could negatively affect the Company as a whole, resulting in higher costs and lower efficiency.

The Company operates in different regions where potential physical effects from climate change are highly unpredictable and could have a significant adverse impact.

Risk management

In order to minimise these risks, the Company:

- records and plans measures to regulate greenhouse gas emissions;
- takes measures to maintain its 95% APG utilisation rate;
- continuously monitors legislative changes in this field and takes measures to obtain information about such changes while they are still at early stages of discussion. RussNeft's representatives take part in such discussions to explain in detail the Company's position with regard to any issues, risks and uncertainties entailed by new legislative initiatives.
- Climate risks are more long-term and unpredictable.

Risks associated with lack of qualified personnel

Risk description

Risks associated with lack of qualified personnel and/or departure of key personnel, as well as loss of key personnel.

Inadequate qualification and lack of professionalism on the part of employees could have a negative impact on the Company's operations and financial performance.

Risk management

The Company minimises this risk by implementing a smart HR policy targeting RussNeft's employees as its main resource. The Company has in place an effective compensation and incentive programme.

Attention is given to providing better social security to employees. Measures are taken to improve efficiency and labour productivity in all regions of operation.

A personnel recruitment and rotation system is in place. Continuous development of employees is ensured.

Efforts are made to attract, adapt and develop young talent. The Company cares about the health of its employees and conducts regular activities to prevent the spread of COVID-19. In order to build a talent pool for itself for today and the future, RussNeft is creating an HR development system. This system includes career guidance for higher education graduates, a system for identifying high-potential employees (including graduates) and a strategy for planning their careers. As part of these activities, the Company works with the leading specialised higher education institutions in the regions where it operates.

Internal control

RussNeft has an internal control policy in place approved by the Board of Directors and intended to improve the efficiency of the Company's internal controls.

Purposes of the Company's internal control:

- Effective protection of the rights and lawful interests of shareholders and investors for reasonable confidence as to achieving the targets set
- Ongoing unbiased and fair information about the Company's current position and outlook
- Compliance with applicable legal requirements for the Company's business continuity
- Development of financial reporting controls for the Company
- Protection of assets

Functions of the Company's internal control framework:

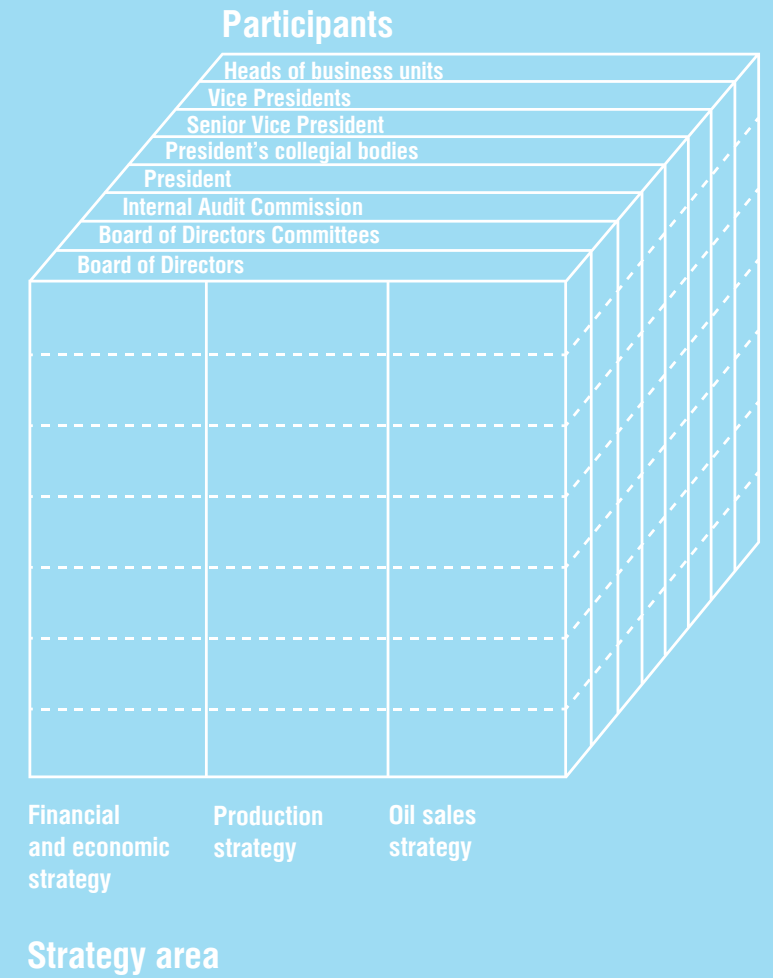
- Necessary control environment for efficient financial and business processes
- Identification and evaluation of risks threatening the Company's objectives
- Development and use of controls for more efficient achievement of the Company's objectives
- Creation of preconditions for timely and reliable financial reporting
- Integration of controls into business process management

The following key principles underlie the Company's internal control framework:

- Integrated
- Multi-component
- Ongoing cycle
- Decentralised
- Ever-improving procedures
- Continuous development
- Multi-level
- Reliable financial reporting
- Independent assessment

Monitoring of goal achievement

- Performance reports to the BoD (monthly, quarterly, semi-annual, annual)
- Weekly operational meetings (all Vice Presidents)
- Audit of internal control efficiency
- Control of oil supply efficiency (price committee)
- Evaluation of procurement efficiency (tender committee)
- Control of well intervention efficiency
- Control of financial statement reliability (Internal Audit Commission)



CHAPTER 5 GENERAL

Glossary

Terms and abbreviations

3D seismic	seismic survey that produces a three-dimensional image of a reservoir
HOD	heavy oil deposits
AP	administrative personnel
LVHAT	large-volume hydrochloric acid treatment
HF	hydraulic fracturing
WI	well intervention
GTS	gas transport system
HPP	hydropower plant
GTPP	gas turbine power plant
HSE department	health, safety and environment department
sidetracking	drilling a secondary wellbore away from an original one / a secondary wellbore drilled away from an original one
1P reserves	proven reserves
2P reserves	probable reserves
2P reserves	proven and probable reserves
3P reserves	proven, probable and possible reserves
K_d	coefficient reflecting the degree of difficulty of oil extraction
MSHF	multistage hydraulic fracturing
TBO	time between overhauls
IFRS	International Financial Reporting Standards
MET	mineral extraction tax
WGSDL	waste generation standards and disposal limits
OPEC	Organization of the Petroleum Exporting Countries
HPF	hazardous production facility
EP	experimental programme
BHT	bottom hole treatment
MPES	maximum permissible emission specifications
APG	associated petroleum gas
OLS	oil loading station
propping agent	granular substance used in the oil industry to increase well production rates in hydraulic fracturing
OEAP	Organisational and Engineering Advancement Programme
OIP	operational improvement programme
FPM	formation pressure maintenance
PP	production personnel
EMP	environment monitoring programme
RAS	Russian Accounting Standards
RF	Russian Federation
PPE	personal protection equipment
CIS	Commonwealth of Independent States
PSA	production sharing agreement
seismic	(2D/3D) seismic surveys
HRR	hard-to-recover reserves
FEI	fuel and energy industry
OTU	oil treatment unit
SD	sustainable development
PPP	porosity & permeability properties
FC	football club
CDU TEK	Central Dispatch Office of the Fuel and Energy Sector
CL	chemical laboratory
ESG factors	factors associated with the environment (including climate change), society and corporate governance.
SPE (SPE-PRMS)	international standard for estimating and managing petroleum reserves

Units of measurement

bbl	barrel
boe	barrel of oil equivalent
USD	U.S. dollar
sq km	square kilometre
m	metre
m^3	cubic metre
bcm	billion cubic metres
mn	million
bn	billion
oe	oil equivalent
linear km	linear kilometre
pp	percentage point
RUB	Russian rouble
K	thousand
pcs.	pieces

Conversion factors

1,000 m^3 of gas = 6.6 barrels of oil equivalent

1,000 m^3 of gas = 0.8 tonnes of oil equivalent

Oil reserves are converted from tonnes to barrels using various conversion factors linked to the field's oil density.

Disclaimer

This 2021 Annual Report was prepared based on the information available to PJSC RussNeft (the “Company”) as at the date hereof. Certain statements herein may contain assumptions or projections regarding future events in relation to the Company.

These forward-looking statements can usually be identified by the use of such words as “expects”, “estimates”, “forecasts”, “intends”, “plans”, “will”, “could”, or other similar words or phrases, including their negative forms. These statements are assumptions that involve risks and uncertainties, known or unknown to the Company.

Hence, the Company’s future operational and financial performance may differ from its current expectations. Users of the information presented in the Annual Report should not rely solely on this information.

The said forward-looking statements are not based on actual circumstances and include all statements with respect to the Company’s intentions, opinions and current expectations pertaining to its operational and financial activities and performance, plans, projects and expected results, dividend and CAPEX policies, as well as trends in prices, rates, production and sales volumes, estimated expenses and other similar factors and economic forecasts for the industry and markets.

By their nature, these forward-looking statements are subject to risks and uncertainties that can cause the Company’s actual results to differ materially from those contained in the assumptions or projections. Such risks and uncertainties may include overall economic conditions and competitive environment in which the Company operates, rapid technology and other changes in the Company’s business areas, government activities in Russia and other jurisdictions where the Company conducts business.

The said list of risks and uncertainties is by no way exhaustive.

The Company does not give any warranties that the actual results, scale or performance of the Company or its industry will be in line with those explicitly stated or implied in any forward-looking statements contained herein.

The Company shall not be held liable for any losses that may be incurred by any person acting in reliance on the forward-looking statements contained herein.

Save as expressly provided for by the applicable laws, the Company shall not assume any obligations with respect to the distribution or publication of any updated or modified forward- looking statements reflecting any changes in expectations, new data, or future events, conditions or circumstances.

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