



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 998 433 223
Organisasjonsform: Aksjeselskap
Foretaksnavn: RN NORDIC OIL AS
Forretningsadresse: Olav Vs gate 5
0161 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Ja
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: KPMG Accounting AS
Dato for fastsettelse av årsregnskapet: 11.05.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 29.09.2019



Resultatregnskap

Beløp i: NOK	Note	2016	2015
RESULTATREGNSKAP			
Kostnader			
Varekostnad	5, 8	97 049 234	101 616 114
Lønnskostnad	2	19 058 939	20 341 460
Avskrivning på varige driftsmidler og immaterielle eiendeler	3	507 114	507 114
Annen driftskostnad		12 361 549	16 597 723
Sum kostnader		128 976 836	139 062 411
Driftsresultat		-128 976 836	-139 062 411
Finansinntekter og finanskostnader			
Annen renteinntekt		769 868	1 706 668
Annen finansinntekt		102 989 052	79 362 950
Sum finansinntekter		103 758 920	81 069 618
Rentekostnad til foretak i samme konsern	4, 11	24 870 632	24 744 992
Annen finanskostnad	4	85 139 967	173 945 731
Sum finanskostnader		110 010 599	198 690 723
Netto finans		-6 251 679	-117 621 105
Ordinært resultat før skattekostnad		-135 228 515	-256 683 516
Skattekostnad på ordinært resultat	10	-54 908 173	-41 200 938
Ordinært resultat etter skattekostnad	7	-80 320 342	-215 482 578
Årsresultat	7	-80 320 342	-215 482 578
Årsresultat etter minoritetsinteresser		-80 320 342	-215 482 578
Totalresultat		-80 320 342	-215 482 578
Overføringer og disponeringer			
Udekket tap	7	-80 320 342	-215 482 578
Sum overføringer og disponeringer	7	-80 320 342	-215 482 578



Balanse

Beløp i: NOK	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	10	14 331 377	13 956 587
Sum immaterielle eiendeler		14 331 377	13 956 587
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	3	927 712	1 434 826
Sum varige driftsmidler		927 712	1 434 826
Sum anleggsmidler	3	15 259 089	15 391 413
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	10	54 533 383	67 020 838
Andre fordringer		1 992 623	677 743
Sum fordringer		56 526 006	67 698 581
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	9	66 217 645	129 290 312
Sum bankinnskudd, kontanter og lignende		66 217 645	129 290 312
Sum omløpsmidler		122 743 651	196 988 893
SUM EIENDELER		138 002 740	212 380 306
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	6	1 000 000	1 000 000
Sum innskutt egenkapital	6, 7	1 000 000	1 000 000



Balanse

Beløp i: NOK	Note	2016	2015
Opptjent egenkapital			
Udekket tap	7, 11	583 145 169	502 824 828
Sum opptjent egenkapital		-583 145 169	-502 824 828
Sum egenkapital	7, 11	-582 145 169	-501 824 828
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	4, 11	648 089 378	703 357 408
Sum annen langsiktig gjeld	4, 11	648 089 378	703 357 408
Sum langsiktig gjeld		648 089 378	703 357 408
Kortsiktig gjeld			
Leverandørgjeld		62 550 600	3 426 932
Skyldige offentlige avgifter		1 155 775	528 034
Annen kortsiktig gjeld		8 352 152	6 892 757
Sum kortsiktig gjeld		72 058 527	10 847 723
Sum gjeld		720 147 905	714 205 131
SUM EGENKAPITAL OG GJELD		138 002 736	212 380 303



FINANCIAL STATEMENT

RN NORDIC OIL AS

Business Registration No. 998 433 223

2016



Annual Report 2016 for RN Nordic Oil AS

The nature of the business and where it is carried on

RN Nordic Oil AS is a company in the petroleum sector. The activities in Norway include exploration, development and production of hydrocarbons and related activities.

The company was established in 2012 and is located on premises in Olav Vs gate 5, Oslo.

The company had one license during 2016, PL713. The company have had costs for acquisitions of seismic data used in connection with the preparation for the APA 2016 licence round, evaluation of potential license farm-ins and in preparation for APA 2017 and 24th licensing rounds.

Going concern

In accordance with the Accounting Act § 3-3a, the Board confirms that the financial statement for the Company have been prepared under the assumption of going concern, and the BOD confirms this assumption.

Continued operations

In 2016 the company's operations were related to following up the operator's work, Statoil on PL 713. This work consisted mainly on general license management and monitoring. The main activity through 2016 was preparation for further developing the regional modelling, APA 2016 applications, evaluation of around 40 licenses for potential farm-in and preparation for future license rounds.

The company has petroleum exploration activities in Mozambique. Costs for 2016 were MNOK 58.9. For the the income year 2015 the costs related to these activities were MNOK 56.

RN Nordic Oil AS has a solid parent company and financial guarantee. The loan from Rosneft Oil Company is regarded as subordinated debt (the loan is standing back from all other debt), and as a result there are no financial risks related to the operations of RN Nordic Oil AS. The board is of the opinion that the annual accounts have been prepared under the going concern assumption, even though the company's equity is currently negative.

It was decided to strengthen the equity situation by providing funds for repayment of a substantial part of the corporate loan. The implementation was completed in March 2017. In this process the share capital was increased from NOK 1 000 000 to NOK 100 000 000, and the premium on shares was increased from 0 to NOK 442 450 000.

Work environment

By the end of the year the company had 8 employees. At the end of the year 2 additional staff, Development Manager and Finance Manager, were identified and employed in March 2017 after approval by Rosneft Corporate. The company plans to expand the organization further with 4 additional staff from the middle of the financial year 2017.

The board believes that the work environment is good, and no particular measures have been implemented in relation to this.

Employees of the business have not suffered any accidents or injuries in connection with the performance of their work.



There have been no long-term absences due to sickness during the course of the year. Average absence due to short-term sickness is below 2%.

Equal opportunities

The company had 8 employees by the end of the year.

The company requires that working hours and salaries are to be divided fairly between the genders. The company's human resources policy is considered to be gender neutral in all aspects.

The board consists of four people, the Chair being a woman and the 3 members men.

External environment

The company is in a start-up phase and has not participated in any operational activities during the course of 2016. We are not aware of any actual or potential undesirable emissions of pollutants in connection with the company's activities in 2016.

Research and development activities

The company has had no costs related to research and development activities in 2016.

Future prospects

The operating loss for 2016 is NOK-128 976 836 and the loss before tax is NOK-135 228 515.

The company's mission is to develop a substantive medium-large size portfolio of NCS licenses. The objective is to generate revenues within a currently unspecified time period. The company may participate in parallel activities with the intention of starting up production and generating revenues at an earlier date.

Statement about the annual accounts and the allocation of profits

In the opinion of the board, the profit and loss account and the balance sheet with notes provide a good representation of the company's activities for 2016 and its financial position at the end of the year. The board is not aware of any matters of importance for assessing the company's position and revenues which are not evident from the accounts and the balance sheet with notes. Neither have any matters arisen after the end of the accounting year which in the opinion of the board are of importance for the assessment of the accounts.

The company is included in the group accounts of Rosneft Oil Company, 16 allée Marconi, L-2120 Luxembourg. The group accounts may be found on the website of www.rosneft.com.

In 2016 the company had an after tax uncovered loss of NOK-80 320 342 which is proposed to be allocated as follows:

To other equity capital/uncovered loss	NOK	-80 320 342
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With the current development, the conditions are good for continued operations and further progress.

Oslo, 11.05.2017



Liv Monica Bargem Stubholt
chairman of the board

Halfdan Millang
member of the board

Zeljko Runje
member of the board

John Rae Pickard
member of the board



Resultatregnskap

RN Nordic Oil AS

Operating income and operating expenses	Note	2016	2015
Exploration expenses	5, 8	97 049 234	101 616 114
Payroll expenses	2	19 058 939	20 341 460
Depreciation and amortisation expense	3	507 114	507 114
Other operating expenses		12 361 549	16 597 723
Operating expenses		<u>128 976 836</u>	<u>139 062 411</u>
Operating profit		<u>-128 976 836</u>	<u>-139 062 411</u>
Financial income and expenses			
Other interest income		769 868	1 706 668
Other financial income		102 989 052	79 362 950
Interest expense to group entities	4, 11	24 870 632	24 744 992
Other financial expenses	4	85 139 967	173 945 731
Net financial income and expenses		<u>-6 251 679</u>	<u>-117 621 105</u>
Operating result before tax		-135 228 515	-256 683 516
Tax on ordinary result	10	-54 908 173	-41 200 938
Operating result after tax	7	<u>-80 320 342</u>	<u>-215 482 578</u>
Annual net profit	7	<u>-80 320 342</u>	<u>-215 482 578</u>
Brought forward			
Loss brought forward	7	80 320 342	215 482 578
Net brought forward	7	<u>-80 320 342</u>	<u>-215 482 578</u>



Balanse

RN Nordic Oil AS

Assets	Note	2016	2015
Fixed assets			
Deferred tax asset	10	14 331 377	13 956 587
Total intangible assets		<u>14 331 377</u>	<u>13 956 587</u>
Equipment and other movables	3	927 712	1 434 826
Total tangible fixed assets		<u>927 712</u>	<u>1 434 826</u>
Total fixed assets	3	<u>15 259 089</u>	<u>15 391 413</u>
Current assets			
Tax refund	10	54 533 383	67 020 838
Other receivables		1 992 623	677 743
Total debtors		<u>56 526 006</u>	<u>67 698 581</u>
Cash and bank deposits	9	66 217 645	129 290 312
Total current assets		<u>122 743 651</u>	<u>196 988 893</u>
Total assets		<u>138 002 740</u>	<u>212 380 306</u>

**Balanse**

RN Nordic Oil AS

Equity and liabilities	Note	2016	2015
Restricted equity			
Share capital	6	<u>1 000 000</u>	<u>1 000 000</u>
Total restricted equity	6, 7	<u>1 000 000</u>	<u>1 000 000</u>
Retained earnings			
Loss brought forward	7, 11	<u>-583 145 169</u>	<u>-502 824 828</u>
Total retained earnings		<u>-583 145 169</u>	<u>-502 824 828</u>
Total equity	7, 11	<u>-582 145 169</u>	<u>-501 824 828</u>
Liabilities			
Other long-term liabilities			
Other long term liabilities	4, 11	<u>648 089 378</u>	<u>703 357 408</u>
Total of other long term liabilities	4, 11	<u>648 089 378</u>	<u>703 357 408</u>
Current liabilities			
Trade creditors		62 550 600	3 426 932
Public duties payable		1 155 775	528 034
Other short term liabilities		<u>8 352 152</u>	<u>6 892 757</u>
Total short term liabilities		<u>72 058 527</u>	<u>10 847 723</u>
Total liabilities		<u>720 147 905</u>	<u>714 205 131</u>
Total equity and liabilities		<u>138 002 736</u>	<u>212 380 303</u>

Oslo, 11.05.2017

The board of RN Nordic Oil AS

Liv Monica Bargem Stubholt
chairman of the board

Halfdan Millang
member of the board

Zeljko Runje
member of the board

John Rae Pickard
member of the board



Note 1 - Accounting Principles

The annual accounts have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway. The company comes under the Accounting Act's definition of small enterprises.

Revenues

The company was established in 2012. The company has not recorded any revenues since the exploration activities have not yet generated any.

Classification and assessment of balance sheet items

Assets intended for long-term ownership or use are classified as fixed assets. Other assets are classified as current assets. Accounts receivable to be repaid within a year are classified as current assets. The classification of short-term or long-term debt is based on similar criteria.

Current assets are valued as the lowest of acquisition cost and the real value.

Short-term debt is recorded as the nominal value at the the debt was incurred.

Shares of oil and gas licenses

Shares of oil and gas licences are entered in the accounts using the proportional consolidation method, which reflects the company's share of the activities and its financial position in the jointly controlled enterprise.

Exploration and evaluation costs

The Company recognizes exploration and evaluation costs using the successful efforts method. Under this method, costs related to exploration and evaluation (license acquisition costs, exploration and appraisal drilling) are temporarily capitalized in cost centers by field (well) until the drilling program results in the discovery of economically feasible oil and gas reserves.

The length of time necessary for this determination depends on the specific technical or economic difficulties in assessing the recoverability of the reserves. If a determination is made that the well did not encounter oil and gas in economically viable quantities, the well costs are expensed to Exploration expenses in the statement of profit or loss.

Exploration and evaluation costs, except for costs associated with seismic, topographical, geological and geophysical surveys are initially capitalized as exploration and evaluation assets. Exploration and evaluation assets are recognized at costs less impairment, if any, as property, plant and equipment until the existence (or absence) of commercial reserves has been established.

Exploration and evaluation assets are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, impairment test is performed.

If subsequently commercial reserves are discovered, the carrying value, less loss from impairment of the respective exploration and evaluation assets, is classified as oil and gas properties (development assets). However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

Accounts receivable

Accounts receivable and other receivables are specified in the balance sheet at nominal value



after deduction for allocation for expected losses. Allocations for expected losses are made on the basis of individual assessments for each receivable.

Bank deposits, cash and similar

Bank deposits, cash and similar include cash, bank and other means of payment falling due less than three months from the date of acquisition.

Fixed assets

Fixed assets include assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost, but are written down to the recoverable amount if this is lower than the book value and the decrease in value is not expected to be temporary. The recoverable amount is the highest of the net sales value and the use value. The use value is the current value of future cash flow related to the asset. The write-down is reversed when the basis for write-down no longer exists. Fixed assets with limited financial lifespans are written down systematically.

Tax

The tax costs can be combined with the accounting profit or loss before tax.

The tax costs consists of tax payable (tax on the current year's directly taxable income) and changes in net deferred tax. Tax increasing and the tax reducing temporary variations that reverse or may be reversed in the same period are offset and netted. Deferred taxes and deferred tax advantages are presented net in the balance sheet. Net deferred tax advantages are presented to the degree it is probable that these may be utilised. The company may request payment from the government for the tax value of incurred exploration expenses, unless these exceed the current year's taxable loss allocated to offshore activities. The receivable is included under "Other receivables" in the balance sheet.

Foreign currency

Transactions in currencies other than the functional currency are converted when the first recognised to the rate of exchange of the accounting date. Variations between the exchange rate of the date of transactions and the date of payment are recognised in the profit and loss account as exchange gains or losses under financial items. Monetary items in foreign currencies are valued at the exchange rate prevailing at the end of the financial year.



Note 2 - Payroll costs, number of employees, allowances.

Payroll costs	2016	2015
Salaries	14 474 988	15 594 613
Employer's social insurance contribution	2 974 105	2 318 380
Pension costs	547 944	666 777
Other benefits	1 061 902	1 761 690
Sum	19 058 939	20 341 460

The company had 8 employees at the end of 2016.

The company is required to have an occupational pension plan under the Act on Public Occupational Pensions.

The company has established such pension plan during 2014. The pension plan is a defined contribution plan and meets the requirements of this Act. The employees are entitled to 7 % contribution of annual salary between 0 and 12G.

Auditor's fee

Audit related services	154 520
Other services	77 500

The amounts do not include VAT.

Total remuneration to senior executives (NOK)

	Salary	Bonus	Pension	Other benefits
Previous Managing director		1 788 325		
Current Managing Director (as of 2 Nov 2015)	2 112 245	933 457	82 374	141 616

Salary (USD)

Board (total)	144 000
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The managing director is also member of the board. He and Zeljko Runje is not entitled to any board fee.

The managing director is entitled to bonus. The incentive is based on achievement of defined results. The bonus incentive is limited to 70% of the ordinary gross annual salary.

No security or loan has been provided for the managing director or the members of the board.



Note 3 - Fixed and intangible assets

	Office equipment	Other equipment	Total
Acquisition costs 01.01.2016	552 771	1 982 799	2 535 570
Acquisitions 2016	0	0	0
Acquisition costs 31.12.2016	552 771	1 982 799	2 535 570
Accumulated depreciations	369 176	1 238 682	1 607 858
Carrying value 31.12.2016	183 595	744 117	927 712
Depreciations 2016	110 554	396 560	507 114

Note 4 - Intercompany debt and transactions

Outstanding accounts between companies in the same group etc.

	Long-term debt	
	2016	2015
Loan from Rosneft Russia	648 089 378	703 357 408

The loan was borrowed at 6 December 2012 and expires at 6 December 2022. The loan was repaid in February 2017.

The annual interest rate is 4,5%. The face value is USD 63 399 000 for 2016. Face value for 2015 was USD 70 999 000. In general the loan increases due to incurred interests, but has been reduced due to a net downpayment in 2016. The loan is exposed to changes in exchange rates.

Internal interest costs for 2016 was NOK 24 784 407.

The company has bought internal G&G services from Rosneft Russia for MNOK 14,1.

Note 5 - Licences

The company holds a "non-Operator" participating interest (20%) in one NCS licence (PL713), which was awarded in the 22nd Norwegian licensing round in June 2013. The licence's single commitment well 7319-12-1 was drilled in September 2014, which proved a gas discovery ("Pingvin"), which was reported as non-commercial.

The licence's initial exploration period expires in June 2017.

Note 6 - Share capital and shareholder information

The share capital of NOK 1 000 000 consists of 10 000 shares of NOK 100 each. All shares have equal rights. The company is 100 % owned by Rosneft JV Projects S.A.

The company is included in the group accounts of Rosneft Oil Company, 16 allée Marconi, L2120 Luxembourg.

For more information about the group accounts, please see www.rosneft.com



Note 7 - Equity capital

	Share capital	Share premium account	Other EQ/uncovred losses	Total
Equity capital 01.01.16	1 000 000		-502 824 828	-501 824 828
Current years loss			-80 320 342	-80 320 342
Equity capital 31.12.16	1 000 000	0	-583 145 170	-582 145 170

Note 8 - Other operating costs

Exploration and evaluation costs	2016	2015
Geophysics, seismic and analysis, well data	38 099 166	13 304 477
Exploration and evaluation expenditures	60 130	32 378 929
Expenses related to Mozambique activities	58 889 938	55 932 708
Total	97 049 234	101 616 114

Note 9 - Bank deposits

The company holds NOK 2 495 090 in restricted cash and bank deposits. The amount is related to bank deposits, withholding tax for employees etc:

Bank depositis	2016
Deposit	98 988
Deposit	1 744 775
Bank deposit - withholding tax	651 327
Total	2 495 090



Note 10 - Tax

The current year's tax costs	2016	2015
Tax payable / Tax refund (-)	-54 533 383	- 67 020 838
Changes to deferred tax/tax advantage (-)	-374 790	25 819 900
Tax costs	-54 908 173	-41 200 938

	Offshore 53%	Offshore 25%
Tax payable/tax refund	2016	2016
Loss before tax costs	-135 228 515	-135 228 515
Permanent differences	58 917 463	58 917 463
Changes in temporary differences	54 779	54 779
Financial income/cost	6 251 679	6 251 679
Profit or loss before tax refund	-70 004 594	-70 004 594
Non-exploration costs	90 000	90 000
Prequalification	0	0
Basis for calculation of tax refund	-69 914 594	-69 914 594
Tax refund explorations costs	37 054 735	17 478 648
Balanced refund		54 533 383

Calculations of deferred tax/tax advantage	2016	2015	Changes
Fixed assets	-126 127	-168 855	42 728
Accruals	0	0	0
Loss carried forward 54 % (53%)	1 679 188	1 585 657	93 531
Loss carried forward 24 % (25 %) offshore	63 066 773	63 587 750	-520 977
Net deferred tax advantage	64 619 834	65 004 552	-384 718
Provision for uncertain tax positions	-50 288 459	-51 047 965	759 506
Net deferred tax (-)/tax advantage in the balance sheet (+)	14 331 377	13 956 585	374 792



Note 11- Events after 31.12.2016

Actions have been made in order to convert part of the internal loan from Rosneft Russia to equity. The process was finalized in March 2017. In this process the share capital was increased from NOK 1 000 000 to NOK 100 000 000, and the premium on shares was increased from 0 to NOK 442 450 000.

Paid in amounts have been used to repay MUSD 64,6 of its internal loan i 2017.



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Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of RN Nordic Oil AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of RN Nordic Oil AS, which comprise the balance sheet as at 31 December 2016, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that



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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.



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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 9 June 2017
ERNST & YOUNG AS

Erik Søreng
State Authorised Public Accountant (Norway)



FINANCIAL STATEMENT

RN NORDIC OIL AS

Business Registration No. 998 433 223

2016



Annual Report 2016 for RN Nordic Oil AS

The nature of the business and where it is carried on

RN Nordic Oil AS is a company in the petroleum sector. The activities in Norway include exploration, development and production of hydrocarbons and related activities.

The company was established in 2012 and is located on premises in Olav Vs gate 5, Oslo.

The company had one license during 2016, PL713. The company have had costs for acquisitions of seismic data used in connection with the preparation for the APA 2016 licence round, evaluation of potential license farm-ins and in preparation for APA 2017 and 24th licensing rounds.

Going concern

In accordance with the Accounting Act § 3-3a, the Board confirms that the financial statement for the Company have been prepared under the assumption of going concern, and the BOD confirms this assumption.

Continued operations

In 2016 the company's operations were related to following up the operator's work, Statoil on PL 713. This work consisted mainly on general license management and monitoring. The main activity through 2016 was preparation for further developing the regional modelling, APA 2016 applications, evaluation of around 40 licenses for potential farm-in and preparation for future license rounds.

The company has petroleum exploration activities in Mozambique. Costs for 2016 were MNOK 58.9. For the the income year 2015 the costs related to these activities were MNOK 56.

RN Nordic Oil AS has a solid parent company and financial guarantee. The loan from Rosneft Oil Company is regarded as subordinated debt (the loan is standing back from all other debt), and as a result there are no financial risks related to the operations of RN Nordic Oil AS. The board is of the opinion that the annual accounts have been prepared under the going concern assumption, even though the company's equity is currently negative.

It was decided to strengthen the equity situation by providing funds for repayment of a substantial part of the corporate loan. The implementation was completed in March 2017. In this process the share capital was increased from NOK 1 000 000 to NOK 100 000 000, and the premium on shares was increased from 0 to NOK 442 450 000.

Work environment

By the end of the year the company had 8 employees. At the end of the year 2 additional staff, Development Manager and Finance Manager, were identified and employed in March 2017 after approval by Rosneft Corporate. The company plans to expand the organization further with 4 additional staff from the middle of the financial year 2017.

The board believes that the work environment is good, and no particular measures have been implemented in relation to this.

Employees of the business have not suffered any accidents or injuries in connection with the performance of their work.



There have been no long-term absences due to sickness during the course of the year. Average absence due to short-term sickness is below 2%.

Equal opportunities

The company had 8 employees by the end of the year.

The company requires that working hours and salaries are to be divided fairly between the genders. The company's human resources policy is considered to be gender neutral in all aspects.

The board consists of four people, the Chair being a woman and the 3 members men.

External environment

The company is in a start-up phase and has not participated in any operational activities during the course of 2016. We are not aware of any actual or potential undesirable emissions of pollutants in connection with the company's activities in 2016.

Research and development activities

The company has had no costs related to research and development activities in 2016.

Future prospects

The operating loss for 2016 is NOK-128 976 836 and the loss before tax is NOK-135 228 515.

The company's mission is to develop a substantive medium-large size portfolio of NCS licenses. The objective is to generate revenues within a currently unspecified time period. The company may participate in parallel activities with the intention of starting up production and generating revenues at an earlier date.

Statement about the annual accounts and the allocation of profits

In the opinion of the board, the profit and loss account and the balance sheet with notes provide a good representation of the company's activities for 2016 and its financial position at the end of the year. The board is not aware of any matters of importance for assessing the company's position and revenues which are not evident from the accounts and the balance sheet with notes. Neither have any matters arisen after the end of the accounting year which in the opinion of the board are of importance for the assessment of the accounts.

The company is included in the group accounts of Rosneft Oil Company, 16 allée Marconi, L-2120 Luxembourg. The group accounts may be found on the website of www.rosneft.com.

In 2016 the company had an after tax uncovered loss of NOK-80 320 342 which is proposed to be allocated as follows:

To other equity capital/uncovered loss	NOK	-80 320 342
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With the current development, the conditions are good for continued operations and further progress.

Oslo, 11.05.2017



Liv Monica Bargem Stubholt
chairman of the board

Halfdan Millang
member of the board

Zeljko Runje
member of the board

John Rae Pickard
member of the board



Resultatregnskap

RN Nordic Oil AS

Operating income and operating expenses	Note	2016	2015
Exploration expenses	5, 8	97 049 234	101 616 114
Payroll expenses	2	19 058 939	20 341 460
Depreciation and amortisation expense	3	507 114	507 114
Other operating expenses		12 361 549	16 597 723
Operating expenses		<u>128 976 836</u>	<u>139 062 411</u>
Operating profit		<u>-128 976 836</u>	<u>-139 062 411</u>
Financial income and expenses			
Other interest income		769 868	1 706 668
Other financial income		102 989 052	79 362 950
Interest expense to group entities	4, 11	24 870 632	24 744 992
Other financial expenses	4	85 139 967	173 945 731
Net financial income and expenses		<u>-6 251 679</u>	<u>-117 621 105</u>
Operating result before tax		-135 228 515	-256 683 516
Tax on ordinary result	10	-54 908 173	-41 200 938
Operating result after tax	7	<u>-80 320 342</u>	<u>-215 482 578</u>
Annual net profit	7	<u>-80 320 342</u>	<u>-215 482 578</u>
Brought forward			
Loss brought forward	7	80 320 342	215 482 578
Net brought forward	7	<u>-80 320 342</u>	<u>-215 482 578</u>



Balanse

RN Nordic Oil AS

Assets	Note	2016	2015
Fixed assets			
Deferred tax asset	10	14 331 377	13 956 587
Total intangible assets		<u>14 331 377</u>	<u>13 956 587</u>
Equipment and other movables	3	927 712	1 434 826
Total tangible fixed assets		<u>927 712</u>	<u>1 434 826</u>
Total fixed assets	3	<u>15 259 089</u>	<u>15 391 413</u>
Current assets			
Tax refund	10	54 533 383	67 020 838
Other receivables		1 992 623	677 743
Total debtors		<u>56 526 006</u>	<u>67 698 581</u>
Cash and bank deposits	9	66 217 645	129 290 312
Total current assets		<u>122 743 651</u>	<u>196 988 893</u>
Total assets		<u>138 002 740</u>	<u>212 380 306</u>



Balanse

RN Nordic Oil AS

Equity and liabilities	Note	2016	2015
Restricted equity			
Share capital	6	1 000 000	1 000 000
Total restricted equity	6, 7	<u>1 000 000</u>	<u>1 000 000</u>
Retained earnings			
Loss brought forward	7, 11	-583 145 169	-502 824 828
Total retained earnings		<u>-583 145 169</u>	<u>-502 824 828</u>
Total equity	7, 11	<u>-582 145 169</u>	<u>-501 824 828</u>
Liabilities			
Other long-term liabilities			
Other long term liabilities	4, 11	648 089 378	703 357 408
Total of other long term liabilities	4, 11	<u>648 089 378</u>	<u>703 357 408</u>
Current liabilities			
Trade creditors		62 550 600	3 426 932
Public duties payable		1 155 775	528 034
Other short term liabilities		8 352 152	6 892 757
Total short term liabilities		<u>72 058 527</u>	<u>10 847 723</u>
Total liabilities		<u>720 147 905</u>	<u>714 205 131</u>
Total equity and liabilities		<u>138 002 736</u>	<u>212 380 303</u>

Oslo, 11.05.2017

The board of RN Nordic Oil AS

Liv Monica Bargem Stubholt
chairman of the boardZeljko Runje
member of the boardHalfdan Millang
member of the boardJohn Rae Pickard
member of the board



Note 1 - Accounting Principles

The annual accounts have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway. The company comes under the Accounting Act's definition of small enterprises.

Revenues

The company was established in 2012. The company has not recorded any revenues since the exploration activities have not yet generated any.

Classification and assessment of balance sheet items

Assets intended for long-term ownership or use are classified as fixed assets. Other assets are classified as current assets. Accounts receivable to be repaid within a year are classified as current assets. The classification of short-term or long-term debt is based on similar criteria.

Current assets are valued as the lowest of acquisition cost and the real value.

Short-term debt is recorded as the nominal value at the the debt was incurred.

Shares of oil and gas licenses

Shares of oil and gas licences are entered in the accounts using the proportional consolidation method, which reflects the company's share of the activities and its financial position in the jointly controlled enterprise.

Exploration and evaluation costs

The Company recognizes exploration and evaluation costs using the successful efforts method. Under this method, costs related to exploration and evaluation (license acquisition costs, exploration and appraisal drilling) are temporarily capitalized in cost centers by field (well) until the drilling program results in the discovery of economically feasible oil and gas reserves.

The length of time necessary for this determination depends on the specific technical or economic difficulties in assessing the recoverability of the reserves. If a determination is made that the well did not encounter oil and gas in economically viable quantities, the well costs are expensed to Exploration expenses in the statement of profit or loss.

Exploration and evaluation costs, except for costs associated with seismic, topographical, geological and geophysical surveys are initially capitalized as exploration and evaluation assets. Exploration and evaluation assets are recognized at costs less impairment, if any, as property, plant and equipment until the existence (or absence) of commercial reserves has been established.

Exploration and evaluation assets are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, impairment test is performed.

If subsequently commercial reserves are discovered, the carrying value, less loss from impairment of the respective exploration and evaluation assets, is classified as oil and gas properties (development assets). However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

Accounts receivable

Accounts receivable and other receivables are specified in the balance sheet at nominal value



after deduction for allocation for expected losses. Allocations for expected losses are made on the basis of individual assessments for each receivable.

Bank deposits, cash and similar

Bank deposits, cash and similar include cash, bank and other means of payment falling due less than three months from the date of acquisition.

Fixed assets

Fixed assets include assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost, but are written down to the recoverable amount if this is lower than the book value and the decrease in value is not expected to be temporary. The recoverable amount is the highest of the net sales value and the use value. The use value is the current value of future cash flow related to the asset. The write-down is reversed when the basis for write-down no longer exists. Fixed assets with limited financial lifespans are written down systematically.

Tax

The tax costs can be combined with the accounting profit or loss before tax.

The tax costs consists of tax payable (tax on the current year's directly taxable income) and changes in net deferred tax. Tax increasing and the tax reducing temporary variations that reverse or may be reversed in the same period are offset and netted. Deferred taxes and deferred tax advantages are presented net in the balance sheet. Net deferred tax advantages are presented to the degree it is probable that these may be utilised. The company may request payment from the government for the tax value of incurred exploration expenses, unless these exceed the current year's taxable loss allocated to offshore activities. The receivable is included under "Other receivables" in the balance sheet.

Foreign currency

Transactions in currencies other than the functional currency are converted when the first recognised to the rate of exchange of the accounting date. Variations between the exchange rate of the date of transactions and the date of payment are recognised in the profit and loss account as exchange gains or losses under financial items. Monetary items in foreign currencies are valued at the exchange rate prevailing at the end of the financial year.



Note 2 - Payroll costs, number of employees, allowances.

Payroll costs	2016	2015
Salaries	14 474 988	15 594 613
Employer's social insurance contribution	2 974 105	2 318 380
Pension costs	547 944	666 777
Other benefits	1 061 902	1 761 690
Sum	19 058 939	20 341 460

The company had 8 employees at the end of 2016.

The company is required to have an occupational pension plan under the Act on Public Occupational Pensions.

The company has established such pension plan during 2014. The pension plan is a defined contribution plan and meets the requirements of this Act. The employees are entitled to 7 % contribution of annual salary between 0 and 12G.

Auditor's fee

Audit related services	154 520
Other services	77 500

The amounts do not include VAT.

Total remuneration to senior executives (NOK)

	Salary	Bonus	Pension	Other benefits
Previous Managing director		1 788 325		
Current Managing Director (as of 2 Nov 2015)	2 112 245	933 457	82 374	141 616

Salary (USD)

Board (total)	144 000
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The managing director is also member of the board. He and Zeljko Runje is not entitled to any board fee.

The managing director is entitled to bonus. The incentive is based on achievement of defined results. The bonus incentive is limited to 70% of the ordinary gross annual salary.

No security or loan has been provided for the managing director or the members of the board.



Note 3 - Fixed and intangible assets

	Office equipment	Other equipment	Total
Acquisition costs 01.01.2016	552 771	1 982 799	2 535 570
Acquisitions 2016	0	0	0
Acquisition costs 31.12.2016	552 771	1 982 799	2 535 570
Accumulated depreciations	369 176	1 238 682	1 607 858
Carrying value 31.12.2016	183 595	744 117	927 712
Depreciations 2016	110 554	396 560	507 114

Note 4 - Intercompany debt and transactions

Outstanding accounts between companies in the same group etc.

	Long-term debt	
	2016	2015
Loan from Rosneft Russia	648 089 378	703 357 408

The loan was borrowed at 6 December 2012 and expires at 6 December 2022. The loan was repaid in February 2017.

The annual interest rate is 4,5%. The face value is USD 63 399 000 for 2016. Face value for 2015 was USD 70 999 000. In general the loan increases due to incurred interests, but has been reduced due to a net downpayment in 2016. The loan is exposed to changes in exchange rates.

Internal interest costs for 2016 was NOK 24 784 407.

The company has bought internal G&G services from Rosneft Russia for MNOK 14,1.

Note 5 - Licences

The company holds a "non-Operator" participating interest (20%) in one NCS licence (PL713), which was awarded in the 22nd Norwegian licensing round in June 2013. The licence's single commitment well 7319-12-1 was drilled in September 2014, which proved a gas discovery ("Pingvin"), which was reported as non-commercial.

The licence's initial exploration period expires in June 2017.

Note 6 - Share capital and shareholder information

The share capital of NOK 1 000 000 consists of 10 000 shares of NOK 100 each. All shares have equal rights. The company is 100 % owned by Rosneft JV Projects S.A.

The company is included in the group accounts of Rosneft Oil Company, 16 allee marconi, L2120 Luxembourg.

For more information about the group accounts, please see www.rosneft.com



Note 7 - Equity capital

	Share capital	Share premium account	Other EQ/uncovred losses	Total
Equity capital 01.01.16	1 000 000		-502 824 828	-501 824 828
Current years loss			-80 320 342	-80 320 342
Equity capital 31.12.16	1 000 000	0	-583 145 170	-582 145 170

Note 8 - Other operating costs

Exploration and evaluation costs	2016	2015
Geophysics, seismic and analysis, well data	38 099 166	13 304 477
Exploration and evaluation expenditures	60 130	32 378 929
Expenses related to Mozambique activities	58 889 938	55 932 708
Total	97 049 234	101 616 114

Note 9 - Bank deposits

The company holds NOK 2 495 090 in restricted cash and bank deposits. The amount is related to bank deposits, withholding tax for employees etc:

Bank depositis	2016
Deposit	98 988
Deposit	1 744 775
Bank deposit - withholding tax	651 327
Total	2 495 090



Note 10 - Tax

The current year's tax costs	2016	2015
Tax payable / Tax refund (-)	-54 533 383	- 67 020 838
Changes to deferred tax/tax advantage (-)	-374 790	25 819 900
Tax costs	-54 908 173	-41 200 938

	Offshore 53%	Offshore 25%
Tax payable/tax refund	2016	2016
Loss before tax costs	-135 228 515	-135 228 515
Permanent differences	58 917 463	58 917 463
Changes in temporary differences	54 779	54 779
Financial income/cost	6 251 679	6 251 679
Profit or loss before tax refund	-70 004 594	-70 004 594
Non-exploration costs	90 000	90 000
Prequalification	0	0
Basis for calculation of tax refund	-69 914 594	-69 914 594
Tax refund explorations costs	37 054 735	17 478 648
Balanced refund		54 533 383

Calculations of deferred tax/tax advantage	2016	2015	Changes
Fixed assets	-126 127	-168 855	42 728
Accruals	0	0	0
Loss carried forward 54 % (53%)	1 679 188	1 585 657	93 531
Loss carried forward 24 % (25 %) offshore	63 066 773	63 587 750	-520 977
Net deferred tax advantage	64 619 834	65 004 552	-384 718
Provision for uncertain tax positions	-50 288 459	-51 047 965	759 506
Net deferred tax (-)/tax advantage in the balance sheet (+)	14 331 377	13 956 585	374 792



Note 11- Events after 31.12.2016

Actions have been made in order to convert part of the internal loan from Rosneft Russia to equity. The process was finalized in March 2017. In this process the share capital was increased from NOK 1 000 000 to NOK 100 000 000, and the premium on shares was increased from 0 to NOK 442 450 000.

Paid in amounts have been used to repay MUSD 64,6 of its internal loan i 2017.



Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	09.03.2015	17.03.2015
Telefon	Deres referanse	Vår referanse
22078139	EAA/EB/253602/BD2100	2015/235145

KPMG LAW ADVOKATFIRMA AS
Postboks 7000 Majorstuen
0306 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Rn Nordic Oil AS, org. nr. 998 433 223

Vi viser til deres brev av 9. mars 2015 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Rn Nordic Oil AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Rn Nordic Oil AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Rn Nordic Oil AS er datterselskap til det russiske selskapet Rosneft. Selskapet opererer innen oljebransjen. Arbeidsspråket er engelsk. Styret har flere engelskspråklige styremedlemmer. Selskapet opererer i en internasjonal bransje. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "*informative regnskaper for ulike grupper av regnskapsbrukere*". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er et datterselskap til et utenlandsk selskap. Eierkretsen er begrenset. Arbeidsspråket er engelsk. Styret har flere engelskspråklige styremedlemmer. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer