



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 AND
SEPTEMBER 30, 2015 AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015, 2014 AND 2013**

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended December 31, 2015, 2014 and 2013 (the "Consolidated Financial Statements"). Such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries, its equity share in associates and joint ventures. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.

Except as otherwise indicated, oil and gas reserves and production are presented pro-rata for associates and joint ventures and 100% for fully consolidated subsidiaries.

Except as otherwise indicated, all amounts are provided in billions of RUB. All figures are rounded; however, figures per unit of production are provided based on the actual data.

To convert tonnes to barrels a 7.404 ratio is used. To convert a thousand of cubic meters of gas to barrels of oil equivalent a 6.09 ratio is used. To convert Rospan gas condensate to barrels of oil equivalent a 8.3 ratio is used.

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Overview

Rosneft is a vertically integrated oil and gas company with core activities and assets located principally in Russia. The Company is primarily engaged in exploration and production of hydrocarbons, oil refining and product marketing.

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves and in terms of hydrocarbon production.

According to oil and marketable gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, proved hydrocarbon reserves amounted to 34 billion boe per SEC classification and 43 billion per PRMS classification as of December 31, 2015.

In the fourth quarter of 2015 Rosneft's average hydrocarbon production amounts to 5.2 million boe per day. The production of natural and associated gas was 16.62 billion cubic meters in the fourth quarter of 2015.

Domestic crude oil processing amounted to 0.20 million tonnes per day (average for the fourth quarter of 2015) at Company's own refineries. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries. Rosneft also holds a 50% stake in Ruhr Oel GmbH (ROG) where the Company processes both own and procured crude oil. Rosneft also processes crude oil, gas and petroleum products at external refineries (which are outside the Group).

Financial and operating highlights

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
Financial results, RUB billion								
Revenues and equity share in profits of associates and joint ventures	1,196	1,296	(7.7)%	5,150	5,503	4 694	(6.4)%	17.2%
EBITDA	278	297	(6.4)%	1,245	1,057	947	17.8%	11.6%
Net income attributable to Rosneft	53	112	(52.7)%	355	348	549	2.0%	(36.6)%
Capital expenditures	186	140	32.9%	595	533	560	11.6%	(4.8)%
Free cash flow*	140	177	(20.9)%	657	596	204	10.2%	>100%
Net Debt	1,694	1,622	4.4%	1,694	2,467	1,878	(31.3)%	31.4%
Operational results								
Hydrocarbon production (th. boe per day)	5,207	5,081	2.5%	5,159	5,106	4,873	1.0%	4.8%
Crude oil and NGL production (th. barrels per day)	4,107	4,099	0.2%	4,116	4,159	4,196	(1.0)%	(0.9)%
Gas production (th. boe per day)	1,100	982	12.1%	1,043	947	677	10.2%	39.9%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	20.08	21.47	(6.5)%	82.91	83.88	74.89	(1.2)%	12.0%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	3.15	3.40	(7.4)%	12.45	13.19	12.22	(5.6)%	7.9%

*Excluding the effect of operations with trading securities and one-off effect from prepayments under long-term supply oil agreements in the amount of RUB 1.027 billion (received in the third quarter 2015), RUB 497 billion and RUB 470 billion in 2015, 2014 and 2013, respectively, and the effect of offsetting of prepayments: RUB 25 billion and RUB 22 billion in the fourth and the third quarters respectively, and RUB 89 billion in 2015.

For reference only: Financial highlights in USD terms*

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>		<i>Changes % 2015 – 2014</i>
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	
Financial results, USD billion						
Revenues and equity share in profits of associates and joint ventures	18.6	21.1	(11.8)%	86.9	146.7	(40.8)%
EBITDA	4.3	4.7	(8.5)%	20.8	29.0	(28.3)%
Net income attributable to Rosneft	0.8	1.8	(55.6)%	6.1	9.3	(34.4)%
Capital expenditures	2.8	2.2	27.3%	9.7	13.9	(30.2)%
Free cash flow	2.5	3.0	(16.7)%	12.2	15.8	(22.8)%
Net Debt	23.2	24.5	(5.3)%	23.2	43.8	(47.0)%

*Calculated using average monthly exchange rates of Bank of Russia for the reporting periods (Appendix), except for "Net debt".

Significant events in the fourth quarter of 2015

Rosneft creates JV with Alltech Group

In December 2015 the Company and an Alltech group created a joint venture RN-Pechora (JV) aiming at gas production and marketing projects' development in the Nenets Autonomous District. The Company's share in the JV is 50.1%.

Rosneft divest its shares in LLC Polar Lights Company

In December 2015 Rosneft announces the closing of the transaction for the divestment of 50% shares of LLC Polar Lights Company.

Rosneft have closed the acquisition of 16.67% share in PCK Raffinerie GmbH from Total

Rosneft and Total have closed the sale and purchase transaction concerning the 66.67% share in AET-Raffineriebeteiligungsgesellschaft mbH, representing a 16.67% effective share in PCK Raffinerie GmbH (Germany).

Rosneft and BP Sign Agreement to Dissolve the Joint Venture Ruhr Oel GmbH as Part of German Refining Venture Restructuring

A binding agreement to dissolve the existing refining JV Ruhr Oel GmbH (ROG) under restructuring German refining and petrochemical venture process was approved by the Rosneft Board of Directors at the meeting in December 2015. When the restructuring is completed later this year, Rosneft will become a direct shareholder and increase its shareholding in the Bayernoil refinery from 12.5% to 25%; the MiRO refinery from 12% to 24%; and the PCK refinery – from 35.42% to 54.17%. In exchange, BP will consolidate 100% of the equity of the Gelsenkirchen refinery and the solvent production facility DHC Solvent Chemie. In December of 2015, Rosneft received approval of the deal from the Bundeskartellamt. The restructuring of Ruhr Oel GmbH will enable Rosneft and BP to re-focus their refining and petrochemicals strategies in Europe.

Rosneft and BP completed the transaction to sell 20% share of Taas-Yuryakh Neftegazodobycha

In November 2015 the Company completed the transaction to sell 20% share of Taas-Yuryakh Neftegazodobycha to BP Russian Investments Ltd (BP).

Rosneft and EVRAZ signed agreement on natural gas supply

Itera Oil and Gas Company, a Rosneft subsidiary, signed long-term contracts on natural gas supply with: Nizhny Tagil Metallurgical Plant and Kachkanarsky Ore Mining and Processing Plant, both EVRAZ Group companies.

The signed agreements provide for supplies of natural gas in a volume around 14 bcm of gas to the companies of EVRAZ Group, effective from January 1, 2016 for 10 years.

Rosneft closed the deal with petrório and becomes the holder of 100% of the solimoes project

Rosneft Brasil (100% owned Rosneft subsidiary) and Petro Rio S.A. (PetroRio) closed of the Rosneft Brasil transaction to acquire PetroRio's 55% in the Solimões project. The finalization of the transaction will lead to Rosneft Brasil receiving 100% control and full operatorship in the Solimões project to the company. The acquisition of the remaining interest in the Solimoes Project will allow Rosneft Brasil to continue the exploration program in frontier areas, focused on oil opportunities, and advance joint work with Petrobras on the monetization of proven gas resources.

Rosneft sold 8.99% interest in Saras S.p.A.

Rosneft JV Projects S.A. (Luxembourg), an indirect subsidiary of Rosneft Oil Company, sold to institutional investors 85,481,816 ordinary shares in Saras S.p.A., representing approximately 8.99% of the total share capital in Saras S.p.A.

Macroeconomic factors affecting results of operations

Main factors, affecting Rosneft's results of operations are:

- Changes in crude oil, petroleum product and gas prices;
- RUB/USD exchange rate and inflation;
- Taxation including changes in mineral extraction tax, export customs duty and excises;
- Changes in tariffs of natural monopolies (for pipeline and railway transport);
- Changes in electricity prices.

Changes in prices, export customs duty and transport tariffs may have a significant impact on the mix of products and distribution channels the Company selects seeking to maximise netback prices of the produced crude oil.

Changes in Crude Oil, Petroleum Product and Gas Prices

World crude oil prices are highly volatile and fluctuate depending on the global balance of supply and demand on the world crude oil market, political situation mainly in the oil producing regions of the world and other factors. Crude oil exported by Rosneft via the Transneft's pipeline system is blended with crude oil of other producers that is of a different quality. The resulting Urals blend is traded at a discount to Brent. Crude oil exported via Eastern Siberia – Pacific Ocean ("ESPO") pipeline is sold at a price which is linked to the price of "Dubai" blend.

Petroleum product prices on international and Russian markets are primarily determined by the level of world prices for crude oil, supply and demand for petroleum products and competition on different markets. Price dynamics depends on the type of petroleum products.

The table below sets forth the average crude oil and petroleum product prices worldwide and in Russia in USD and RUB. The prices nominated in USD are translated into RUB at average USD/RUB exchange rate for the respective period.

	<i>For 3 months ended</i>		<i>change between 4th and 3th quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
World market	(US\$ per barrel)		%	(US\$ per barrel)			%	
Brent (dated)	43.7	50.3	(13.1)%	52.4	98.9	108.6	(47.0)%	(8.9)%
Urals (average Med and NWE)	41.9	49.4	(15.1)%	51.4	97.6	107.7	(47.3)%	(9.4)%
Urals (FOB Primorsk)	39.5	47.6	(17.0)%	49.1	95.8	106.2	(48.7)%	(9.8)%
Urals (FOB Novorossiysk)	41.2	48.5	(15.0)%	50.3	96.6	107.1	(47.9)%	(9.9)%
Dubai	40.7	49.8	(18.3)%	50.9	96.5	105.5	(47.3)%	(8.5)%
	(US\$ per tonne)		%	(US\$ per tonne)			%	
Naphtha (av. FOB/CIF Med)	395	409	(3.5)%	441	816	884	(46.0)%	(7.7)%
Naphtha (av. FOB Rotterdam/CIF NWE)	410	427	(4.0)%	459	834	901	(44.9)%	(7.4)%
Naphtha (CFR Japan)	439	461	(4.8)%	489	859	918	(43.1)%	(6.5)%
Fuel oil (av. FOB/CIF Med)	189	247	(23.6)%	261	532	594	(50.9)%	(10.4)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	181	239	(24.4)%	253	524	589	(51.7)%	(11.0)%
High sulphur fuel oil 180 cst (FOB Singapore)	217	274	(20.8)%	293	561	619	(47.7)%	(9.4)%
Gasoil (av. FOB/CIF Med)	397	470	(15.7)%	486	838	920	(42.0)%	(9.0)%
Gasoil (av. FOB Rotterdam/CIF NWE)	400	476	(15.8)%	491	842	921	(41.7)%	(8.6)%
Gasoil (FOB Singapore)	399	459	(12.9)%	477	830	911	(42.5)%	(8.9)%
	(th. RUB per barrel)		%	(th. RUB per barrel)			%	
Brent (dated)	2.88	3.17	(9.1)%	3.19	3.80	3.46	(15.9)%	9.9%
Urals (average Med and NWE)	2.76	3.11	(11.1)%	3.14	3.75	3.43	(16.3)%	9.3%
Urals (FOB Primorsk)	2.61	3.00	(13.1)%	2.99	3.68	3.38	(18.7)%	8.8%
Urals (FOB Novorossiysk)	2.72	3.05	(11.0)%	3.07	3.71	3.41	(17.4)%	8.7%
Dubai	2.68	3.14	(14.4)%	3.10	3.71	3.36	(16.4)%	10.4%
	(th. RUB per tonne)		%	(th. RUB per tonne)			%	
Naphtha (av. FOB/CIF Med)	26.1	25.8	1.1%	26.9	31.4	28.2	(14.3)%	11.4%
Naphtha (av. FOB Rotterdam/CIF NWE)	27.1	26.9	0.5%	28.0	32.0	28.7	(12.6)%	11.7%
Naphtha (CFR Japan)	28.9	29.0	(0.3)%	29.8	33.0	29.2	(9.7)%	12.8%
Fuel oil (av. FOB/CIF Med)	12.5	15.6	(20.0)%	15.9	20.5	18.9	(22.1)%	8.1%
Fuel oil (av. FOB Rotterdam/CIF NWE)	11.9	15.1	(20.9)%	15.4	20.1	18.8	(23.4)%	7.3%
High sulphur fuel oil 180 cst (FOB Singapore)	14.3	17.3	(17.0)%	17.9	21.5	19.7	(17.0)%	9.3%
Gasoil (av. FOB/CIF Med)	26.1	29.6	(11.7)%	29.6	32.2	29.3	(7.9)%	9.8%
Gasoil (av. FOB Rotterdam/CIF NWE)	26.4	29.9	(11.9)%	29.9	32.3	29.3	(7.5)%	10.2%
Gasoil (FOB Singapore)	26.3	28.9	(8.8)%	29.1	31.9	29.0	(8.7)%	9.9%
Russian market	(th. RUB per tonne)		%	(th. RUB per tonne)			%	
(net of VAT, including excise tax)								
Crude oil	12.0	12.6	(4.3)%	12.8	11.6	10.6	10.5%	9.7%
Fuel oil	5.5	7.4	(25.6)%	7.2	9.0	8.8	(20.9)%	3.1%
Summer diesel	28.0	28.5	(2.0)%	28.0	26.5	25.3	5.6%	4.7%
Winter diesel	31.0	30.4	1.8%	29.9	29.0	28.5	3.0%	1.8%
Jet fuel	28.2	28.2	0.2%	26.9	25.3	23.9	6.3%	6.0%
High octane gasoline	30.6	35.1	(12.8)%	31.2	31.1	27.2	0.1%	14.2%
Low octane gasoline	28.9	31.2	(7.3)%	28.4	28.1	24.9	1.3%	12.7%

Sources: average prices were calculated from unrounded data of analytical agencies.

The difference between price movements denominated in USD and those denominated in RUB is explained by nominal RUB depreciation against USD by 4.5% in the fourth quarter of 2015 compared to the third quarter of 2015 and nominal RUB depreciation against USD by 37.0% in 2015 compared with 2014.

The Russian Government regulates the price of the gas sold in Russia by Gazprom and its affiliates which is considered as the benchmark for domestic gas market. While the regulated price is expected to continue to rise to a level closer to parity with export netbacks, it is currently still below this level.

Starting from July 1, 2015 regulated gas price which is set by the FAS increased by 7.5%. The regulated price has affected, and is likely to continue to affect, the pricing of Rosneft gas sales. Rosneft's average domestic gas sales price (net of VAT) was RUB 3.33 thousand per thousand cubic meters and RUB 3.16 thousand per thousand cubic meters in the fourth and in the third quarters of 2015, respectively, and RUB 3.17 thousand per thousand cubic meters, RUB 2.96 thousand per thousand cubic meters and RUB 2.52 thousand per thousand cubic meters in 2015 and 2014, respectively.

USD/RUB and EUR/RUB Exchange Rates and Inflation

The USD/RUB and EUR/RUB exchange rates and inflation in Russia affect Rosneft's results as most of the Company's revenues from sales of crude oil and petroleum products are denominated in USD, while most of the Company's expenses are denominated in RUB.

The table below provides information on the exchange rates movements and inflation during the periods analysed:

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31, 2015	September 30, 2015	2015	2014	2013
Consumer price index (CPI) for the period*	2.3%	1.7%	12.9%	11.4%	6.5%
Average RUB/USD exchange rate for the period**	65.94	62.98	60.96	38.42	31.85
RUB/USD exchange rate at the end of the period	72.88	66.24	72.88	56.26	32.73
Average RUB/EUR exchange rate for the period	72.27	70.11	67.78	50.82	42.31
RUB/EUR exchange rate at the end of the period	79.70	74.58	79.70	68.34	44.97

Source: Central Bank of Russian Federation.

* Producer price index amounted to 10.7% as at the end of 2015.

**See Average monthly RUB/USD exchange rates in the Appendix.

Taxation

The table below provides information on the average enacted tax rates specific to the Russian oil and gas industry:

	<i>For 3 months ended</i>		<i>% change between 4^d and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
Mineral extraction tax								
Crude oil (RUB per tonne)	5,099	6,263	(18,6)%	6 312	5,827	5,330	8,3%	9.3%
Export customs duty for crude oil								
Crude oil (US\$ per tonne)	92.3	128.7	(28.3)%	120.3	366.0	392.1	(67.1)%	(6.7)%
Crude oil (RUB per tonne)	6,085	8,104	(24.9)%	7,334	14,062	12,489	(47.8)%	12.6%
Crude oil (RUB per barrel)	822	1,095	(24.9)%	991	1,899	1,697	(47.8)%	11.9%
Export customs duty for petroleum products								
Gasoline (RUB per tonne)	4,743	6,319	(24.9)%	5,718	12,654	11,239	(54.8)%	12.6%
Naphtha (RUB per tonne)	5,169	6,886	(24.9)%	6,231	12,654	11,239	(50.8)%	12.6%
Light and middle distillates (RUB per tonne)	2,920	3,886	(24.9)%	3,517	9,280	8,242	(62.1)%	12.6%
Diesel (RUB per tonne)	2,920	3,886	(24.9)%	3,517	9,138	8,242	(61.5)%	10.9%
Liquid fuels (fuel oil) (RUB per tonne)	4,620	6,155	(24.9)%	5,571	9,280	8,242	(40.0)%	12.6%

*Starting from July 1, 2014 mineral extraction tax on gas and gas condensate is estimated for each oil field separately depending on the production complexity at each oil field.

Federal law 366-FZ of November 24, 2014 "On amendments to Part Two of the Tax Code and Other Legislative Acts of the Russian Federation" enables reduction of crude oil export duties and petroleum products export duties depending on type of the petroleum products and simultaneous increase in oil and gas condensate mineral extraction tax.

In accordance with the Tax legislation the excise tax rates on the petroleum products are differentiated in line with quality requirements to petroleum products:

Excise on petroleum products	2015	2016	2017
High octane gasoline (RUB per tonne)			
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	7,300	10,500	9,700
High octane gasoline euro-3 (RUB per tonne)	7,300	10,500	9,700
High octane gasoline euro-4 (RUB per tonne)	7,300	10,500	9,700
High octane gasoline euro-5 (RUB per tonne)	5,530	7,530	5,830
Naphtha (RUB per tonne)	11,300	10,500	9,700
Diesel (RUB per tonne)	3,450	4,150	3,950
Lubricants (RUB per tonne)	6,500	6,000	5,400
Benzol, paraxylene, ortoxylyene (RUB per tonne)	2,300	3,000	2,800
Middle distillates	-	4,150	3,950

In accordance with Federal law 366-FZ the producer is able to apply an increased coefficient to excise duty deduction (from 1.37 to 3.4 depending on type of the oil product subject to excise duty and deduction period). This rule is applied only to the petrochemical products, benzole, paraxylene and ortoxylyene produced from naphtha. In the twelve months of 2015, the Company exercised its right to apply increased coefficient to excise duty deduction and had a positive effect of RUB 1.4 billion.

Effective tax burden of the Company was 40.3% and 46.9% in the fourth and third quarters of 2015, respectively.

The mineral extraction tax and the export customs duty accounted for approximately 34.4% and 41.1% of Rosneft's total revenues in the fourth and third quarters of 2015, respectively. Tax withdrawing share in the financial results excluding forex and one off effects was up to 85% in 2015.

Mineral Extraction Tax (MET)

The rate of mineral extraction tax (MET) for crude oil is linked to the Urals price in the international market and changes every month. It is calculated in USD per barrel of crude oil produced using average exchange rate established by the Central Bank of Russia for the respective month.

Starting from **January 1, 2015** the mineral extraction tax rate will be calculated by multiplying the tax rate of **RUB 766 (in 2016 – RUB 857, in 2017 – RUB 919)** by the adjustment ratio of $((P - 15) \times \text{Exchange rate} / 261)$, where "P" is the average Urals price per barrel and "Exchange rate" is the average RUB/USD exchange rate established by the Central Bank of Russia in the respective month and minus the factor which characterizes crude oil production at a particular oil field, "Dm".

The coefficient "Dm" is calculated using base rate (in 2015 – **RUB 530**, starting from 2016 – **RUB 559**) and factors which characterize the degree of depletion of a particular field, reserves of a particular field, the degree of difficulty of extraction and region of production and oil properties.

In 2015 the Company applied reduced and zero MET tax rates at certain fields:

Tax relives in 2015	Applicable in the Company
Reduced rates	Crude oil from deposits with permeability of less than 2×10^{-3} square micrometres and tyumen formation
Zero rates	Oil fields with hard to recover reserves, including bazhenov, abalak, khadum, domanic formations
Reduced MET by coefficient "Dm", which characterizes crude oil production at a particular oil field	Oil fields located: <ul style="list-style-type: none"> • In Irkutsk region, the republic of Sakha (Yakutia) and Krasnoyarsk territory which is applicable for the first 25 million tonnes of production • On the territory of the Nenets Autonomous district, Yamalo-nenets Autonomous district – for the first 15 million tonnes of production • Okhotsk sea fields subject to zero mineral extraction tax rate which is applicable for the first 30 million tonnes of production Oil fields with reserve depletion rate of over 80%. Oil fields with the volume of initial recoverable reserves being less than 5 million tonnes. Oil fields with high-viscosity crude oil (in-situ viscosity more than 200 mPas and less than 10 000 mPas)
Special tax regime exempting the Company from paying mineral extraction tax.	Exploration projects in the Sakhalin-1 psa.

On September 30, 2013 the amendments to tax law specifying tax regime for offshore projects in Russian Federation were approved. Following new tax amendments the offshore projects are categorised into one of four groups depending on its complexity and specifies MET rates for each project group ranging from 5% to 30% of hydrocarbon prices (natural gas projects of 3 and 4 groups of difficulty – 1.3% and 1.0%, respectively).

Changes in MET rate calculation for natural gas and gas condensate

Starting from July 1, 2014 new formula is applied to MET rate calculation on natural gas and gas condensate.

In accordance with Tax Code of Russian Federation, base rate of MET for gas condensate is RUB 42 per 1 tonne and for natural gas – RUB 35 per 1 thousand cubic metres. Base rates are multiplied by basic rate of standard fuel unit and coefficient,

Starting from the second half of 2014 the reduced coefficient was applied:

- at rate of 0.5 applicable to gas deposits with specific depth characteristics at Rospan and Russko-Rechenskoe licensed fields and also at fields of Krasnodar and Stavropol regions, at rate of 0.64 to Kynsko-Chaselskoye fields and at a number of fields of Sibneftegaz, and also at Nenets Autonomous District, the Chechen republic and Krasnodar region;
- at rate of 0.1 applicable to reserves disposed in Irkutsk region, in Krasnoyarsk region and in region of Far East or the sea of Okhotsk;
- at rate of 0.21 applicable to Turon deposits reserves of the Kharampurskoye field;
- at rate of 0.5-1 applicable to gas produced at the fields with reserve depletion rate of over 70%.

In the fourth and third quarters of 2015, 2015 and 2014 average extraction tax for natural gas was RUB 535 and 536 per th. cubic meters, RUB 520 and RUB 484 per th. cubic meters, respectively. Until July 2014 the mineral extraction rate for gas condensate was fixed and amounted to RUB 471 per th. cubic meters.

Mineral extraction gas condensate tax rate

The production of gas condensate is mainly subject to MET rate for crude oil because the purification of gas condensate is compounded in the crude oil production. Mineral extraction gas condensate tax rate is applied in separate purification of gas condensate. Significant volume of gas condensate produced at Rospan fields is subject to mineral extraction gas condensate tax rate, which was RUB 2,287* and 2,318* per tonne in the fourth and third quarters of 2015 and RUB 2,331* and 578 per tonne in 2015 and 2014, RUB 647 per tonne was till July 2014.

* In accordance with amendments to Tax legislation starting from January 1 until December 31, 2015 mineral extraction gas condensate tax rate is adjusted by the multiplying coefficient 4.4; starting from January 1 until December 31, 2016 - 5.5; starting from January 1, 2017 - 6.5.

Export Customs Duty on Crude Oil

The rate of export customs duty on crude oil is linked to the Urals price in the international market and is denominated in USD per tonne.

The table below sets forth the calculation of the ordinary export customs duty for crude oil:

<i>Urals price (USD per tonne)</i>	<i>Export customs duty (USD per tonne)</i>
Below and including 109.5 (15 USD per barrel)	Export customs duty is not levied
Above 109.5 to 146 including..... (15 to 20 USD per barrel)	35% of the difference between the average Urals price in USD per tonne and USD 109.5
Above 146 to 182.5 including..... (20 to 25 USD per barrel)	USD 12.78 plus 45% of the difference between the average Urals price in USD per tonne and USD 146
Above 182.5 (25 USD per barrel)	USD 29.2 plus 42% of the difference between the average Urals price in USD per tonne and USD 182.5 (since January 1 through December 31, 2016) USD 29.2 plus 30% of the difference between the average Urals price in USD per tonne and USD 182.5 (since January 1, 2017)

The export customs duty is changed every month and the duty for the next month is based on the average Urals price denominated in USD for crude oil for the period from the 15th day of the previous month to the 14th day (inclusive) of the current month.

The law on the introduction of a special tax regime in respect of projects on the continental shelf of the Russian Federation provides a full exemption of hydrocarbons produced at offshore fields from the export customs duties, which commercial production will start from January 1, 2016. Such an exemption is set for various terms depending on complexity of a field development project.

In accordance with Federal law of May 21, 1993 № 5003-1 the Government of the Russian Federation is entitled to establish special formulas for calculating the rates of export customs duties on crude oil in respect of:

- high-viscous oil for a 10 years period starting from the date of application of the reduced export duty rate, but not later than January 1, 2023.

The table below sets forth the calculation of the marginal export customs duty for high-viscous oil:

Marginal export customs duty rate for high-viscous oil (USD per tonne)
10% of USD 29.2 per tonne and 57% of the difference between the average Urals price in USD per tonne and USD 182.5 (since January 1 through December 31, 2015)
10% of USD 29.2 per tonne and 55% of the difference between the average Urals price in USD per tonne and USD 182.5 (since January 1, 2016)
Calculated negative marginal export customs duty rate equals 0 (export customs duty is not levied)

- crude oil with special physical and chemical characteristics produced at certain oil fields located in Irkutsk, Krasnoyarsk regions, Sakha (Yakutia), Nenets Autonomous District, on shores and off shores.

The table below sets forth the calculation of the marginal export customs duty for such oil:

Marginal export customs duty rate for crude oil with special physical and chemical characteristics produced at certain crude oil fields (USD per tonne)
42% of the difference between the average Urals price in USD per tonne and USD 182.5 deducting 14% of the average Urals price in USD per tonne and USD 56.57 (since January 1 through December 31, 2015)
42% of the difference between the average Urals price in USD per tonne and USD 182.5 deducting 14% of the average Urals price in USD per tonne and USD 56.57 (since January 1 through December 31, 2016)
30% of the difference between the average Urals price in USD per tonne and USD 182.5 deducting 14% of the average Urals price in USD per tonne and USD 56.57 (since January 1, 2017)
Calculated negative marginal export customs duty rate equals 0 (export customs duty is not levied)

Export customs duty on crude oil export to CIS

In accordance with the Eurasian Economic Agreement dated May 29, 2014 and effective from January 1, 2015 export duties are not payable on crude oil export to countries-participants of Eurasian Economic Agreement. Meanwhile, the Eurasian Economic Agreement enables some export limits on oil and oil products.

Export duties are not payable on crude oil exports to CIS countries that are members of the Customs Union. No new amendments were introduced in 2015 in respect of regime of export customs duty on crude oil export to CIS.

Export Customs Duty on Petroleum Products

Export customs duty on petroleum products (except liquefied petroleum gas (“LPG”)) is set every month as the marginal export customs duty rate on crude oil multiplied by the estimated ratio depending on the type of petroleum product.

Export customs duty on LPG is based on the average price of LPG at Poland board (DAF Brest) denominated in USD per tonne for the period from the 15th day of the previous month to the 14th day (inclusive) of the current month.

Starting from January 2014 export duty rate for light and dark petroleum products was 66% of crude oil duty rate, export duty rate for diesel was 65% of crude oil duty rate and export duty for naphtha and gasoline was 90% of crude oil export duty.

Starting from January 1, 2015 marginal export customs duty for petroleum products is set as a percentage of the marginal export customs duty for crude oil as listed in table below:

Type of petroleum product	Marginal export customs duty (% of the marginal export customs duty for crude oil) for the period		
	Since January 1 through December 31, 2015	Since January 1 through December 31, 2016	Since January 1, 2017
Light and middle distillates (excluding: naphtha and gasoline), benzene, toluene, xylenes, lubricants, diesel	48	40	30
Naphtha	85	71	55
Gasoline	78	61	30
Fuel oil, bitumen oil, other dark oil products	76	82	100

Starting from January 1, 2015 calculation of the export duty rate for petroleum products is based on the above marginal rates for each type of petroleum product.

Changes in Transport Tariffs of Pipeline and Railway Monopolies

Rosneft transports most of its crude oil and petroleum products via pipeline network owned and operated by OJSC “AK “Transneft” (“Transneft”), which is a natural state-owned pipeline monopoly. Rosneft also transports crude oil and petroleum products via railway network mainly owned and operated by Russian railways (“RZD”), another natural state-owned monopoly.

Starting from July 21, 2015 the FAS¹ is a governmental body regulating natural monopolies. The FAS has the authority to set Transneft’s base tariffs for transportation of crude oil and petroleum products in Russia, which include a dispatch tariff, a pumping tariff, loading, charge-discharge, transshipment and other tariffs. Tariffs for railroad transportation are also regulated by the FAS. The tariffs are set in roubles and are not linked to the exchange rate.

The FAS sets tariffs for each separate route of the pipeline networks depending on the length of relevant routes, transportation direction and other factors, alternatively tariffs may be set for the entire route of the pipeline network. Tariffs for railroad transportation often depend on the type of cargo and the transportation route.

The FAS sets regularly tariffs for gas pipeline transportation. The tariff includes two parts. First part of tariff is fixed for “input and output” facilities and mostly depends on the remoteness of facilities. The second part of the tariff depends on gas transportation by Gazprom in gas supply system and actual distance of gas transmission in a gas pipeline. Tariffs are set in roubles and are not linked directly to the exchange rate.

Recent changes of Transneft transportation tariffs

Crude oil

Starting from January 1, 2016 Transnet tariffs for oil pipeline transportation increased up to 5.76%. Some changes to special export tariffs were also applied. In particular, special export tariff for crude oil transportation from fields of Western Siberia to the ports of Primorsk and Ust-Luga was cancelled. Alternately, special export tariff was applied to crude oil transportation from stations “Aprelskaya”, “Vatiegan”, “Pur-Pe” to the ports of Primorsk and Ust-Luga.

Starting from February 1, 2015 Transneft increased transit tariffs for crude oil transportation via Belarus by 9.7%.

Starting from January 1, 2015 Transneft tariffs for oil pipeline transportation increased up to 6.5%, and for oil transportation via ESPO in the eastern direction – up to 7.5% compared to 2014. Starting from January 1, 2015, special export tariff is applied to crude oil transportation from fields of Western Siberia to the ports of Primorsk and Ust-Luga.

Petroleum products

Starting from January 1, 2016 Transneft increased export transportation tariffs for petroleum products by 12% in most directions. Particularly, export transportation tariff increased up to 16% in the direction of “Ryazan NPK – Primorsk Port”. Dispatching tariffs did not changed.

Starting from June 1, 2015 Transneft export transportation tariffs for petroleum products (mostly in the direction of Primorsk) increased, domestic tariffs for fuel pumping were mixed but essentially downdrifted.

Starting from February 1, 2015 Transneft increased transportation tariffs for petroleum products by 10%.

Recent changes in gas transportation tariffs

Starting from July 1, 2015, gas pipeline transportation tariff in Russia to the third-party suppliers via PAO Gazprom pipeline which is the part of the unified gas supply system increased by 2%.

Recent changes in railroad transportation tariffs

Starting from January 1, 2016 indexation of railroad tariffs, fees and charges was 9% compared to 2015. Multiplying factor 1.074 applied to domestic railroad tariffs for transportation of diesel was also cancelled from January 1, 2016.

Starting from September 16, 2015 multiplying factor 1.074 was applied to domestic railroad tariffs for transportation of diesel.

¹ In accordance with the Executive Order of the President of the Russian Federation # 373 dated July 21, 2015 “On Certain Matters of State Governance and Control in the Area of Anti-Monopoly and Tariff Regulation” the functions of the “FTS” were transferred to the Federal Anti-Monopoly Service (“FAS”).

Starting from January 29, 2015 multiplying factor 1.134 was applied to export tariffs for transportation of stable natural gasoline and gas condensate via land border crossings, export tariffs for transportation of diesel and export tariffs for transportation of petroleum products (except diesel) via port stations of Kaliningrad railway.

Starting from January 1, 2015 multiplying factor 1.125 on railroad tariffs for transportation of diesel was cancelled.

Starting from January 1, 2015 indexation of railroad tariffs, fees and charges was 10%.

The table sets forth the Rosneft's average transportation tariffs applied to major transportation routes in 2015 excluding transshipment:

	<i>For 3 months ended</i>	
	December 31, 2015	September 30, 2015
	th. RUB/tonne	
CRUDE OIL		
Domestic		
Pipeline		
Orenburgneft (Pokrovka) – Novokuibyshevsk refinery	0.13	0.13
Samotlorneftegaz – Angarsk refinery (short route)	1.00	1.00
Yuganskneftegaz (Karkateevy) – Ryazan NPK	1.23	1.23
Yuganskneftegaz (Karkateevy) – Syzran refinery	0.91	0.91
Export		
Pipeline		
Vankorneft (Purpe) – China	2.35	2.35
Verkhnechonskneftegaz (Talakán) – Kozmino	2.24	2.24
Yuganskneftegaz (Karkateevy) – Germany	1.75	1.75
Uvatneftegaz (Demyanskoe) – China via Kazakhstan	1.39	1.39
Yuganskneftegaz (Karkateevy) – Primorsk Port/ Ust-Luga Port	1.70	1.70
Yuganskneftegaz (Yuzhny Balyk) – Mozyr refinery	1.53	1.53
Samaraneftegaz (Kuleshovka) – Novorossiysk Port	0.90	0.90
PETROLIUM PRODUCTS (EXPORT)		
Railroad		
Diesel		
Angarsk refinery – Nakhodka Port	5.46	5.46
Komsomolsk refinery – Nakhodka Port	2.14	2.14
Saratov refinery – Novorossiysk Port	2.01	2.01
Fuel oil		
Samara refineries – Novorossiysk Port	2.43	2.43
Achinsk refinery – Taman Port	5.82	5.82
Ryazan refinery – Ust-Luga Port	2.05	2.05
Yanos – Ust-Luga Port	1.67	1.67
Naphtha		
Samara refineries – Tuapse Port	2.57	2.57
Achinsk refinery – Arkhangelsk Port	5.14	5.14
Komsomolsk refinery – Nakhodka Port	2.08	2.08
Nizhnevartovsk refinery – Tuapse Port	3.19	3.19

Source: *Transneft, RZD, Rosneft.*

Rosneft operates proprietary transportation and transshipment facilities. This allows the optimization of Company's logistics (netbacks). These facilities include: the Arkhangelsk, De-Kastri, Tuapse and Nakhodka export terminals, the Okha – Komsomolsk-on-Amur pipeline, Vankor-Purpe pipeline and the Caspian Pipeline Consortium ("CPC"). Rosneft owns a stake of 51% in joint venture "Rosneft Shell Caspian Ventures Ltd" (Cyprus) which has a 7.5% stake at CPC.

Business Segments and Intersegment sales

Most of all of Rosneft's operations and assets are located in the Russian Federation. As geographical regions of the Russian Federation have similar economic and legal characteristics, Rosneft does not present geographical segments separately. Rosneft also carries out projects outside Russia, including exploration and production projects in Algeria, the Gudautsky area in the Black Sea territorial waters of Abkhazia, United Arab Emirates, Canada, Brazil, Vietnam, Venezuela and the USA and also stakes in refineries in Germany and Belarus.

Operating Segments

As at the reporting date the activities of Rosneft are divided into two main operating segments, based on the nature of their operations:

- *Exploration and production (Upstream).* Geological exploration and development of fields and crude oil and gas production both on the onshore and offshore in the territory of Russia and abroad and internal oilfield service companies;
- *Refining and distribution (Downstream).* Refining of crude oil, as well as the purchase, transportation, sale of crude oil and petroleum products to the third parties in Russia and abroad;

- Other activities form the “*Corporate*” segment and include banking, financial services and other corporate services.

Intersegment Sales

Rosneft’s two main business segments are interconnected: the majority of the revenues of one main segment is included in the expenses of the other main segment. In particular, Upstream Group companies provide operator services for Downstream Group companies, which sell part of crude oil on the domestic market or outside of Russia, and processes the remaining part at own refineries or at the refineries of affiliates and third parties. Refined petroleum products are then either sold by the Company through wholesale in international or domestic markets or sold to the Company’s sale subsidiaries for subsequent wholesale and retail distribution in Russia.

Intercompany sales present operational activity of segments as if the segments operate separately from each other within the vertically integrated company using transfer prices for settlements between segments. For the estimation of upstream revenues within vertically integrated company the price of Upstream (and the purchase price of Downstream) was recalculated using the export market price minus transportation cost, minus export duty, dispatches and other expenses relating to current sales. As the result segments use the price established at oil gathering facility (point of sales) where Upstream dispatches the oil to Downstream. Intercompany operations from internal oilfield service companies and corporate service companies are eliminated on the consolidation level.

Financial performance by segments for the periods: fourth and third quarters of 2015

(Consolidated statement of profit or loss in RUB billions)

	For 3 months ended		change between 4 th and 3 rd quarters	For 12 months ended December 31,			% change for 12 months ended December 31,	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
Revenues and equity share in profits/(losses) of associates and joint ventures								
Oil, gas, petroleum products and petrochemicals sales	1,180	1,277	(7.6)%	5 071	5 440	4 624	(6.8)%	17.6%
Support services and other revenues	15	18	(16.7)%	70	75	58	(6.7)%	(29.3)%
Equity share in (losses) /profits of associates and joint ventures	1	1	–	9	(12)	12	>100%	>(100)%
Total revenues and equity share in (losses) /profits of associates and joint ventures	1,196	1,296	(7.7)%	5,150	5,503	4,694	(6.4)%	17.2%
Costs and expenses								
Production and operating expenses	186	134	38.8%	575	469	389	22.6%	20.6%
Cost of purchased oil, gas, petroleum products and refining costs	123	146	(15.8)%	530	495	432	7.1%	14.6%
General and administrative expenses	44	27	63.0%	130	114	111	14.0%	2.7%
Pipeline tariffs and transportation costs	134	134	–	542	471	392	15.1%	20.2%
Exploration expenses	4	2	100.0%	13	19	17	(31.6)%	11.8%
Depreciation, depletion and amortization	85	121	(29.8)%	450	464	392	(3.0)%	18.4%
Taxes other than income tax	268	322	(16.8)%	1 277	1 195	1 024	6.9%	16.7%
Export customs duty	187	257	(27.2)%	925	1 683	1 382	(45.0)%	21.8%
Total costs and expenses	1,031	1,143	(9.8)%	4,442	4,910	4,139	(9.5)%	18.6%
Operating income	165	153	7.8%	708	593	555	19.4%	6.8%
Finance income	16	12	33.3%	55	30	21	83.3%	42.9%
Finance expenses	(68)	(60)	13.3%	(269)	(219)	(56)	22.8%	>100%
Other income	38	–	–	75	64	246	17.2%	(74.0)%
Other expenses	(28)	(16)	75.0%	(72)	(54)	(59)	33.3%	(8.5)%
Foreign exchange differences	(9)	83	>100%	86	64	(71)	34.4%	–
Cash flow hedges reclassified to profit or loss	(35)	(30)	16.7%	(123)	–	–	–	–
Income before income tax	79	142	(44.4)%	460	478	636	(3.8)%	(24.8)%
Income tax expense	(26)	(29)	(10.3)%	(104)	(128)	(81)	(18.8)%	58.0%
Net income	53	113	(53.1)%	356	350	555	1.7%	(36.9)%
Net income attributable to Rosneft	53	112	(52.7)%	355	348	549	2.0%	(36.6)%

Upstream Operating Results

The segment includes Rosneft Group companies that provide operating services, the independent enterprises that produce oil, gas and gas condensate in Russia and abroad, the joint ventures, and exploration units in Russia and abroad. The segment includes revenues generated by the transfer of oil, gas and NGL to downstream segment for subsequent sales to third parties and all operating costs associated with production and exploration.

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
Operational results								
Hydrocarbon production (th. boe per day)	5,207	5,081	2.5%	5,159	5,106	4,873	1.0%	4.8%
Crude oil and NGL production (th. barrels per day)	4,107	4,099	0.2%	4,116	4,159	4,196	(1.0)%	(0.9)%
Gas production (th.boe per day)	1,100	982	12.1%	1,043	947	677	10.2%	39.9%
Hydrocarbon production (mln boe) ¹	443.8	433.9	2.3%	1,744.9	1,721.7	1,478.1	1.3%	16.5%
Financial results, RUB billion								
EBITDA	240	231	3.9%	1,044	778	810	34.2%	(2.8)%
Capital expenditures ²	140	110	27.3%	456	350	330	30.3%	6.1%
Upstream operating expenses ³	73.4	67.7	8.4%	277.6	253.6	201.9	9.5%	25.6%
Indicators per boe								
EBITDA, RUB/boe	541	532	1.7 %	598	452	548	32.3%	(16.6)%
Capital expenditures, RUB/boe	315	254	24.0%	261	203	223	28.6%	(9.0)%
Upstream operating expenses, RUB/boe	165	156	5.8%	159	147	137	8.2%	7.3%
Upstream operating expenses, USD/boe	2.5	2.5	-	2.6	3.9	4.3	(33.3)%	(9.3)%

¹ Excluding associates and joint ventures.

² Ref. to "Capital expenditures".

³ Excluding the effect of ecological reserve estimation in the amount of RUB 0.0 billion in the fourth quarter of 2015, RUB 0.2 billion in the third quarter of 2015, RUB 0.8 billion, RUB 3.2 billion and RUB 1.7 billion in 2015, 2014 and 2013.

Upstream EBITDA

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>		<i>% change for 2015 H 2014</i>
	December 31, 2015	September 30, 2015		2015	2014	
Revenues and equity share in profits/(losses) of associates and joint ventures	554	588	(5.8)%	2,487	2,144	16.0%
<i>Including equity share in profits/(losses) of associates and joint ventures</i>	-	(1)	-	2	(10)	-
Expenses net of depreciation including	342	380	(10.0)%	1,530	1,366	12.0%
Upstream operating expenses	73	68	7.4%	278	254	9.4%
General and administrative expenses, pipeline tariffs and transportation costs and other costs	29	23	26.1%	100	75	33.3%
Exploration expenses	4	2	100.0%	13	19	(31.6)%
Taxes other than income tax	236	287	(17.8)%	1,139	1,018	11.9%
Effect of prepayments offsetting	28	23	21.7%	87	-	-
EBITDA	240	231	3.9%	1,044	778	34.2%

*Percentage is calculated from unrounded data

Operating indicators

Production of Crude Oil and NGL

Rosneft has main fully consolidated production and development enterprises, which produce crude oil in Western Siberia, Eastern Siberia, Timan Pechora, Central Russia, southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project and a 50% stake in JSC “Tomskneft” VNK, both accounted for using proportionate consolidation method. In addition, Rosneft participates in major production joint ventures accounted for using the equity method: Udmurtneft – 49.54%, and Slavneft – 49.94%. The share in Polar Lights was sold in December 2015. The Company also participates in international projects in Vietnam, Venezuela and Canada.

The following table sets forth Rosneft’s crude oil and NGL production¹:

	For 3 months ended		change between 4 th and 3 ^d quarters	For 12 months ended December 31,			change for 12 months ended December 31,	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
	(million of barrels)		(%)	(million of barrels)			(%)	
Yuganskneftegaz (Western Siberia)	116.7	115.3	1.2%	462.1	477.4	487.2	(3.2)%	(2.0)%
Vankorneft (Eastern Siberia)	40.9	41.1	(0.5)%	162.9	162.9	157.8	–	3.2%
Samotlorneftegaz (Western Siberia)	38.4	39.0	(1.5)%	155.1	162.8	136.4	(4.7)%	19.4%
Orenburgneft (Central Russia)	32.8	33.6	(2.4)%	134.0	145.5	119.4	(7.9)%	21.9%
Samaraneftegaz (Central Russia)	23.0	22.9	0.4%	89.6	85.1	81.1	5.3%	4.9%
RN-Uvatneftegaz (Western Siberia)	21.1	21.1	–	81.9	73.9	52.8	10.8%	40.0%
Verkhnechonskneftegaz (Eastern Siberia)	16.0	16.2	(1.2)%	64.0	60.7	44.6	5.4%	36.1%
Varyeganneftegaz (Western Siberia)	11.5	11.7	(1.7)%	46.5	49.0	43.5	(5.1)%	12.6%
RN-Nyaganneftegaz (Western Siberia)	11.1	11.2	(0.9)%	44.8	46.5	36.9	(3.7)%	26.0%
Purneftegaz (Western Siberia)	10.1	10.5	(3.8)%	41.1	44.7	47.5	(8.1)%	(5.9)%
Tomskneft (Western Siberia)	9.1	9.3	(2.2)%	36.7	36.8	37.4	(0.3)%	(1.6)%
Severnaya Neft (Timan Pechora)	5.7	5.4	5.6%	21.2	21.0	22.7	1.0%	(7.5)%
RN-Shelf Dalniy Vostok (Far East) Sakhalin-1 (Far East)	4.4	2.9	51.7%	14.3	2.1	–	>100%	–
(net of royalty and government share)	3.0	2.6	15.4%	11.0	9.6	8.7	14.6%	10.3%
Taas-Yuryakh (Eastern Siberia)	1.9	1.7	11.8%	6.8	6.7	1.6	1.5%	>100%
Other	8.2	8.5	(3.5)%	34.4	34.9	34.5	(1.4)%	1.2%
Crude oil and NGL production by fully and proportionately consolidated enterprises	353.9	353.0	0.3%	1,406.4	1,419.6	1,312.1	(0.9)%	8.2%
Slavneft	14.2	14.4	(1.4)%	57.2	59.8	47.9	(4.3)%	24.8%
Udmurtneft (Central Russia)	6.0	5.9	1.7%	23.6	23.6	23.6	–	–
Verkhnechonskneftegaz (Eastern Siberia)	–	–	–	–	–	3.1	–	–
Polar Lights (Timan Pechora) ²	0.3	0.3	–	1.3	1.5	1.6	(13.3)%	(6.3)%
Other	3.4	3.5	(2.9)%	13.7	13.6	9.3	0.7%	46.2%
Total share in production of associates	23.9	24.1	(0.8)%	95.8	98.5	85.5	(2.7)%	15.2%
Total crude oil and NGL production	377.8	377.1	0.2%	1,502.2	1,518.1	1,397.6	(1.0)%	8.6%
Daily crude oil and NGL production (th. barrels per day)	4,107	4,099	0.2%	4,116	4,159	4,196	(1.0)%	(0.9)%

¹In 2013 all production volumes of new assets are included from the acquisition date and a 7.362 ratio was used to convert tonnes to barrel.

²The share is disinvested in December 2015.

In the fourth quarter of 2015 crude oil and NGL production increased by 0.2% up to 377.8 mln barrels compared to the third quarter of 2015.

In 2015 the Company increased drilling meterage by 36% to 6.9 mln meters and commissioned 1,839 new wells (+15% vs. 2014). The Company continues the implementation of strategy to develop the internal drilling services which contributes to improvement of Upstream’s efficiency even in challenging macroeconomic conditions. Commissioning of horizontal wells increased by 24% y-o-y to over 555 wells which accounted for ca. 30% of total number of commissioned wells.

As a result of successful wellwork program and optimization of well operations a number of assets achieved a steady growth and increased contribution to total production of the Company in 2015 compared with 2014: average daily production growth in Uvatneftegaz + 10.8%, in Samaraneftegaz + 18.1%, in Verkhnechonskneftegaz + 5.4%.

As a part of setting the Eastern production Hub in the South of the Tyumen Region RN-Uvatneftegaz commissioned 3 new fields - Protozanovskoe, Yuzhno-Gavrikovskoe and Malyka fields and started development drilling at Zapadno-Epasskoe field in 2015. Rosneft produced over 2 mln t of oil since the start of the development of the Northern tip of Chayvo in 2014 in the Sakhalin shelf.

Currently, oil at the field is produced via three extended reach wells with horizontal length of 10 km and total daily production of over 6,000 t, drilling of the fourth well is under way.

The Company's strategy is aimed at restraining natural production decline at Brownfields of Western Siberia and Orenburg region supported by increased quantity and quality of wellworks.

In 2014 oil and NGL production was driven mainly by the acquisition of new assets and also by the employment of new oil recovery technologies, including massive implementation of horizontal wells with multi-stage hydrofracturing.

Production of Gas

The table below sets forth Rosneft's used gas¹ production:

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
	(bcm)		(%)	(bcm)			(%)	
NGK ITERA (Western Siberia) ²	3.16	2.78	13.7%	11.81	10.97	0.04	7.7%	>100%
Vankorneft (Eastern Siberia) ³	2.27	2.09	8.6%	8.71	5.32	0.63	63.7%	>100%
Samotlorneftegaz (Western Siberia)	1.49	1.45	2.8%	5.82	5.67	4.33	2.6%	30.9%
Purneftegaz (Western Siberia)	1.47	1.41	4.3%	5.53	4.77	4.17	15.9%	14.4%
Yuganskneftegaz (Western Siberia)	1.18	1.16	1.7%	4.58	4.50	3.78	1.8%	19.0%
Rospan International (Western Siberia)	1.22	1.01	20.8%	4.24	3.98	2.93	6.5%	35.8%
Varyeganneftegaz (Western Siberia)	0.82	0.71	15.5%	3.10	3.03	2.33	2.3%	30.0%
Orenburgneft (Central Russia)	0.69	0.67	3.0%	2.79	2.87	2.18	(2.8)%	31.7%
Krasnodarneftegaz (Southern Russia)	0.74	0.56	32.1%	2.75	3.05	3.06	(9.8)%	(0.3)%
RN-Nyaganneftegaz (Western Siberia)	0.39	0.38	2.6%	1.54	1.49	1.12	3.4%	33.0%
Tomskneft (Western Siberia)	0.25	0.24	4.2%	0.92	0.88	0.86	4.5%	2.3%
RN-Shelf Far East (Far East)	0.31	0.15	>100%	0.72	0.05	–	>100%	–
Samaraneftegaz (Central Russia)	0.11	0.11	–	0.43	0.40	0.50	7.5%	(20.0)%
Sakhalin-1 (Far East) (net of royalty and government share)	0.13	0.07	85.7%	0.43	0.43	0.40	–	7.5%
Severnaya Neft (Timan Pechora)	0.06	0.06	–	0.24	0.24	0.26	–	(7.7)%
Other	0.48	0.44	9.1%	1.98	1.95	1.67	1.5%	16.8%
Total gas production by fully and proportionately consolidated enterprises	14.77	13.29	11.1%	55.59	49.60	28.26	12.1%	75.5%
Purgaz (NGK ITERA)	1.66	1.37	21.2%	6.23	6.49	5.40	(4.0)%	20.2%
Sibneftegaz (NGK ITERA)	–	–	–	–	–	4.03	–	–
Slavneft	0.12	0.12	–	0.46	0.42	0.31	9.5%	35.5%
Other	0.07	0.05	40.0%	0.26	0.22	0.17	18.2%	29.4%
Total share in production of associates	1.85	1.54	20.1%	6.95	7.13	9.91	(2.5)%	(28.1)%
Total gas production	16.62	14.83	12.1%	62.54	56.73	38.17	10.2%	48.6%
Natural gas	7.84	6.76	16.0%	29.67	28.52	18.54	4.0%	53.8%
Associated gas	8.78	8.07	8.8%	32.87	28.21	19.63	16.5%	43.7%
Daily gas production (mcm per day)	180.7	161.2	12.1%	171.3	155.4	115.1	10.2%	35.0%

¹ Production volume equals extracted volume minus flared volume and gas used for NGL production. In 2013–2014 all production volumes of acquired assets are included from acquisition date.

² Including Kynsko-Chaselskoye Neftegaz and Bratskecogaz from the third quarter of 2013 and Sibneftegaz from 2014.

³ Including gas injection to maintain reservoir pressure.

In the fourth quarter of 2015 gas production increased by 12.1% compared to the third quarter of 2015 and amounted to 16.62 bcm, mainly through the implementation of scheduled maintenance in the third quarter of 2015, commissioning in the fourth quarter of 2015 (in integrated testing mode) of the second stage of Novo-Urengoy gas and gas processing plant of Rospan and third well at Northern tip of Chayvo field.

In 2015 production of gas reached 62.54 bcm, having increased by 10.2% compared to 2014. The growth of gas production was mainly provided by increased gas supply to the unified gas supply system from Vankor field, where pipeline Vankor – Khalmerpayutinskoe field was built in 2014, also due to the start of production of natural gas at Khadyryakhinsky license block of Sibneftegaz in December 2014 and commissioning of gas wells at Tarasovskoye field of Purneftegaz in second half of 2014 and commissioning of gas well at the Northern tip of Chayvo field.

The level of utilization of associated petroleum gas (“APG”) reached 87.9% in 2015 compared to 80.9% in 2014.

In 2014 Rosneft increased gas production by 48.6% due to incorporation of new production units and implementation of associated gas utilization program (up to 81% in 2014 compared to 70% in 2013).

Financial indicators

Equity share in profits/(losses) of upstream associates and joint ventures

The equity share in financial results of upstream associates and joint ventures was RUB 0.4 billion and RUB 1 billion losses in the fourth and third quarters of 2015, respectively, that is mainly due to the effect of loss recognition from the operating activity of the upstream associate in the fourth and third quarter of 2015.

In 2015 the equity share in financial results amounted to RUB 2 billion of profit compared to the loss of RUB 10 billion in 2014.

Upstream production and operating cost

Upstream production and operating expenses include materials and supplies, equipment maintenance and repairs, wages and salaries, activities to enhance oil and gas recovery, procurement of fuel and lubricants, electricity and other costs of Rosneft's consolidated exploration and production units.

Upstream production and operating expenses amounted to RUB 73.4 billion (or 165 RUB/boe) and increased by 8.4% (or 5.8% per boe) in the fourth quarter of 2015 compared with the third quarter of 2015 due to seasonal factor and increased energy expenses and wellworks.

Upstream production and operating expenses increased by 9.5% (or 8.2% per boe) in of 2015 compared with RUB 253.6 billion (147 RUB/boe) in 2014 mainly due to increased volume of wellworks, natural growth of water cut of Brownfields and growth of electricity tariffs.

In 2014 upstream production and operating expenses increased by 25.6% (or 7.3% per boe) compared with 2013 due to incorporation of operating expenses of the acquired production units from the date of acquisition and increased electricity expenses, intensive wellworks in 2014 in terms of restructuring the Company's drilling business.

Exploration Expenses

Exploration expenses mainly relate to exploratory drilling, seismic and other geological and geophysical works. Exploratory drilling costs are generally capitalised if commercial reserves of crude oil and gas are discovered or expensed in the current period in the event of unsuccessful exploration results.

In the fourth quarter of 2015 the Company exploration expenses increased by RUB 2 billion compared to the third quarter of 2015 due to seasonal increased volumes of exploration works.

In 2015 the Company performed 22.6 thousand km of 2D seismic exploration works and 7.2 thousand square km of 3D seismic exploration works. The Company continued implementation of unique 2D offshore seismic program mainly in the Arctic region (over 20,000 km).

In 2015 exploration expenses amounted to RUB 13 billion in comparison with RUB 19 billion in 2014. The decreasing dynamic of exploration expenses is mainly explained by the capitalization of 3D geological and seismic works starting from 2015.

In 2014 exploration expenses increased by 11.8% compared with 2013 due to the incorporation of new assets expenses from the acquisition date.

Mineral extraction tax

The amount of mineral extraction tax was RUB 224 billion in the fourth quarter of 2015 compared with RUB 276 billion in the third quarter of 2015. The decrease in mineral extraction tax was mainly due to decreased monthly rate caused by significant decrease in "Urals" price partially offset by rouble depreciation.

The following table sets actual mineral extraction tax rate for the periods analysed:

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
	(thousand RUB per tonne, except %)							
Average enacted oil mineral extraction tax rate	5.10	6.26	(18.6)%	6.31	5.83	5.33	8.3%	9.3%
Actual mineral extraction tax expense per tonne of oil equivalent produced*	3.68	4.63	(20.5)%	4.62	4.27	4.17	8.2%	2.4%
	(RUB per thousand cubic metres, except %)							
Average actual gas extraction tax rate	535	536	(0.2)%	520	484	334	7.4%	44.9%

*Including consolidated oil and gas volumes.

The actual mineral extraction tax rate is lower than generally established tax rates for the analysed periods primarily due to tax exemptions which are active in the form of reduced rates at particular fields, zero rates and reduced extraction tax rate by “Dm” coefficient which characterizes complexity of crude oil production at a particular oil field according to the Russian tax legislation (See section: “Mineral extraction tax”).

Downstream Operating Results

The segment includes Group companies that provide services for oil and gas processing, petrochemical production in Russia and abroad, joint ventures, sales units of oil, gas and petroleum products to counterparties in Russia and abroad. The segment includes revenue generated from the sale of oil, gas, petrochemical products and petroleum products to third parties, and all operating costs associated with processing, trading and logistics.

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
Operational results, mln t								
Crude oil processing at refineries	23.59	25.21	(6.4)%	96.90	99.83	90.12	(2.9)%	10.8%
<i>Processing at Company's own refineries in Russia</i>	18.53	19.96	(7.2)%	77.07	78.94	71.89	(2.4)%	9.8%
<i>Processing at Company's own refineries outside Russia</i>	2.88	2.59	11.2%	10.80	10.55	10.60	2.4%	(0.5)%
<i>Processing at Associate's refineries</i>	2.18	2.66	(18.0)%	9.03	10.34	7.63	(12.7)%	35.5%
Financial results, RUB billion								
EBITDA	52	79	(34.1)%	256	309	193	(17.2)%	63.2%
Capital expenditures ¹	32	22	45.5%	108	165	195	(34.5)%	(15.4)%
Operating expenses of processing in Russia	21.03	19.65	7.0%	77.08	68.0	57.46	13.4%	18.3%
Operating expenses of processing outside Russia	9.35	7.72	21.1%	28.48	19.39	15.81	46.9%	22.6%
Indicators per tonne of the output²								
EBITDA, RUB per tonne	2,429	3,503	(30.7)%	2 913	3 453	2 340	(15.6)%	50.4%
Capital expenditure, RUB per tonne	1,495	976	53.2%	1,229	1,844	2,364	(33.4)%	(22.0)%
Operating expenses for processing in Russia, RUB per tonne	1,135	984	15.3%	1,000	853	799	17.2%	6.8%
Operating expenses for processing outside Russia, RUB per tonne	3,247	2,981	8.9%	2 638	1 838	1 492	43.5%	23.2%

¹ Refer to “Capital expenditures”.

² Calculated from unrounded data.

Downstream EBITDA

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>		<i>% change for 2015 u 2014</i>
	December 31, 2015	September 30, 2015		2015	2014	
Revenues and equity share in profits/(losses) of associates and joint ventures	1,201	1,306	(8.0)%	5,152	5,438	(5.3)%
<i>Including equity share in profits/(losses) of associates and joint ventures</i>	<i>1</i>	<i>3</i>	<i>(67.0)%</i>	<i>6</i>	<i>(2)</i>	<i>>100%</i>
Expenses net of depreciation including	1,149	1,227	(6.4)%	4,896	5,129	(4.5)%
Operating expenses at refineries, Cost of additives and materials procured for processing and Operating expenses of retail companies	66	61	8.2%	231	196	17.9%
Cost of purchased oil, gas, petroleum products and refining costs, including intragroup turnover	676	735	(8.0)%	3,001	2,637	14.0%
General and administrative expenses, pipeline tariffs and transportation costs and other costs	190	142	33.8%	615	451	36.3%
Taxes other than income tax	30	32	(6.3)%	124	161	(23.0)%
Export customs duty	187	257	(27.2)%	925	1 683	(45.0)%
EBITDA	52	79	(34.1)%	256	309	(17.2)%

Operating indicators

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: the Tuapse refinery on the Black Sea coast in the South of Russia, the Komsomolsk refinery in the Russian Far East, the Achinsk and Angarsk refineries in Eastern Siberia, the Kuibyshev, Novokuibyshevsk and Syzran refineries in the Samara region, the Saratov refinery and the Ryazan refinery (the European part of Russia) and others. Rosneft also owns production capacity at four Ruhr Oel GmbH (ROG) refineries in Germany and processes crude oil in Belarus. In November 2015, the Company acquired 16.67% additional share in PCK Raffinerie GmbH. This deal is of strategic nature and contributes to extension of the Company's presence on the European market. In the first quarter of 2015 the Company acquired the Novokuibyshevsk petrochemical refinery (the Company of "SANORS" group located in Samara region). The refinery production capacity enables processing of 1.7 mln tonnes of hydrocarbon crude p.a. to produce competitive petrochemical products in terms of quality and technology concept on the Russian market.

The following table sets forth Rosneft's crude oil processing and petroleum product output volumes¹:

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
	mln of tonnes		%	mln of tonnes			%	
Crude oil processing at refineries in Russia ²	20.52	21.96	(6.6)%	84.70	86.59	77.78	(2.2)%	11.3%
Crude oil processing at refineries outside Russia	3.07	3.25	(5.5)%	12.20	13.24	12.34	(7.9)%	7.3%
<i>including crude oil processing at Ruhr Oel GmbH (ROG)³</i>	2.88 ⁵	2.59	11.2%	10.80 ⁵	10.55	10.60	2.4%	(0.5)%
<i>including crude oil processing in Belarus</i>	0.19	0.66	(71.2)%	1.40	2.69	1.74	(48.0)%	54.6%
Total Group crude oil processing	23.59	25.21	(6.4)%	96.90	99.83	90.12	(2.9)%	10.8%
Petroleum product output:								
High octane gasoline	2.74	2.85	(3.9)%	11.10	10.56	10.08	5.1%	4.8%
Low octane gasoline	0.05	0.05	–	0.16	0.20	0.19	(20.0)%	5.3%
Naphtha	1.37	1.52	(9.9)%	5.58	5.79	4.64	(3.6)%	24.8%
Diesel	6.32	6.81	(7.2)%	26.26	26.94	24.08	(2.5)%	11.9%
Fuel oil	6.35	6.68	(4.9)%	26.62	28.16	25.28	(5.5)%	11.4%
Jet fuel	0.72	0.94	(23.4)%	3.12	3.50	3.01	(10.9)%	16.3%
Petrochemicals	0.27	0.19	42.1%	0.95	0.77	0.70	23.4%	10.0%
Other ⁴	2.26	2.43	(7.0)%	9.12	7.96	6.91	14.6%	15.2%
Product output at Rosneft's own refineries in Russia	20.08	21.47	(6.5)%	82.91	83.88	74.89	(1.2)%	12.0%
Product output at refineries outside Russia	3.15	3.40	(7.4)%	12.45	13.19	12.22	(5.6)%	7.9%
<i>including crude oil output at Ruhr Oel GmbH (ROG)⁵</i>	2.97	2.78	6.8%	11.15	10.71	10.60	4.1%	1.0%
<i>including product output in Belarus</i>	0.18	0.62	(71.0)%	1.30	2.48	1.62	(47.6)%	53.1%
Total Group product output	23.23	24.87	(6.6)%	95.36	97.07	87.11	(1.8)%	11.4%

¹In 2013 all production volumes of acquired assets are included from acquisition date.

²Including processing at YaNOS refinery.

³Excluding additives obtained for processing.

⁴Including production of petroleum products at gas refineries and 0.5 mln t of liquefied gas produced at SANORS in 2015.

⁵Including share in PCK Raffinerie GmbH.

In the fourth quarter of 2015 Rosneft's total refinery throughput in Russia amounts to 20.52 mln tonnes, lower by 6.6% compared to the third quarter of 2015. The decrease in the refinery throughput inside Russia resulted from increased seasonal turnarounds.

Refinery throughput inside Russia decreased by 2.2% in 2015 compared to 86.59 mln tonnes in 2014 and mainly was caused by reallocation of resources to higher margin sales channels in terms of negative effect of changes in tax legislation (tax manoeuvre) on refining margin and negative macroeconomic environment.

The volume of crude oil processing increased by 11.3% at Rosneft's refineries in Russia in 2014 compared to 2013, due to large-scale upgrade refinery program and new assets acquisition.

In the fourth quarter of 2015 processing volume at German refineries increased by 11.2% compared to the third quarter of 2015 due to the acquisition of additional share in PCK Raffinerie GmbH.

Processing volume at German refineries in 2015 increased by 2.4% compared with 2014 due to turnarounds at German refinery during extended period in 2014.

Financial indicators

Revenues and equity share in profits/(losses) of associates and joint ventures¹

In the fourth quarter of 2015 revenues and equity share in profits/(losses) of associates and joint ventures amounted to RUB 1,196 billion in comparison with RUB 1,296 billion in the third quarter of 2015. The revenue decrease was caused by drop in worldwide price and decreased petroleum products sales volumes.

The table below presents revenues from sales of crude oil, gas, petroleum and petrochemical products and other revenues in billions of RUB²:

	For 3 months ended		change between 4 th and 3 ^d quarters	For 12 months ended December 31,						change for 12 months ended December 31,			
	December 31, 2015	September 30, 2015		2015		2014		2013	2015 – 2014	2014 – 2013			
	% of total revenue	% of total revenue		%	% of total revenue	% of total revenue	% of total revenue	%					
RUB billion, except %													
Crude oil													
International Sales to non-CIS	475	39.6%	540	41.7%	(12.0)%	2,111	40.9%	2,458	44.6%	2,116	45.1%	(14.1)%	16.2%
Europe and other directions	259	21.5%	325	25.1%	(20.3)%	1,232	23.8%	1,614	29.3%	1,574	33.6%	(23.7)%	2.5%
Asia	216	18.1%	215	16.6%	0.5%	879	17.1%	844	15.3%	542	11.5%	4.1%	55.7%
International sales to CIS	36	3.0%	26	2.0%	38.5%	135	2.6%	100	1.8%	128	2.7%	35.0%	(21.9)%
Domestic sales	14	1.2%	17	1.3%	(17.6)%	79	1.5%	112	2.0%	81	1.7%	(29.5)%	38.3%
Total crude oil	525	43.8%	583	45.0%	(9.9)%	2,325	45.0%	2,670	48.4%	2,325	49.5%	(12.9)%	14.8%
Gas	54	4.5%	43	3.3%	25.6%	188	3.7%	168	3.1%	103	2.2%	11.9%	63.1%
Petroleum products													
International Sales to non-CIS	298	24.9%	331	25.5%	(10.0)%	1,426	27.8%	1,492	27.2%	1,165	24.8%	(4.4)%	28.1%
Europe and other directions	228	19.0%	257	19.8%	(11.3)%	1,099	21.5%	1,157	21.0%	871	18.5%	(5.0)%	32.8%
Asia	70	5.9%	74	5.7%	(5.4)%	327	6.3%	335	6.2%	294	6.3%	(2.4)%	13.9%
International Sales to CIS	13	1.1%	24	1.9%	(45.8)%	64	1.2%	70	1.3%	84	1.8%	(8.6)%	(16.7)%
Domestic sales	222	18.6%	247	19.1%	(10.1)%	875	17.0%	860	15.6%	794	16.9%	1.7%	8.3%
Wholesale	118	9.9%	136	10.5%	(13.2)%	475	9.2%	469	8.5%	455	9.7%	1.3%	3.1%
Retail	104	8.7%	111	8.6%	(6.3)%	400	7.8%	391	7.1%	339	7.2%	2.3%	15.3%
Sales of bunker fuel to end-users	12	1.0%	20	1.5%	(40.0)%	52	1.0%	74	1.3%	59	1.3%	(29.7)%	25.4%
Total petroleum products	545	45.6%	622	48.0%	(12.4)%	2,417	47.0%	2,496	45.4%	2,102	44.8%	(3.2)%	18.7%
Petrochemical products													
International sales	24	2.0%	25	1.9%	(4.0)%	95	1.8%	88	1.6%	82	1.7%	8.0%	7.3%
Domestic sales	6	0.5%	4	0.3%	50.0%	20	0.4%	18	0.3%	12	0.3%	11.1%	50.0%
<i>Amendments to sales 2015-2014³</i>	26	2.2%	–	–	100.0%	26	0.5%	–	–	–	–	100.0%	–
Sales of petroleum products and petrochemicals	601	50.3%	651	50.2%	(7.7)%	2,558	49.7%	2,602	47.3%	2,196	46.8%	(1.7)%	18.5%
Support services and other revenues	15	1.3%	18	1.4%	(16.7)%	70	1.4%	75	1.4%	58	1.2%	(6.7)%	29.3%
Equity share in profits/(losses) of associates and joint ventures	1	0.1%	1	0.1%	0.0%	9	0.2%	(12)	(0.2)%	12	0.3%	>(100)%	>100%
Revenues and equity share in profits/(losses) of associates and joint ventures	1,196	100.0%	1,296	100.0%	(7.7)%	5,150	100.0%	5,503	100.0%	4,694	100.0%	(6.4)%	17.2%

¹ Under IFRS consolidated financial statements.

² The difference between percentages presented in the above table and other section is a result of rounding.

³ Amendments to sales and costs 2015-2014 are disclosed on gross basis with net impact of RUB (3.2) billion for the reporting period. In view of updating of invoices issued previously necessary amendments were made in the accounting records.

Sales Volumes

The table below analyses crude oil, gas, petroleum and petrochemical product sales volumes¹:

	For 3 months ended					For 12 months ended December 31,						% change for 12 months ended December 31,	
	December 31, 2015		September 30, 2015		% change between 4 th and 3 ^d quarters	2015		2014		2013		2015 – 2014	2014 – 2013
	mln bbl	% of total volume	mln bbl	% of total volume		mln bbl	% of total volume	mln bbl	% of total volume	mln bbl	% of total volume		
Crude oil													
International Sales to non-CIS	188.0	48.5%	189.6	48.0%	(0.8)%	741.1	47.3%	700.4	45.6%	644.2	45.4%	5.8%	8.7%
Europe and other directions	108.8	28.1%	116.3	29.4%	(6.4)%	447.2	28.6%	452.4	29.4%	468.2	33.0%	(1.1)%	(3.4)%
Asia	79.2	20.4%	73.3	18.6%	8.0%	293.9	18.7%	248.0	16.2%	176.0	12.4%	18.5%	40.9%
International Sales to CIS	19.2	5.0%	13.3	3.4%	44.4%	66.6	4.2%	57.8	3.8%	72.1	5.1%	15.2%	(19.8)%
Domestic	8.2	2.1%	8.8	2.3%	(6.8)%	40.0	2.5%	65.2	4.2%	50.1	3.5%	(38.7)%	30.1%
Total crude oil	215.4	55.6%	211.7	53.7%	1.7%	847.7	54.0%	823.4	53.6%	766.4	54.0%	3.0%	7.4%
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		mln tonnes			
International Sales to non-CIS	25.4	48.5%	25.6	48.0%	(0.8)%	100.1	47.3%	94.6	45.6%	87.5	45.4%	5.8%	8.7%
Europe and other directions	14.7	28.1%	15.7	29.4%	(6.4)%	60.4	28.6%	61.1	29.4%	63.6	33.0%	(1.1)%	(3.4)%
Asia	10.7	20.4%	9.9	18.6%	8.0%	39.7	18.7%	33.5	16.2%	23.9	12.4%	18.5%	40.9%
International Sales to CIS	2.6	5.0%	1.8	3.4%	44.4%	9.0	4.2%	7.8	3.8%	9.8	5.1%	15.2%	(19.8)%
Domestic sales	1.1	2.1%	1.2	2.3%	(6.8)%	5.4	2.5%	8.8	4.2%	6.8	3.5%	(38.7)%	30.1%
Total crude oil	29.1	55.6%	28.6	53.7%	1.7%	114.5	54.0%	111.2	53.6%	104.1	54.0%	3.0%	7.4%
Petroleum products													
International Sales to non-CIS	13.9	26.5%	14.1	26.4%	(1.4)%	59.5	28.2%	55.3	26.7%	47.5	24.6%	7.6%	16.4%
Europe and other directions	10.7	20.4%	11.1	20.8%	(3.6)%	46.3	22.0%	43.6	21.1%	35.8	18.5%	6.2%	21.8%
Asia	3.2	6.1%	3.0	5.6%	6.7%	13.2	6.2%	11.7	5.6%	11.7	6.1%	12.8%	–
International Sales to CIS	0.5	1.0%	0.7	1.3%	(28.6)%	2.0	0.9%	2.3	1.1%	3.1	1.6%	(13.0)%	(25.8)%
Domestic sales	7.4	14.1%	8.0	15.0%	(7.5)%	29.7	14.0%	31.5	15.2%	31.8	16.5%	(5.7)%	(0.9)%
Wholesale	4.6	8.8%	5.1	9.6%	(9.8)%	18.8	8.9%	20.3	9.8%	21.6	11.2%	(7.4)%	(6.0)%
Retail	2.8	5.3%	2.9	5.4%	(3.4)%	10.9	5.1%	11.2	5.4%	10.2	5.3%	(2.7)%	9.8%
Sales of bunker fuel to end-users	0.7	1.3%	1.2	2.3%	(41.7)%	3.0	1.4%	4.0	1.9%	3.3	1.7%	(25.0)%	21.2%
Total petroleum products	22.5	42.9%	24.0	45.0%	(6.3)%	94.2	44.5%	93.1	44.9%	85.7	44.4%	1.2%	8.6%
Petrochemical products	0.8	1.5%	0.7	1.3%	14.3%	3.2	1.5%	3.1	1.5%	3.1	1.6%	3.2%	0.6%
International sales	0.6	1.1%	0.5	0.9%	20.0%	2.2	1.0%	2.1	1.0%	2.3	1.2%	4.8%	(7.5)%
Domestic sales	0.2	0.4%	0.2	0.4%	0.0%	1.0	0.5%	1.0	0.5%	0.8	0.4%	0.0%	21.3%
Total crude oil and products	52.4	100.0%	53.3	100.0%	(1.7)%	211.9	100.0%	207.4	100.0%	192.9	100.0%	2.5%	7.5%
Gas	bcm		bcm			bcm		bcm		bcm			
Sales Volumes	15.97		13.51		18.2%	58.68		56.53		39.07		3.8%	44.7%

¹To convert tonnes to barrels a 7.404 ratio is used in 2015 and 2014, 7.362 in 2013

Average Crude Oil, Gas and Petroleum Product Sales Prices

The following table sets forth Rosneft's average export and domestic prices of crude oil, gas and petroleum products (the average sales prices may differ from official market prices provided by specialized agencies due to different quality of products and sales terms)*:

	<i>For 3 months ended</i>					<i>For 12 months ended</i>						<i>% change for 12 months ended</i>			
	<i>December 31, 2015</i>		<i>September 30, 2015</i>		<i>% change between 4th and 3^d quarters</i>	<i>December 31, 2015</i>		<i>December 31, 2014</i>		<i>December 31, 2013</i>		<i>December 31, 2015 - 2014</i>		<i>2014 - 2013</i>	
	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>		<i>th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>2015 - 2014</i>	<i>2014 - 2013</i>	<i>2015 - 2014</i>	<i>2014 - 2013</i>
Average prices on foreign markets*															
Crude oil, non-CIS	2.70	20.0	3.03	22.4	(10.7)%	3.01	22.3	3.64	26.8	3.40	25.0	(16.8)%	7.2%		
Europe and other directions**	2.62	19.4	2.96	21.9	(11.6)%	2.96	21.9	3.57	26.4	3.37	24.8	(17.0)%	6.5%		
Asia**	2.84	21.0	3.15	23.3	(9.9)%	3.14	23.3	3.75	27.6	3.52	25.9	(15.6)%	6.6%		
Crude oil, CIS	1.85	13.7	1.91	14.2	(3.5)%	2.01	14.9	1.74	12.9	1.76	13.0	15.5%	(0.8)%		
Petroleum products, non-CIS		21.5		23.6	(8.9)%		24.0		27.0		24.5	(11.1)%	10.2%		
Europe and other directions		21.3		23.2	(8.2)%		23.8		26.6		24.3	(10.5)%	9.5%		
Asia		22.0		24.8	(11.3)%		24.8		28.2		25.2	(12.1)%	11.9%		
Petroleum products, CIS		30.4		31.5	(3.5)%		32.5		30.5		27.0	6.6%	13.0%		
Average domestic prices															
Crude oil	1.88	13.9	1.87	13.8	0.7%	2.00	14.8	1.73	12.8	1.61	11.9	15.6%	7.6%		
Petroleum products		30.1		30.8	(2.3)%		29.5		27.3		24.9	8.1%	9.6%		
Wholesale		25.7		26.8	(4.1)%		25.3		23.1		21.1	9.5%	9.5%		
Retail		37.4		37.8	(1.1)%		36.7		35.0		33.0	4.9%	6.1%		
Gas (th.RUB./th. cubic meter)***		3.33		3.16	5.4%		3.17		2.96		2.52	7.1%	17.5%		
Sales of bunker fuel to end-users		15.7		16.8	(6.5)%		17.1		18.6		18.0	(8.1)%	3.3%		
Petrochemical products															
International sales		41.7		47.5	(11.8)%		42.8		41.8		35.8	2.4%	16.8%		
Domestic sales		20.8		20.2	3.0%		19.3		17.7		14.3	9.0%	23.8%		

*Average price is calculated from unrounded figures.

**Price excludes revenues under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 25 billion and RUB 23 billion in the fourth and in the third quarters of 2015, respectively).

***Including gas sales outside Russian Federation average gas prices were 3.35 th.RUB./th. cubic meter in the fourth quarter of 2015 and 3.19 th.RUB./th. cubic meter in the third quarter of 2015, 3.20 th.RUB./th. cubic meter, 2.96 th.RUB./th. cubic meter and 2.63 th.RUB./th. cubic meter in 2015, 2014 and 2013, respectively.

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the fourth quarter of 2015 amounted to RUB 475 billion compared to RUB 540 billion in the third quarter of 2015. Revenue decrease by RUB 59 billion was due to reduction of average sales price by 10.7% in rouble terms and was accompanied by insignificant decrease in sales volumes by 0.8% (negative impact on revenue of RUB 1 billion).

In 2015 revenues from international crude oil sales to non-CIS countries decreased by 14.1% or RUB 347 billion compared to 2014 due to significant decrease in worldwide crude oil prices.

In 2014 revenues from international crude oil sales to non-CIS countries increased by 16.2% or RUB 342 billion compared to 2013. Sales volumes growth by 8.7% (positive impact on revenues of RUB 172 billion) was accompanied by an increase in average prices by 7.2% (favourable impact on revenues of RUB 170 billion).

The deviation between crude oil sales prices on the Asian markets and average world market prices in the region (Dubai) in the fourth quarter of 2015 was due to regular delivery of 6 million tonnes (44.42 million barrels) of crude oil per year to Transneft under the contract signed in 2009. These volumes are sold to Transneft for further delivery to China, under the basis of equal profitability with Company's direct export to China. These volumes are included in total Company's international crude oil sales to non-CIS, at a price that is free from export custom duty.

Scheduled settlement of prepayments under long-term supply agreements started in 2015. Offsetting of prepayments on the above mentioned contracts was RUB 89 billion in 2015.

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS in the fourth quarter of 2015 increased by 38.5% compared to the third quarter of 2015 and amounted to RUB 36 billion. The increase in crude oil sales volumes by 44.4% (positive effect of RUB 11 billion) was partially compensated by average sales price downturn of 3.5% in rouble terms (unfavourable impact on revenues of RUB 1 billion). The increase in sales volumes was due to extended supply schedule of oil exports to Belarus in the fourth quarter of 2015.

In 2015 revenues from international crude oil sales to CIS countries increased by 35.0% in comparison with 2014, which was mainly attributable to increased crude oil sales volumes by 15.2% (favorable effect on revenue of RUB 15 billion) due to additional supply schedule of crude oil exports to Belarus, accompanied by average sales price upturn of 15.5% (positive effect on revenue of RUB 20 billion).

In 2014 revenues from international crude oil sales to CIS countries dropped by 21.9% in comparison with 2013, which was mainly attributable to decrease in crude oil sales volume by 19.8% (unfavourable impact on revenues of RUB 26 billion) and was accompanied by average price downturn of 0.8% (negative impact on revenues of RUB 2 billion).

Domestic Sales of Crude Oil

Revenue from domestic sales of crude oil in the fourth quarter of 2015 amounted RUB 14 billion which is 17.6% lower than in the third quarter of 2015, mainly due to sales volumes decrease by 6.8% or RUB 3 billion.

In 2015 revenues from domestic crude oil sales dropped by 29.5% in comparison with 2014 and amounted to RUB 79 billion, which was mainly attributable to downturn of crude oil sales volumes due to reallocation of resources to the more efficient distribution channels in terms of negative macroeconomic environment.

In 2014 revenues from domestic sales of crude oil were 38.3% higher compared to 2013 and amounted to RUB 112 billion. Sales volumes growth by 30.1% (positive impact on revenues of RUB 24 billion) was accompanied by an increase in average prices by 7.6% (favourable impact on revenues of RUB 7 billion).

International Petroleum Product Sales to Non-CIS

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in the fourth and third quarters of 2015*:

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2015			September 30, 2015			RUB billion	mln of tonnes	Average price th. RUB/tonne
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne			
High octane gasoline	4	0.1	34.7	4	0.1	41.9	0.0	0.0	(17.2)
Low octane gasoline	1	0.0	29.4	1	0.1	40.7	0.0	(100.0)	(27.8)
Naphtha	21	0.8	27.6	24	0.9	27.2	(12.5)	(11.1)	1.5
Diesel (Gasoil)	88	3.5	25.1	98	3.4	28.1	(10.2)	2.9	(10.7)
Fuel oil	85	6.0	14.4	106	6.2	17.0	(19.8)	(3.2)	(15.3)
Jet fuel	0	0.0	38.3	1	0.0	39.8	(100.0)	–	(3.8)
Other	19	0.7	26.6	23	0.9	26.8	(17.4)	(22.2)	(0.7)
Petroleum products exported to non-CIS	218	11.1	19.7	257	11.6	22.1	(15.2)	(4.3)	(10.9)
Petroleum products sold from ROG refineries	72	2.5	29.0	61	2.1	29.7	18.0	19.0	(2.4)
Petroleum products bought and sold outside Russia	8	0.3	26.7	13	0.4	33.2	(38.5)	(25.0)	(19.6)
Total petroleum products exported including sales outside Russia	80	2.8	28.8	74	2.5	30.2	8.1	12.0	(4.6)
Total	298	13.9	21.5	331	14.1	23.6	(10.0)%	(1.4)%	(8.9)%

*average price is calculated from unrounded figures.

Revenues from the international sales of petroleum products to non-CIS countries were RUB 298 billion in the fourth quarter of 2015, which is 10.0% lower compared to the third quarter of 2015. Downturn of average price by 8.9% (negative impact on revenues of RUB 33 billion) was accompanied by decrease in sales volumes by 1.4% (unfavourable impact on revenues of RUB 5 billion). Average price downturn for petroleum products sold outside Russia was mainly due to the worldwide decline in prices.

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in 2015, 2014 and 2013*:

	<i>For 12 months ended December 31,</i>									<i>% change between 12 months ended December 31, 2015 and 2014</i>			<i>% change between 12 months ended December 31, 2014 and 2013</i>		
	2015			2014			2013			RUB billion	million of tonnes	Average price th.RUB/ tonne	RUB billion	million of tonnes	Average price th.RUB/ tonne
	RUB billion	million of tonnes	Average price th.RUB/ tonne	RUB billion	million of tonnes	Average price th.RUB/ tonne	RUB billion	million of tonnes	Average price th.RUB/ tonne						
High octane gasoline	17	0.5	36.5	19	0.6	34.9	17	0.6	29.2	(10.5)	(16.7)	4.6	11.8	0.0	19.5
Low octane gasoline	3	0.1	34.1	4	0.0	36.9	2	0.1	34.9	(25.0)	–	(7.6)	100.0	(100.0)	5.7
Naphtha	94	3.4	28.1	118	3.8	31.3	118	4.1	28.7	(20.3)	(10.5)	(10.2)	0.0	(7.3)	9.1
Diesel (Gasoil)	448	15.5	28.7	489	15.6	31.4	322	11.1	29.1	(8.4)	(0.6)	(8.6)	51.9	40.5	7.9
Fuel oil	459	26.2	17.5	510	23.9	21.3	397	20.7	19.2	(10.0)	9.6	(17.8)	28.5	15.5	10.9
Jet fuel	1	0.0	36.1	0	0.0	39.5	2	0.0	37.6	–	–	(8.6)	(100.0)	–	5.1
Other	78	3.0	26.1	65	2.2	30.3	50	1.9	26.4	20.0	36.4	(13.9)	30.0	15.8	14.8
Total petroleum products exported to non-CIS	1,100	48.7	22.6	1,205	46.1	26.2	908	38.5	23.6	(8.7)	5.6	(13.7)	32.7	19.7	11.0
Petroleum products sold from ROG refineries	278	9.1	30.6	275	8.9	31.0	245	8.6	28.5	1.1	2.2	(1.3)	12.2	3.5	8.8
Petroleum product purchased and sold outside Russia	48	1.7	28.9	12	0.3	31.9	12	0.4	30.1	>100.0	>100.0	(9.4)	0.0	(25.0)	6.0
Total petroleum products exported including sales outside Russia	326	10.8	30.4	287	9.2	31.0	257	9.0	28.6	13.5	17.4	(1.9)	11.7	2.2	8.4
Total	1,426	59.5	24.0	1,492	55.3	27.0	1,165	47.5	24.5	(4.4)	7.6	(11.1)	28.1	16.4	10.2

* Average price is calculated from unrounded figures.

In 2015 revenues from sales of petroleum products to non-CIS countries were 4.4% lower compared to 2014. Decrease in average price by 11.1% (negative impact on revenues of RUB 179 billion) was partially offset by increase in sales volumes by 7.6% (favourable impact on revenues of RUB 113 billion) due to sales of accumulated inventories of 2014 and effective trading.

In 2014 revenues from sales of petroleum products to non-CIS countries were 28.1% higher compared to 2013. Increase in sales volumes by 16.4% (favourable impact on revenues of RUB 191 billion) was accompanied by upturn in average price by 10.2% (positive impact on revenues of RUB 136 billion).

International Petroleum Product Sales to CIS

Revenues from sales of petroleum products to CIS countries were RUB 13 billion in the fourth quarter of 2015, which is 45.8% lower compared to the third quarter of 2015. A 28.6% decrease in petroleum products sales volumes (unfavourable impact on revenues of RUB 7 billion.), was accompanied by downturn of average price by 3.5% or RUB 4 billion.

Revenues from sales of petroleum products to CIS countries in 2015 were 8.6% or RUB 6 billion lower than in 2014 due to petroleum product sales volume decrease by 13.0% (negative effect on revenue of RUB 9 billion) which was partially offset by growth of average price by 6.6% (positive effect on revenue of RUB 3 billion).

Revenues from sales of petroleum products to CIS countries in 2014 were 16.7% or RUB 14 billion lower than in 2013. The decrease was due to downturn in sales volumes of 25.8% (unfavorable impact on revenues of RUB 22 billion) which was partially offset by growth of average prices by 13.0% (positive impact on revenues of RUB 8 billion).

Domestic Sales of Petroleum Products

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russia in the fourth and third quarters of 2015*:

	For 3 months ended						% change		
	December 31, 2015			September 30, 2015			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	112	3.0	37.1	116	3.0	39.0	(3.4)%	0.0%	(4.9)%
Low octane gasoline	0	0.0	34.7	1	0.1	37.5	(100.0)%	(100.0)%	(7.5)%
Diesel (Gasoil)	74	2.3	32.3	83	2.6	31.2	(10.8)%	(11.5)%	3.5%
Fuel oil	4	0.6	7.2	3	0.3	8.5	33.3%	100.0%	(15.3)%
Jet fuel	23	0.7	30.1	30	1.0	30.1	(23.3)%	(30.0)%	0.0%
Other	9	0.8	13.0	14	1.0	13.9	(35.7)%	(20.0)%	(5.8)%
Total	222	7.4	30.1	247	8.0	30.8	(10.1)%	(7.5)%	(2.3)%

*average price is calculated from unrounded figures.

Revenues from sales of petroleum products on the domestic market were RUB 222 billion in the fourth quarter of 2015, which is 10.1% lower compared to the third quarter of 2015.

Decreased sales volumes in the fourth quarter 2015 by 7.5% (negative effect RUB of 19 billion) was accompanied by 2.3% downturn of average sales price (unfavourable effect on revenue of RUB 6 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russia in 2015, 2014 and 2013, respectively*:

	For 12 months ended December 31,									% change between 12 months ended December 31, 2015 and 2014			% change between 12 months ended December 31, 2014 and 2013		
	2015			2014			2013			RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne						
High octane gasoline	423	11.6	36.4	398	11.4	35.0	334	10.5	31.7	6.3%	1.8%	4.0%	19.2%	8.6%	10.4%
Low octane gasoline	2	0.1	33.9	3	0.0	30.7	4	0.2	24.0	(33.3)%	-	10.4%	(25.0)%	(100.0)%	27.9%
Diesel (Gasoil)	297	9.6	31.0	278	9.3	30.2	305	10.7	28.4	6.8%	3.2%	2.6%	(8.9)%	(13.1)%	6.3%
Fuel oil	14	1.7	8.0	26	2.5	10.4	19	1.9	10.2	(46.2)%	(32.0)%	(23.1)%	36.8%	31.6%	2.0%
Jet fuel	94	3.2	29.2	96	3.4	28.1	77	3.1	25.4	(2.1)%	(5.9)%	3.9%	24.7%	9.7%	10.6%
Other	45	3.5	13.0	59	4.9	12.3	55	5.4	10.1	(23.7)%	(28.6)%	5.7%	7.3%	(9.3)%	21.8%
Total	875	29.7	29.5	860	31.5	27.3	794	31.8	24.9	1.7%	(5.7)%	8.1%	8.3%	(0.9)%	9.6%

*average price is calculated from unrounded figures.

Revenues from sales of petroleum products on the domestic market in 2015 were 1.7% higher than in 2014 and amounted to RUB 875 billion. The increase was due to average sales price upturn by 8.1% (favourable effect on revenue of RUB 64 billion) partially offset by decrease in sales volume by 5.7% (negative impact on revenue of RUB 49 billion).

Revenues from sales of petroleum products on the domestic market in 2014 were 8.3% or RUB 66 billion higher than in 2013. The increase was due to 9.6% upturn in average prices (favorable impact on revenues of RUB 73 billion) and was partially offset by sales volumes downturn of 0.9% (unfavorable impact on revenues of RUB 7 billion). The Company extended its customer base of jet fuelling (high premium margin sales) due to new assets acquisition. Sales volumes of jet fuel in 2014 increased by 9.7% in comparison with 2013.

Sales of bunker fuel

The Company sells bunker fuel (fuel oil, low-viscosity marine fuel and diesel fuel) in the seaports (the Far East, the North, the North West and South of the European part of Russia) and river ports (the Volga-Don basin and in the rivers of Western Siberia) of the Russian Federation and in the ports outside the Russian Federation.

Revenues from sales of bunker fuel in the fourth quarter of 2015 were RUB 12 billion, a decrease by 40.0% in comparison with the third quarter of 2015, which is mainly attributable to seasonal factor (end of navigation period) and decrease in number of foreign ship entering.

Revenues from sales of bunker fuel in 2015 decreased by 29.7% in comparison with 2014 and amounted to RUB 52 billion. The main reason for the change was the redirection of fuel oil volumes to export in 2015 due to decreased export customs duties and changes of price environment for crude oil and petroleum products.

Revenues from sales of bunker fuel in 2014 increased by 25.4% or RUB 15 billion in comparison with 2013 mainly due to increased supplies in the Far East region under the long-term contracts nominated in foreign currency and increased supply to local consumers at the rivers of Western Siberia.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the fourth quarter of 2015 amounted to RUB 30 billion (0.8 mln tonnes).

Petrochemical product sales volumes from Ruhr Oel GmbH (ROG) amounted to 0.5 mln tonnes in the fourth quarter of 2015. Petrochemical product sales volumes in 2015 from Ruhr Oel GmbH (ROG) increased by 4% y-o-y (calculated from unrounded figures) and amounted to 2.0 mln tonnes caused by reduction of idle time and turnarounds at Gelsenkirchen refinery.

In 2014 revenues from sales of petrochemical products increased by 12.8% compared to 2013, which was due to 13.0% average price upturn (positive impact on revenues of RUB 16 billion). Effect from decrease in international sales volumes amounted to RUB 7 billion and was partially offset by increased sales volumes on the domestic market by 21.3% or RUB 3 billion. In 2014 sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) decreased and amounted to 1.9 mln tonnes in comparison with 2.2 mln tonnes in 2013.

Gas Sales

The Company strategy envisages gas business expansion on the Russian gas domestic market. In order to increase its share on the gas domestic market Rosneft implements gas program aimed at diversification of trading channels and building of long-term contracts portfolio.

The table below sets forth revenues, volumes and average price of gas sales by Rosneft*:

	<i>For 3 months ended</i>		<i>Change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>Change for 12 months ended December 31,</i>	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
Revenue	(RUB billion)		%	(RUB billion)			%	
Western Siberia and Ural	28.0	17.5	60.0%	90.0	93.5	55.4	(3.7)%	68.8%
South Russia	2.5	2.1	19.0%	9.7	10.6	9.7	(8.5)%	9.3%
Far East	0.8	0.5	60.0%	2.6	1.7	1.3	52.9%	30.8%
European part of Russia	21.4	22.1	(3.2)%	81.7	59.6	29.9	37.1%	99.3%
Outside Russian Federation	0.8	0.9	(11.1)%	3.8	2.3	6.6	65.2%	(65.2)%
Total	53.5	43.1	24.1%	187.8	167.7	102.9	12.0%	63.0%
Sales volumes	(bcm)			(bcm)				
Western Siberia and Ural	9.04	6.38	41.7%	31.13	34.49	24.02	(9.7)%	43.6%
South Russia	0.67	0.54	24.1%	2.69	3.12	3.11	(13.8)%	0.3%
Far East	0.23	0.16	43.8%	0.78	0.61	0.58	27.9%	5.2%
European part of Russia	5.90	6.29	(6.2)%	23.43	17.66	10.42	32.7%	69.5%
Outside Russian Federation	0.13	0.14	(7.1)%	0.65	0.65	0.94	–	(30.9)%
Total	15.97	13.51	18.2%	58.68	56.53	39.07	3.8%	44.7%
Average price	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)				
Western Siberia and Ural	3.10	2.74	13.1%	2.89	2.70	2.24	7.0%	20.5%
South Russia	3.71	3.83	(3.1)%	3.60	3.40	3.12	5.9%	9.0%
Far East	3.50	3.40	2.9%	3.42	2.73	2.29	25.3%	19.2%
European part of Russia	3.62	3.52	2.8%	3.48	3.38	2.91	3.0%	16.2%
Outside Russian Federation	6.44	6.21	3.7%	5.88	3.67	6.97	60.2%	(47.3)%
Total	3.35	3.19	5.0%	3.20	2.96	2.63	8.1%	12.5%

*average price is calculated from unrounded figures.

In the fourth quarter of 2015 revenues from gas sales increased in comparison with the third quarter of 2015 and amounted to RUB 53.5 billion due to increased seasonal gas consumption.

Growth of sales volume by 3.8% (positive effect on revenue of RUB 6 billion) in 2015 compared to 2014 was due to starting of supplies under new contracts concluded in 2014, which was accompanied by average price upturn by 8.1% followed by gas price indexation by 7.5% from July 2015 (positive impact on revenues of RUB 14 billion).

Since October 2014 the Company participates in the natural gas exchange trading at the St. Petersburg international commodity exchange. At the closing of trading sessions the Company supplied 387 mln cubic metres in the fourth quarter of 2015 and 1,214 mln cubic metres of gas to end-customers in the third quarter of 2015. In 2015 the volume of gas sales on the gas exchange amounted to 35% share in the total volume of gas sales on the gas exchange.

Support Services and Other Revenues

Rosneft owns service companies which render drilling, construction, repair and other services mainly to the companies within the Group. Revenues from services rendered to third parties are reported in the consolidated statements of profit or loss.

The following table sets forth Rosneft's other revenues for the periods analysed:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>						<i>% change for 12 months ended December 31,</i>			
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014		2014 – 2013				
	<i>% of revenue</i>	<i>% of revenue</i>		<i>% of revenue</i>	<i>% of revenue</i>	<i>% of revenue</i>	<i>% of revenue</i>	<i>% of revenue</i>	<i>% of revenue</i>	<i>% of revenue</i>			
(RUB billion, except %)													
Drilling services	1.6	10.7%	2.9	15.8%	(44.8)%	9.5	13.6%	11.0	14.7%	2.9	5.0%	(13.6)%	>100.0%
Sales of materials	4.2	28.0%	6.2	33.6%	(32.3)%	21.8	31.1%	23.1	30.9%	19.8	33.9%	(5.6)%	16.7%
Repairs and maintenance services	0.5	3.3%	0.7	3.8%	(28.6)%	2.7	3.9%	4.0	5.3%	2.7	4.6%	(32.5)%	48.1%
Rent services	0.8	5.3%	1.0	5.4%	(20.0)%	3.7	5.3%	3.6	4.8%	3.6	6.2%	2.8%	–
Construction services	0.0	0.0%	0.2	1.1%	(100.0)%	0.3	0.4%	0.7	0.9%	0.7	1.2%	(57.1)%	–
Transport services	2.4	16.0%	3.0	16.3%	(20.0)%	12.8	18.3%	9.9	13.2%	8.5	14.6%	29.3%	16.5%
Electric power sales and transmission	1.6	10.7%	1.5	8.2%	6.7%	7.3	10.4%	9.7	13.0%	6.2	10.6%	(24.7)%	56.5%
Other revenues	3.9	26.0%	2.9	15.8%	34.5%	11.9	17.0%	12.8	17.2%	14.0	23.9%	(7.0)%	(8.6)%
Total	15.0	100.0%	18.4	100.0%	(18.5)%	70.0	100.0%	74.8	100.0%	58.4	100.0%	(6.4)%	28.1%

Support services and other revenues were 18.5% lower in the fourth quarter of 2015 compared to the third quarter of 2015 due to the seasonal factor including decreased volume of drilling and construction services and decrease in sales of materials.

Support Services and other revenues in 2015 decreased by 6.4% compared with 2014.

Support services and other revenues were 28.1% higher in 2014 compared with 2013 mainly due to acquisition of drilling units. In 2013 support services and other revenues were 40.4% higher than 2012 and amounted to RUB 58.4 billion.

Equity share in profits/(losses) of downstream associates and joint ventures

The equity share in net financial results (profits) of downstream associates and joint ventures amounted to RUB 1 billion in the fourth and RUB 3 billion in the third quarters of 2015, respectively¹. The equity share in net financial results of downstream associates and joint ventures was RUB 6 billion of profit in 2015.

¹ See the equity share in net financial results of upstream associates and joint ventures in the section "Upstream operating results".

Downstream production and operating cost

Downstream operating expenses include:

	For 3 months ended		Change between 4 th and 3 ^d quarters	For 12 months ended December 31,			Change for 12 months ended December 31,	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
Operating expenses at refineries in Russia	21.0	19.7	7.0%	77.1	68.0	57.5	13.4%	18.3%
Operating expenses at refineries outside Russia	9.4	7.7	21.1%	28.5	19.4	15.8	46.9%	22.6%
Cost of additives and materials procured for processing outside Russia	16.8	13.0	29.2%	53.8	38.7	30.7	39.0%	26.4%
Operating expenses of retail companies including materials for blending	18.6	20.2	(7.9)%	71.5	69.8	50.8	2.4%	37.4%
	7.9	8.9	(11.2)%	29.8	30.7	18.0	(2.9)%	70.6%
Downstream operating expenses	65.8	60.6	8.6%	230.9	195.9	154.8	17.9%	26.6%
Intragroup inventory effect and others	13.5	3.4	>100.0%	15.4	(21.9)	(0.8)	>100.0%	>100.0%
Amendments to costs 2015-2014	28.7	–	–	28.7	–	–	–	–
Total Downstream Operating expenses	108	64	82.1%	275	174	154	58.0%	13.0%

Downstream operating expenses increased by 8.6% in the fourth quarter of 2015 compared with the third quarter of 2015 and amounted to RUB 65.8 billion. The increase is attributable mainly to seasonal increase in energy consumption, inflation effect and increase in expenses nominated in Euro (outside Russia) due to rouble depreciation.

Operating expenses at Company's refineries

The table below shows operating expenses at Rosneft's refineries:

	For 3 months ended		% change between 4 th and 3 ^d quarters	For 12 months ended December 31,			% change for 12 months ended December 31,	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
Operating expenses at refineries in Russia (RUB billion)	21.03	19.65	7.0%	77.08	68.00	57.46	13.4%	18.3%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,156	1,003	15.3%	1,018	879*	829	15.8%	6.0%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,135	984	15.3%	1,000	853*	799	17.2%	6.8%
Operating expenses at refineries outside Russia (RUB billion)**	9.35	7.72	21.1%	28.48	19.39	15.81	46.9%	22.6%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	3,143	2,967	5.9%	2,556	1,811	1,492	41.1%	21.4%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	3,247	2,981	8.9%	2,638	1,838	1,492	43.5%	23.2%
Total operating expenses at Rosneft's refineries (RUB billion)	30.38	27.37	11.0%	105.56	87.39	73.27	20.8%	19.3%

*Maintaining cost in the period of emergency response operations at Achinsk refinery in the amount of RUB 0.6 billion were excluded from estimation of operating expenses per tonne in 2014.

**Refineries outside Russia also procured the additives and materials for processing: in the fourth quarter of 2015 – RUB 16.8 billion, in the third quarter of 2015 – RUB 13.0 billion, in 2015 – RUB 53.8 billion, in 2014 – RUB 38.7 billion, in 2014 – RUB 30.7 billion.

Operating expenses of Rosneft's refineries were RUB 30.38 billion in the fourth quarter of 2015, which is an increase by 11.0% compared with the third quarter of 2015. In 2015 operating expenses were RUB 105.56 billion, compared with RUB 87.39 billion in 2014.

In comparison with 2013 operating expenses of Rosneft's refineries in 2014 increased by 19.3% due to incorporation of expenses of new assets from the acquisition date in 2013.

Operating expenses of Rosneft's refineries in Russia were RUB 21.03 billion in the fourth quarter of 2015, an increase by 7.0% compared with the third quarter of 2015. The increase resulted from seasonal increase in energy consumption and increased material costs and turnaround expenses.

In 2015 operating expenses of Rosneft's refineries in Russia increased by 13.4% compared with 2014 mainly due to growth of raw materials costs resulted from an increase in production of ecological fuel of level Euro 4/5.

In 2014 operating expenses of Rosneft's refineries in Russia increased to RUB 68.00 billion (or by 18.3%) in comparison with RUB 57.46 billion in 2013, mainly as a result of incorporation of expenses of new assets from the acquisition date in 2013.

Operating expenses of Rosneft's refineries outside of Russia increased in the fourth quarter of 2015 by 21.1% in comparison with the third quarter of 2015 due to acquisition of additional share in PCK Raffinerie GmbH and due to RUB depreciation which had negative impact on operating expenses denominated in EUR currency. The increase in operating expenses of Rosneft's refineries outside of Russia in 2015 was 46.9% in comparison with 2014 due to RUB depreciation which had negative impact on operating expenses denominated in EUR currency at Rosneft's units outside Russia.

Operating expenses of Rosneft's refineries outside of Russia increased in 2014 by 22.6% in comparison with 2013 due to RUB depreciation which had negative impact on operating expenses denominated in EUR currency at Rosneft's units outside Russia.

In the fourth quarter of 2015 operating costs per tonne of crude oil throughput of Rosneft's refineries in Russia increased by 15.3% compared with the third quarter of 2015 and amounted to RUB 1,135 per tonne. The increase was mainly due to seasonal increase in energy consumption and increased turnaround expenses.

The increase in operating costs per tonne in 2015 compared to 2014 of 17.2% was due to increased material supply and electricity tariffs.

Operating costs per tonne of crude oil throughput of Rosneft's refineries in Russia in 2014 increased by 6.8% compared with 2013 and amounted to RUB 853 per tonne. Growth was mainly due to increase in material and supply expenses, turnaround expenses and increased electricity tariffs.

Operating expenses per tonne of crude oil throughput of Rosneft's refineries outside Russia were RUB 3,247 per tonne in the fourth quarter of 2015 which is an increase of 8.9% compared with the third quarter of 2015. The increase in operating expenses per tonne of crude oil throughput was mainly due to RUB depreciation which had negative impact on operating expenses denominated in EUR currency at Rosneft's units outside Russia. Operating expenses per tonne of crude oil throughput of Rosneft's refineries outside Russia increased in 2015 by 43.5% due to increased turnarounds and RUB depreciation.

Operating expenses per tonne of crude oil throughput of Rosneft's refineries outside Russia were RUB 1,838 per tonne in 2014 which is an increase of 23.2% compared with 2013. The increase in operating expenses per tonne of crude oil throughput was mainly due to RUB depreciation which had negative impact on operating expenses denominated in EUR currency at Rosneft's units outside Russia.

Cost of Purchased Oil, Gas and Petroleum Products and Refining Costs

The following table shows Rosneft's crude oil, gas and petroleum products procurement costs and volumes and third-party refining costs¹:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
Crude oil procurement								
Cost of crude oil procured (RUB billion)	89	109	(18.3)%	396	403	341	(1.7)%	18.2%
including Domestic market	34	44	(22.7)%	167	144	108	16.0%	33.3%
International market	55	65	(15.4)%	229	259	233	(11.6)%	11.2%
Volume of crude oil procured (million of barrels)	41.8	44.5	(6.1)%	169.8	163.9	143.3	3.6%	14.4%
including Domestic market	23.1	26.1	(11.5)%	98.2	96.0	77.0	2.3%	24.7%
International market	18.7	18.4	1.6%	71.6	67.9	66.3	5.4%	2.4%
Inventory revaluation write-off (RUB billion)	–	–	–	–	–	14	–	(100)%
Gas procurement²								
Cost of gas procured (RUB billion)	5.9	3.9	51.3%	20.1	23.2	26.0	(13.4)%	(10.8)%
Volume of gas procured (bcm)	3.38	2.10	61.0%	11.45	13.29	14.9	(13.8)%	(10.8)%
Petroleum products procurement								
Cost of petroleum product procured (RUB billion) ³	20	23	(13.0)%	80	41	35	95.1%	17.1%
Volume of petroleum product procured (million of tonnes)	0.54	0.69	(21.7)%	2.52	1.42	1.35	77.5%	5.2%
Crude oil, gas and petroleum products refining services								
Cost of refining of crude oil under processing agreements (RUB billion)	8.6	10.2	(15.7)%	34.2	28.3	15.6	20.8%	81.4%
Volumes of crude oil and petroleum products, refined under processing agreements (million of tonnes)	2.5	3.0	(16.7)%	10.4	11.3	8.4	(8.0)%	34.5%
Volumes of refining of gas under processing agreements (bcm)	2.9	2.9	–	11.2	9.2	3.7	21.7%	>100%
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	123	146	(15.8)%	530	495	432	7.1%	14.6%

¹Cost of purchases under IFRS consolidated financial statements.

²Including cost of Upstream segment in the amount of RUB 5 billion, RUB 3 billion, RUB 17 billion, RUB 17 billion and RUB 0 billion, in the fourth quarter of 2015, in the third quarter of 2015, in 2015, 2014 and 2013, respectively.

³Average procurement price of petroleum products from third parties may be higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

Crude oil procurement

Rosneft purchases crude oil primarily from its associates to process it at own refineries or export. Rosneft procures crude oil on the international market to supply it to Ruhr Oel GmbH refineries.

The structure of crude oil purchases is provided in the table below:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
	<i>mln barrels</i>			<i>mln barrels</i>				
International market	18.7	18.4	1.6%	71.6	67.9	66.3	5.4%	2.4%
Udmurtneft	5.6	6.8	(17.6)%	25.8	25.9	19.7	(0.4)%	31.5%
Slavneft	15.2	14.5	4.8%	58.0	57.7	48.0	0.5%	20.2%
Others	2.3	4.8	(52.1)%	14.4	12.4	9.3	16.1%	33.3%
Total	41.8	44.5	(6.1)%	169.8	163.9	143.3	3.6%	14.4%

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the "Pipeline tariffs and Transportation costs" line of the consolidated statement of profit and loss.

The volume of swap was 6.8 mln barrels and 2.3 mln barrels in the fourth quarter of 2015 and in the third quarter of 2015, respectively. The volume of swap was 12.8 mln barrels, 7.6 mln barrels, 68.7 mln barrels in 2015, 2014 and 2013, respectively.

Petroleum products procurement

Petroleum products from third parties are procured primarily to cover current needs of Rosneft's retail subsidiaries. Procurement of petroleum products is exposed to seasonal fluctuations of volumes and mix. Procurement prices may significantly vary depending on regional markets. Petroleum products outside Russia were purchased primarily for sale on the international markets.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the fourth and third quarter of 2015:

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2015			September 30, 2015			RUB billion	million of tonnes	th. RUB/ tonne
	RUB billion	million of tonnes	th. RUB/ tonne	RUB billion	million of tonnes	th. RUB/ tonne			
<i>Petroleum products procurement in Russia</i>									
High octane gasoline	2	0.06	33.9	5	0.13	37.9	(60.0)%	(53.8)%	(10.6)%
Diesel	4	0.11	33.6	3	0.08	33.6	33.3%	37.5%	–
Jet fuel	1	0.01	28.3	2	0.08	28.6	(50.0)%	(87.5)%	(1.0)%
Other	2	0.03	22.2	0	0.02	25.1	–	50.0%	(11.6)%
<i>Petroleum products and petrochemicals procured outside Russia</i>									
	11	0.33	31.3	13	0.38	33.3	(15.4)%	(13.2)%	(6.0)%
Total	20	0.54	32.0	23	0.69	33.7	(13.0)%	(21.7)%	(5.0)%

The volume of petroleum product procured in the fourth quarter of 2015 reduced by 13.0% compared to the third quarter of 2015 due to fulfillment demand by Company's own resources. Procurement of petroleum products outside Russia meets the contractual obligation under long-term agreements for sales of petroleum products. Decreased volume of petroleum products procured outside Russia was mainly due to temporary decrease in sales under long-term agreements caused by significant fluctuations on oil market.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in 2015, 2014 and 2013:

	<i>For 12 months ended December 31,</i>									<i>% change for 12 months ended December 31, 2015 and 2014</i>			<i>% change for 12 months ended December 31, 2014 and 2013</i>		
	2015			2014			2013			RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	th. RUB/ tonne
	RUB billion	million of tonnes	th. RUB/ tonne	RUB billion	million of tonnes	th. RUB/ tonne	RUB billion	million of tonnes	th. RUB/ tonne						
<i>Petroleum products procurement in Russia</i>															
High octane gasoline	10	0.30	35.7	11	0.33	32.3	6	0.24	28.2	(9.1)%	(9.1)%	10.5%	83.3%	37.5%	14.5%
Diesel	11	0.31	32.5	10	0.36	28.9	4	0.17	27.0	10.0%	(13.9)%	12.5%	>100%	>100%	7.0%
Fuel oil	0	0.00	–	2	0.18	13.6	1	0.05	11.9	(100.0)%	(100.0)%	(100.0)%	100%	>100%	14.3%
Jet fuel	3	0.10	28.4	2	0.05	27.3	2	0.09	25.9	50.0%	>100%	4.0%	–	(44.4)%	5.4%
Other	5	0.11	25.4	3	0.09	24.3	2	0.07	22.8	66.7%	22.2%	4.5%	50.0%	28.6%	6.6%
<i>Petroleum products and petrochemicals procured outside Russia</i>															
	51	1.70	29.6	13	0.41	31.9	20	0.73	28.7	>100%	>100%	(7.2)%	(35.0)%	(43.8)%	11.1%
Total	80	2.52	31.0	41	1.42	28.7	35	1.35	26.4	95.1%	77.5%	8.0%	17.1%	5.2%	8.7%

Average purchase prices may be different from average sale prices depending on different regional structure of purchases (mix structure) and sales and difference in quality of the petroleum products.

Volume of petroleum products procured in Russia decreased in 2015 compared to 2014 due to fulfillment demand in petroleum products by Company's own resources.

The petroleum product volume procured in Russia increased in 2014 compared to 2013 resulted from insufficient fulfillment in petroleum products consumption by the Company's own resources caused by turnarounds at refineries.

Petroleum products and petrochemicals procurement outside Russia

Petroleum products and petrochemicals procured outside Russia amounted to RUB 11 billion in the fourth quarter of 2015. Procurement of petroleum products outside Russia meets the contractual obligation under long-term agreements for sales of petroleum products. Decrease in volume of petroleum products procurement outside Russia was mainly due to temporary decrease in sales under long-term agreements caused by significant fluctuations on oil market.

Petroleum products procured outside Russia in 2015 was higher up to RUB 51 billion (1.7 mln tonnes) in comparison with RUB 13 billion (0.41 mln tonnes) which was caused by increase in sales under long-term contracts. In 2013 petroleum products procured outside Russia amounted to RUB 20 billion (0.73 million tonnes).

Gas procurement and crude oil and gas processing, petroleum products processing

Starting from April 2014, associated petroleum gas sales to Sibur Holding and purchases of dry stripped gas from “Sibur” are presented on a net basis in the Company’s financial statements in processing costs in the amount of RUB 4.24 billion in the fourth quarter of 2015 and RUB 4.53 billion in the third quarter of 2015.

Gas purchases billion increased in the fourth quarter of 2015 to RUB 5.9 billion compared with RUB 3.9 billion in the third quarter of 2015 which was due to seasonal gas volume sales increase.

Gas purchases in 2015 decreased by 13.4% compared with 2014 due to implementation of new commercial supply scheme with Sibur with simultaneous increase in processing of associate gas volumes.

Crude oil and gas processing expenses decreased in the fourth quarter of 2015 in comparison with the third quarter of 2015 mainly due to turnarounds at Mozyr refinery in the fourth quarter of 2015.

Pipeline Tariffs and Transportation Costs

Transportation costs are costs incurred by Rosneft to transport crude oil for refining and to end customers, and to deliver petroleum products from refineries to end customers (these may include pipeline tariffs and railroad tariffs, handling costs, port fees, sea freight and other costs) and also costs to transport gas via gas pipeline system.

In the fourth quarter of 2015 Rosneft's transportation costs have not changed and amounted to RUB 134 billion compared to the third quarter of 2015.

The table below sets forth the comparison (quarter-on-quarter basis) of costs per tonne of crude oil and petroleum products transported by pipeline, railroad and mixed transportation and gas transportation costs via gas pipeline system:

	<i>For 3 months ended</i>								<i>% change</i>		
	December 31, 2015				September 30, 2015						
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume	Cost	Cost per tonne
CRUDE OIL											
<u>International sales</u>											
Pipeline	26.5	94.6%	48.1	1.82	26.3	96.0%	47.1	1.79	0.8%	2.1%	1.7%
Railroad and mixed	1.5	5.4%	4.9	3.30	1.1	4.0%	3.5	3.19	36.4%	40.0%	3.4%
<u>Transportation to refineries</u>											
Pipeline ¹	22.1		17.3	0.79	23.2		19.1	0.83	(4.7)%	(9.4)%	(4.8)%
Railroad and mixed	1.5		6.0	4.07	1.9		7.2	3.78	(21.1)%	(16.7)%	7.7%
PETROLEUM PRODUCTS											
<u>International sales</u>											
Pipeline	0.9	5.8%	2.7	2.94	0.6	3.7%	2.0	3.03	50.0%	35.0%	(3.0)%
Railroad and mixed	12.3	79.4%	32.2	2.62	13.1	81.4%	33.0	2.52	(6.1)%	(2.4)%	4.0%
Pipeline and FCA ²	2.3	14.8%			2.4	14.9%			(4.2)%		
GAS											
Pipeline ³	bcm			RUB/cm	bcm			RUB/cm			
	11.1		11.9	1,07	9.4		9.6	1,02	18.1%	24.0%	4.9%
Other transportation expenses⁴											
			11				12			(8.3)%	
Total	67.1		134		68.6		134		(2.2)%	0.0%	

¹ Including crude oil purchased on international market, which was directed to Ruhr Oel GmbH.

² Rosneft exported part of petroleum products in the fourth quarter of 2015 and in the third quarter of 2015 through its own pipeline in the town of Tuapse, and on FCA terms, where Rosneft does not bear transportation expenses directly, except for transshipment and dispatching cargo costs.

³ Part of gas volumes was dispatched on terms under which Rosneft does not bear transportation expenses. In the fourth quarter of 2015 and third quarter of 2015 these volumes amounted to 4.9 bcm and 4.1 bcm respectively.

⁴ Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling station.

Crude oil pipeline transportation cost per tonne of international sales in the fourth quarter of 2015 did not change significantly and amounted to RUB 1.82 thousand per tonne.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 3.4% due to the change in transportation structure.

Crude oil pipeline transportation cost per tonne of supplies to refineries decreased by 4.8% in the fourth quarter of 2015 compared to the third quarter of 2015 due to change in transportation routes structure.

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries in the fourth quarter of 2015 increased by 7.7% compared to the third quarter of 2015 due to change in transportation structure and increased share of expensive routes.

The decrease in pipeline cost per tonne of petroleum product international sales by 3.0% in the fourth quarter of 2015 compared to the previous quarter was mainly due to change in transportation structure (decrease in share of transportation routes with the tariff partially denominated in USD).

Railroad and mixed transportation cost per tonne of petroleum product international sales in the fourth quarter of 2015 increased up to RUB 2.62 thousand due to increased share of expensive routes.

Gas transportation costs increase by 4.7% in the fourth quarter of 2015 compared to the third quarter of 2015 resulted from increase in average transportation distance to final consumers. In the fourth quarter of 2015 indexation of gas transportation tariffs was not carried out.

The table below sets forth comparison for costs per tonne of crude oil and petroleum products transported by pipeline, railway and mixed transportation and gas transportation costs via gas pipeline system in 2015, 2014 and 2013:

	For 12 months ended December 31,												% change between 12 months ended December 31, 2015 and 2014			% change between 12 months ended December 31, 2014 and 2013		
	2015				2014				2013				Volume	Cost	Cost per tonne	Volume	Cost	Cost per tonne
	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t						
CRUDE OIL																		
International sales																		
Pipeline	103.8	95.1%	185.4	1.79	96.9	94.6%	155.9	1.61	91.9	94.5%	153.0	1.66	7.1%	18.9%	11.2%	5.4%	1.9%	(3.0)%
Railroad and mixed	5.3	4.9%	17.7	3.28	5.5	5.4%	14.4	2.65	5.4	5.5%	11.4	2.19	(3.6)%	22.9%	23.8%	1.9%	26.3%	21.0%
Transportation to refineries																		
Pipeline ¹	90,0		73.3	0.82	92.2		74.9	0.81	75.1		54.0	0.72	(2.4)%	(2.1)%	1.2%	22.8%	38.7%	12.5%
Railroad and mixed	6.5		26.3	4.04	6.8		27.6	3.98	6.1		23.5	3.83	(4.4)%	(4.7)%	1.5%	11.5%	17.4%	3.9%
PETROLEUM PRODUCTS																		
International sales																		
Pipeline	4.1	6.2%	11.4	2.79	4.5	7.2%	10.3	2.32	3.9	7.1%	8.1	2.10	(8.9)%	10.7%	20.3%	15.4%	27.2%	10.5%
Railroad and mixed	52.2	79.5%	140.6	2.69	50.5	80.4%	114.5	2.26	40.4	73.5%	76.0	1.88	3.4%	22.8%	19.0%	25.0%	50.7%	20.2%
Pipeline and FCA ²	9.4	14.3%			7.8	12.4%			10.7	19.5%			20.5%			(27.1)%		
GAS																		
Pipeline ³	bcm		RUB/cm		bcm		RUB/cm		bcm		RUB/cm		16.1%	23.4%	6.2%	29.2%	49.3%	15.5%
Other transportation expenses ³			45				39				42		15.4%			(9.3)%		
Total	271.3		542		264.2		471		233.5		392		2.7%	15.1%		13.1%	20.2%	

¹ Including crude oil purchased on international market, which was directed to Ruhr Oel GmbH (ROG).

² Rosneft exported part of petroleum products in 2015, 2014 and 2013 through its own pipeline in the town of Tuapse, and on FCA terms, where Rosneft does not bear transportation expenses directly, except for transshipment and dispatching cargo costs.

³ Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses. In 2015, 2014 and 2013 these volumes amounted to 17.6 bcm, 21.1bcm and 11.7 bcm respectively.

⁴ Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling stations.

The increase in transportation costs per tonne of products sold (for crude oil and petroleum products) almost for each type of transport in 2015 compared to 2014 mainly resulted from tariffs indexation and change in transportation structure.

Excise tax

In the fourth quarter of 2015 excise tax was RUB 25 billion in comparison with RUB 27 billion in the third quarter of 2015. In 2015 and 2014 excise tax was RUB 103 billion and RUB 139 billion respectively.

Excises amount in 2014 was RUB 139 billion increased by 2.2% in comparison with 2013 due to increased volumes of petroleum products sales subject to excise tax and increase in excise base rate.

Export Customs Duty

Export customs duties include crude oil and petroleum products export customs duties. The export customs duties are also discussed above under “Macroeconomic Factors Affecting the Results of Operations – Taxation”.

The following table sets forth Rosneft’s export customs duties for the periods analysed:

	For 3 months ended		% change between 4 th and 3 ^d quarters	For 12 months ended December 31,			% change for 12 months ended December 31,	
	December 31, 2015	September 30, 2015		2015	2014	2013	2015 – 2014	2014 – 2013
	RUB billion, except %							
Export customs duty for crude oil	145	192	(24.5)%	683	1,224	1,025	(44.2)%	19.4%
Export customs duty for gas	–	–	–	–	–	1	–	(100.0)%
Export customs duty for petroleum products	42	65	(35.4)%	242	459	356	(47.3)%	28.9%
Total export customs duties	187	257	(27.2)%	925	1,683	1,382	(45.0)%	21.8%

Export customs duty decrease of 27.2% in the fourth quarter of 2015 in comparison with the third quarter of 2015 was mostly due to decreased export duty rate in RUB terms (decrease of 25%).

Decrease in export customs duty in 2015 compared to 2014 mainly resulted from lower export duty rates due to the latest amendments to the tax legislation and decrease in oil prices.

In 2014 export customs duty growth was 21.8% compared to 2013 due to the increase in export volumes and rouble-denominated customs duty rate.

The following table sets forth certain information about the export customs duty:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
Urals (average Med and NWE) (USD/bbl)	41.9	49.4	(15.2)%	51.4	97.6	107.7	(47.3)%	(9.4)%
Average enacted export customs duty (th. RUB/tonne)	6.08	8.10	(24.9)%	7.33	14.06	12.49	(47.9)%	12.6%
Hypothetical export customs duty ¹ (th. RUB/tonne)	5.31	6.49	(18.2)%	6.60	12.77	12.50	(48.3)%	2.2%
Average customs duty on crude oil exports to non-CIS countries subject to regular rate (th. RUB/tonne)	6.04	8.06	(25.1)%	7.28	13.85	12.49	(47.4)%	10.9%

¹Hypothetical customs duty is calculated using the average Urals price for the period (i.e. without time lag).

The actual average customs duty on exports subject to regular duty deviates from the enacted export customs duty due to different monthly export volumes and due to part of oil exports being realized under FCA terms.

Operating results of segment “Corporate and others”

Segment includes the Group companies that provide corporate services, as well as banks and other.

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
Financial results, RUB billion								
EBITDA	(18)	(7)	>(100.0)%	(55)	(45)	(56)	(22.2)%	19.6%
Capital expenditures ¹	7	4	75.0%	15	11	20	36.4%	(45.0)%

¹Refer to “Capital expenditures”.

Separate indicators of the consolidated financial statement

Costs and Expenses

General and Administrative Expenses

General and administrative expenses include wages, salaries and social benefits (except for wages of technical staff of production and refining entities), banking commissions, third-party fees for professional services, insurance expenses (except for insurance of oil and gas production and refining entities), maintenance of social infrastructure, lease expenses, allowances for doubtful accounts and other general expenses.

In terms of changes of macroeconomic environment the Company accrued one off non-cash provision in the amount of RUB 11 billion. Excluding one effect of accruals general and administrative expenses in the fourth quarter of 2015 were RUB 33 billion compared with RUB 27 billion in the third quarter of 2015. Company keeps constant monitoring of administrative expenses. General and administrative expenses were up to RUB 119 billion (excluding one-off effect of accruals) compared with RUB 114 billion in 2014 that is below inflation in the reporting period.

In 2014 general and administrative expenses were RUB 114 billion, which is 2.7% higher than in 2013 due to incorporation of expenses of the new assets from the date of acquisition in 2013.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization include depreciation of crude oil and gas producing assets, and other production and corporate assets.

Depreciation, depletion and amortization was down to RUB 85 billion in the fourth quarter of 2015 compared to RUB 121 billion in the third quarter of 2015 mainly due to updating of depletion rate of certain oil objects.

Depreciation, depletion and amortization in 2015 was RUB 450 billion.

In 2014 depreciation, depletion and amortisation increased by 18.4% compared with 2013 due to the incorporation of new assets from the acquisition date.

Taxes Other than Income Tax

Taxes other than income tax include the mineral extraction tax, the excise tax, the property tax and other taxes. The basis for calculation of mineral extraction tax is described under “Macroeconomic Factors Affecting Results of Operations – Mineral Extraction Tax” above.

The following table sets forth Rosneft’s taxes other than income tax (excluding export duties) for the periods analysed:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
Mineral extraction tax	224	276	(18.8)%	1,091	982	829	11.1%	18.5%
Excise tax	25	27	(7.4)%	103	139	136	(25.9)%	2.2%
Social security tax	11	12	(8.3)%	47	38	31	23.7%	22.6%
Property tax	8	7	14.3%	31	28	22	10.7%	27.3%
Other taxes, interest, penalties and other payments to budget	–	–	–	5	8	6	(37.5)%	33.3%
Total taxes other than income tax	268	322	(16.8)%	1,277	1,195	1,024	6.9%	16.7%

Taxes other than income tax were RUB 268 billion and decreased by 16.8% in the fourth quarter of 2015, compared with RUB 322 billion in the third quarter of 2015. The decrease was mainly due to decline in mineral extraction tax rate (by 18.6% in rouble term).

In 2015 taxes other than income tax increased by 6.9% in comparison with 2014 mainly due to increase in extraction tax base rate (by 8.3% in rouble terms).

Taxes other than income tax in 2014 were RUB 1,195 billion in comparison with RUB 1,024 billion in 2013. The increase by 16.7% was mostly due to indexation of the base rate of mineral extraction tax in 2014 and consolidation of new assets in 2013 from the date of acquisition.

Finance Income and Expenses

Finance income and expenses include interest received on deposits, deposit certificates and loans issued, interest paid on loans and borrowings received, results from changes in fair value of financial assets measured at fair value, results from operations with derivative financial instruments, increase in provision due to unwinding of discount, results from disposal of financial assets and other finance income and expenses.

In the fourth quarter of 2015 net finance expenses increased to RUB 52 billion compared to RUB 48 billion in the third quarter of 2015 mainly due to the increase in interest expenses on prepayments received under long-term oil and petroleum products supply agreements, and the increase in expenses related to fair value re-measurement of derivative financial instruments, caused by RUB depreciation against USD.

In 2015 net finance expenses increased to RUB 214 billion compared to RUB 189 billion in 2014 mainly due to the increase in interest expenses caused by increased interest rates and the receipt of a new tranche under long-term prepayment agreements. In 2015 the Company settled derivative financial instruments opened in 2012-2014 for the nominal amount of US\$ 4,494 million, and through this reduced the negative results from operations with derivative financial instruments, caused by significant RUB depreciation against USD.

In 2014 net finance expenses increased to RUB 189 billion compared to RUB 35 billion in 2013 mainly due to the increase in negative results from operations with derivative financial instruments, caused by significant RUB depreciation against USD, and the increase in interest expenses, including interest expenses under long-term prepayment agreements.

Other income and other expenses

In the fourth quarter of 2015 other income increased to RUB 38 billion due to recognition of income from insurance indemnity, effect of disposal of equity investments and others.

In 2015, 2014 and 2013 other income was RUB 75 billion, RUB 64 billion and RUB 246 billion (including effect from acquired new assets revaluation), respectively.

In the fourth quarter of 2015 other expenses amounted to RUB 28 billion compared with RUB 16 billion in the previous quarter. Other expenses include effect of fixed assets disposal in the course of operating activities and other expenses. In 2015, 2014 and 2013 other expenses were RUB 72 billion, RUB 54 billion and RUB 59 billion, respectively.

Foreign Exchange (Loss)/Gain

Foreign exchange effect is mostly attributed to monthly revaluation of assets and liabilities denominated in foreign currency at the exchange rate at the end of the period.

In the fourth quarter of 2015 foreign exchange loss recognized in profit and loss statement was RUB 9 billion.

The effect from capitalization of the foreign exchange differences on capital loans to fund capital expenditures amounted to RUB 51 billion in 2015 and RUB 15 billion in the fourth quarter of 2014.

In 2014 and 2013 foreign exchange loss/(income) was RUB 64 billion and RUB (71) billion. In nine months of 2014 and in twelve months of 2013 in accordance with effective IFRS accounting policies separate effect of capitalization of foreign exchange differences from foreign currency loans taken out to fund capital expenditures was not calculated.

Cash flow hedges reclassified to profit or loss

In the fourth quarter of 2015 foreign exchange recognized in “Other comprehensive (loss)/income” was a profit of RUB 9 billion before tax (RUB 7 billion after tax). Upon the completion of the hedged transaction the related exchange differences temporarily held within equity are recognized in the consolidated statement of profit or loss for the period separately in line “Cash flow hedges reclassified to profit or loss”. The amount recognized in the consolidated statement of profit or loss was a loss of RUB 35 billion and RUB 30 billion in the fourth and third quarters 2015, respectively.

In 2015 cash flow hedges reclassified to profit or loss was RUB 123 billion.

Income Tax

The following table sets forth the Company’s effective income tax rate under IFRS for the periods analysed:

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	<i>December 31, 2015</i>	<i>September 30, 2015</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Effective rate of income tax	24.4%*	20.4%	21.1%*	20.1%	22.5%

* Excluding effect from deferred tax assets write-off in the amount of RUB 6.7 billion.

The Company applies the provisions of IAS 12 “Income taxes” to determine effective tax rate.

In accordance with Statement of comprehensive income, income tax expense was RUB 26 billion (including effect from deferred tax assets write-off in the amount of RUB 6.7 billion), RUB 29 billion, the fourth and the third quarters of 2015, respectively. In 2015, 2014 and 2013 income tax was RUB 104 billion, RUB 128 billion and RUB 81 billion, respectively. Decrease of 18.8% in the income tax in 2015 compared with 2014 was caused by decrease in the tax base.

Net Income

Net income amounted to RUB 53 billion in the fourth quarter of 2015 compared to the net income of RUB 113 billion in the third quarter of 2015. Net income amounted to RUB 356 billion, RUB 350 billion and RUB 555 billion in 2015, 2014 and 2013 respectively.

Liquidity and Capital Resources

Cash Flows

The principal items of the statement of cash flows for the periods analysed are as follows:

	<i>For 3 months ended</i>		<i>Change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>Change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
	RUB billion		%	RUB billion			%	
Net cash provided by operating activities	303	1,323	(77.1)%	2,195	1,626	1,216	35.0%	33.7%
Net cash (used in) investing activities	(339)	(374)	(9.4)%	(813)	(979)	(2,220)	(17.0)%	(55.9)%
Net cash (used in)/ provided by financing activities	(95)	(518)	(81.7)%	(1,091)	(774)	965	41.0%	–

Net cash provided by operating activities

Net cash provided by operating activities amounted to RUB 303 billion in the fourth quarter of 2015 compared to RUB 1,323 billion in the third quarter of 2015.

Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net inflow was RUB 2 billion in the fourth quarter of 2015 and RUB 1 billion in the third quarter of 2015).

Net cash provided by operating activity adjusted for the above mentioned operations amounted to RUB 301 billion in the fourth quarter of 2015 (adjusted for operations with trading securities in the amount of RUB 2 billion), RUB 1,322 billion in the third quarter of 2015 (adjusted for operations with trading securities in the amount of RUB 1 billion).

Net cash provided by operating activities amounted to RUB 2,190 billion in 2015 (in comparison with RUB 1,626 billion in 2014 and RUB 1,234 billion in 2013 (adjusted for operations with trading securities in the amount of RUB (5) billion and RUB 18 billion in 2015 and 2013, respectively).

Net cash provided by operating activity through the presented periods is given in the table below:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
	RUB billion		%	RUB billion			%	
Net cash provided by operating activity	303	1,323	(77.1)%	2,195	1,626	1,216	35.0%	33.7%
<i>Effect from operations with trading securities</i>	(2)	(1)	100%	(5)	–	18	–	–
Adjusted net cash provided by operating activity	301	1,322	(77.2)%	2,190	1,626	1,234	34.7%	31.8%
<i>Offsetting of prepayments under long term supply contracts¹</i>	25	22	13.6%	89	–	–	–	–
<i>Receipt of prepayments under long term supply contracts</i>	–	(1,027)	–	(1,027)	(497)	(470)	>100%	5.7%
Adjusted net cash provided by operating activity	326	317	2.8%	1,252	1,129	764	10.9%	47.8%

¹Settlement of prepayments received in prior periods under long-term supply contracts started in 2015.

In the fourth quarter of 2015 operating cash flow was RUB 326 billion compared to RUB 317 billion in the third quarter of 2015. In 2015, 2014 and 2013 adjusted operating cash flow was RUB 1,252 billion, RUB 1,129 billion and RUB 764 billion, respectively.

Net cash used in investing activities

Net cash used in investing activities was RUB 339 billion in the fourth quarter of 2015 compared to RUB 374 billion used in investing activities in the third quarter of 2015. The decrease in cash used in investing activities was mainly due to decreased acquisition of short-term financial assets compared to the third quarter of 2015 compensated by the increase in capital expenditures, acquisitions of new assets and other long-term financial assets.

In 2015, 2014 and 2013 net cash used in investing activities was RUB 813 billion, RUB 979 billion and RUB 2,220 billion, respectively.

Net cash used in financing activities

Net cash used in financing activities was RUB 95 billion in the fourth quarter of 2015 compared to RUB 518 billion in the third quarter of 2015. The decrease in cash used in financing activities in the fourth quarter of 2015 was mainly due to significant scheduled settlement of liabilities in the third quarter of 2015.

In 2015 and 2014 net cash used in financing activities was RUB 1,091 billion, RUB 774 billion, respectively. In 2013 cash provided by financial activity was RUB 965 billion.

Capital Expenditures

The table below sets forth Rosneft's capital expenditures by operating segments and license acquisition costs:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2015</i>	<i>September 30, 2015</i>		<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2015 – 2014</i>	<i>2014 – 2013</i>
	RUB billion, except %							
Yuganskneftegaz	40	24	66.7%	111	87	100	27.6%	(13.0)%
Vankorneft	7	8	(12.5)%	32	39	62	(17.9)%	(37.1)%
Orenburgneft	9	4	125.0%	29	26	23	11.5%	13.0%
Samotlorneftegaz	9	8	12.5%	32	25	16	28.0%	56.3%
Projects on Sakhalin	11	10	10.0%	37	23	12	60.9%	91.7%
Uvatneftegaz	8	7	14.3%	27	21	21	28.6%	–
Verkhnechonskneftegaz	4	4	–	16	17	16	(5.9)%	6.3%
Purneftegaz	4	5	(20.0)%	16	16	18	–	(11.1)%
Rospan International	9	5	80.0%	23	15	7	53.3%	>100%
Samaraneftegaz	6	7	(14.3)%	22	15	11	46.7%	36.4%
Varyoganneftegaz	3	3	–	13	12	9	8.3%	33.3%
VSNKGK	8	3	>100%	17	9	3	88.9%	>100%
Tomskneft VNK	1	2	(50.0)%	6	7	7	(14.3)%	–
Nyaganeftegaz	2	2	–	9	7	6	28.6%	16.7%
Severnaya Neft	4	2	100.0%	11	7	5	57.1%	40.0%
Suzun	7	3	>100%	15	3	1	>100%	>100%
Taas-Uryakh Neftegazdobycha	3	5	(40.0)%	13	5	4	>100%	25.0%
Sibneftegaz	2	1	100.0%	5	3	–	66.7%	>100%
Other	10	8	25.0%	33	23	16	43.5%	43.8%
Government grants	(7)	(1)	>100%	(11)	(10)	(7)	10.0%	42.9%
Total upstream segment	140	110	27.3%	456	350	330	30.3%	6.1%
Tuapse refinery	2	2	–	19	57	69	(66.7)%	(17.4)%
Kuibyshev refinery	5	6	(16.7)%	16	16	17	–	(5.9)%
Novokuibyshevsk refinery	4	2	100.0%	11	15	21	(26.7)%	(28.6)%
Syzran refinery	5	1	>100%	12	13	14	(7.7)%	(7.1)%
Angarsk refinery	4	2	100.0%	10	12	13	(16.7)%	(7.7)%
Achinsk refinery	2	2	–	10	12	16	(16.7)%	(25.0)%
Ryazan refinery	1	2	(50.0)%	6	8	9	(25.0)%	(11.1)%
Komsomolsk refinery	1	2	(50.0)%	6	8	12	(25.0)%	(33.3)%
Saratov refinery	1	–	>100%	1	2	3	(50.0)%	(33.3)%
Other refineries	7	3	>100%	17	22	21	(22.7)%	4.8%
Marketing Business Units and others	7	4	75.0%	16	7	15	>100%	(53.3)%
Total downstream segment	39	26	50.0%	124	172	210	(27.9)%	(18.1)%
Other activities	7	4	75.0%	15	11	20	36.4%	(45.0)%
Total capital expenditures	186	140	32.9%	595	533	560	11.6%	(4.8)%
Acquisition of licenses	7	1	>100%	14	28	12	(50.0)%	>100%
Return of auction advances	–	(1)	–	(13)	–	–	–	–

In the fourth quarter of 2015 total capital expenditures amounted to RUB 186 billion which is 32.9% higher than in the third quarter of 2015. The growth of capital expenditures in 2015 compared with 2014 was caused by extension of drilling program and increased investments in the development of Company's Greenfields.

In 2014 total capital expenditures (including construction material purchases) were RUB 533 billion in comparison with RUB 560 billion in 2013.

In the fourth quarter of 2015 upstream capital expenditures amounted to RUB 140 billion. In 2015 upstream capital expenditures amounted to RUB 456 billion.

An increase in capital expenditures of 30.3% compared to 2014 was due to increased volume of production drilling (+36% – drilling and +15% – commissioning of new wells) and reconstruction using side-tracking (increase in number of operations for over 44%). In 2014 upstream capital expenditures amounted to RUB 350 billion compared with RUB 330 billion in the 2013.

In the fourth quarter of 2015 downstream capital expenditures increased and amounted to RUB 39 billion. In 2015 downstream capital expenditures amounted to RUB 124 billion.

In the fourth quarter of 2015 capital expenditures of refineries increased by 45.5% to RUB 32 billion compared with RUB 22 billion in the third quarter of 2015. In 2015 capital expenditures of refineries amounted to RUB 108 billion. Capital expenditures funding of Downstream referred mainly to the implementation of modernization program and refinery capacities development for the purpose of transition to production of Euro-5 gasoline for the Russian market and conversion rates; to the projects aimed at maintaining the existing capacities and import substitution (oil and catalysts), and also design and survey works at VNHK project.

Downstream capital expenditures in 2014 were equal to RUB 172 billion, including capital expenditures of refineries in the amount of RUB 165 billion, in comparison with RUB 210 billion, including capital expenditures of refineries in the amount of RUB 195 billion, in 2013.

Capital expenditures of other activities related to scheduled purchases of transport and other equipment were RUB 15 billion, RUB 11 billion and RUB 20 billion in 2015, 2014 and 2013 respectively.

The license acquisition costs in the fourth quarter of 2015 amounted to RUB 7 billion and referred to the advance payments for participation in the auction aimed at acquiring new licenses for research, exploration and production at blocks of East and West Siberia: Lebyagy, Yuzhno-Tarkosalinsky, Western Bagansky and Taytymsky blocks.

The license acquisition costs in Samara region in the third quarter of 2015 amounted to RUB 1 billion. In July the Company refunded advance in the amount of RUB 1.2 billion paid in second quarter for the participation in the auction aimed at acquiring new licenses for research, exploration and production at Heyginsky and Anomalny fields.

In the second quarter of 2015 the Company refunded advance in the amount of RUB 4.5 billion paid in the first quarter of 2015 for the participation in the auction aimed at acquiring new licenses for research, exploration and production at Ai-Yaunsky blocks located in West-Siberian region.¹

The license acquisition costs in 2014 in the amount of RUB 28 billion refer to acquisition of licenses for research, exploration and production at blocks located in the Khanty-Mansi Autonomous Area, Yamal-Nenets Autonomous Area, Krasnoyarsk region and Samara region and in the Okhotsk Sea.

¹ Starting from 2015 all cash receipts from the repayment of advances issued for the participation in the auctions which were called off or were won by other participants are recorded in line “Acquisition of licenses and auction advances” of Consolidated Statement of cash flows.

Debt Obligations

Rosneft net debt amounts to RUB 1,694 billion as of December 31, 2015 compared to RUB 1,622 billion as of September 30, 2015.

Rosneft's total loans and borrowings and other financial liabilities was RUB 3,323 billion as of December 31, 2015 compared to RUB 3,148 billion as of September 30, 2015. The increase was mainly attributable to the effect of foreign currency debt revaluation.

Portion of Rosneft's long-term loans is secured by oil export contracts. If the Company fails to make timely debt repayments, the terms of such contracts normally provide the lender with an express right of claim for contractual revenue in the amount of failing loan repayments.

As of December 31, 2015, September 30, 2015, and December 31, 2014: 34.8%, 33.8% and 28.3% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of December 31, 2015, September 30, 2015, and December 31, 2014 pledged oil exports constituted 4.8%, 4.8% and 4.3% respectively, of the total crude oil export sales for the analysed period (excluding exports to the CIS).

The net debt calculation is disclosed in the following table:

As of the date	December 31, 2015	September 30, 2015	December 31, 2014
		RUB billion	
Short-term loans and borrowings and other financial liabilities	1,040	980	1,216
Long-term loans and borrowings and other financial liabilities	2,283	2,168	2,190
Total debt	3,323	3,148	3,406
Cash and cash equivalents	559	657	216
Short-term financial assets and part of long-term deposits	1,070	869	723
Net debt	1,694	1,622	2,467

Key consolidated financial highlights (in RUB terms)

Rosneft monitors and evaluates its activities on an ongoing basis. Key financial ratios for the periods indicated are set forth below:

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31,	September 30,	2015	2014	2013
	2015	2015			
EBITDA margin	23.2%	22.9%	24.2%	19.2%	20.2%
Net income attributable to Rosneft shareholders margin	4.4%	8.6%	6.9%	6.3%	11.7%
Net debt to annualised EBITDA	1.36	1.40	1.36	2.33	1.81
Current ratio	1.32	1.42	1.32	1.05	1.05
	RUB / bbl				
EBITDA/bbl	786	841	885	745	722
Upstream capital expenditures/bbl	396	312	324	247	252
Upstream operating expenses/bbl	207	192	197	179	154
Free cash flow before interest/bbl	396	501	467	420	155
	RUB / boe				
EBITDA/boe	626	684	714	614	641
Upstream capital expenditures/boe	315	254	261	203	223
Upstream operating expenses/boe	165	156	159	147	137
Free cash flow before interest/boe	315	408	377	346	138

The Company considers EBITDA/bbl, upstream operating expenses/bbl, upstream operating expenses/boe and the related indicators as important measures of its operating performance. In addition, these measures are frequently used by financial analysts, investors and other interested parties in the evaluation of oil and gas companies. These measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of the Company's operating results as reported under IFRS.

All the 'per unit of production' indicators are calculated by dividing the total amount in RUB by the total production volume in bbl or boe (in mln bbl or mln boe) and are not adjusted for the effect of changes in inventories.

The following tables set forth relevant numbers relating to these measures for and as of the periods indicated:

*Upstream Measures*¹

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31,	September 30,	2015	2014 ²	2013 ²
	2015	2015			
Crude oil and NGL production (mln bbl)	353.9	353.0	1,406.4	1,419.6	1,312.1
Crude oil, NGL and gas production (mln boe)	443.8	433.9	1,744.9	1,721.7	1,478.1

¹ Excluding share in production of associates.

² All production volumes of new assets are included from the acquisition date.

Calculation of Free Cash Flow

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31,	September 30,	2015	2014	2013
	2015	2015			
	RUB billion				
Net cash provided by operating activities	303	1,323	2,195	1,626	1,216
Capital expenditures	(186)	(140)	(595)	(533)	(560)
Trading securities operations*	(2)	(1)	(5)	–	18
Receipt of prepayments under long term supply contracts	–	(1,027)	(1,027)	(497)	(470)
Offsetting of prepayments under long term supply contracts	25	22	89	–	–
Free cash flow	140	177	657	596	204

*In accordance with IFRS Consolidated statement of cash flows "Acquisition and proceeds from trading security".

Calculation of EBITDA

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31, 2015	September 30, 2015	2015	2014	2013
	RUB billion				
Revenues and equity share in profits/(losses) of associates and joint ventures	1,196	1,296	5,150	5,503	4,694
Expenses	(1,031)	(1,143)	(4,442)	(4,910)	(4,139)
Depreciation, depletion and amortization	85	121	450	464	392
Effect of prepayments offsetting	28	23	87	–	–
EBITDA	278	297	1,245	1,057	947
One-off effects ¹	–	–	–	1	23
EBITDA adjusted	278	297	1,245	1,058	970

¹ In 2014 one off effect from the recognition of commission expenses under long term oil contracts. In 2013 one-off effect relates to commissions under loan term crude oil supply agreements and consulting services incurred during integration process in the amount of RUB 7 billion and the effect of inventory evaluation of RUB 14 billion under TNK-BP purchase price allocation.

Calculation of EBITDA Margin

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31, 2015	September 30, 2015	2015	2014	2013
	RUB billion (except %)				
EBITDA	278	297	1,245	1,057	947
Revenues and equity share in profits/(losses) of associates and joint ventures	1,196	1,296	5,150	5,503	4,694
EBITDA margin	23.2%	22.9%	24.2%	19.2%	20.2%

Calculation of Net Income Margin attributable to Rosneft

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31, 2015	September 30, 2015	2015	2014	2013
	RUB billion (except %)				
Net income attributable to Rosneft shareholders	53	112	355	348	549
Revenues and equity share in profits/(losses) of associates and joint ventures	1,196	1,296	5,150	5,503	4,694
Net income margin	4.4%	8.6%	6.9%	6.3%	11.7%

Current ratio

As of the date	December 31, 2015	September 30, 2015	December 31, 2014
	RUB billion (except coefficients)		
Current assets	2,404	2,526	2,131
Current liabilities	1,817	1,775	2,031
Current ratio	1.32	1.42	1.05

Calculation of Capital Employed and Related Indicators

	<i>For 12 months ended December 31,</i>		
	2015	2014	2013
	(RUB billion)		
Short-term loans, other liabilities and current portion of long-term debt	1,040	1,216	701
Long-term debt	2,283	2,190	1,684
Cash and cash equivalents	(559)	(216)	(275)
Short-term financial assets and part of long-term deposits	(1,070)	(723)	(232)
Net debt¹	1,694	2,467	1,878
Shareholders' equity	2,886	2,872	3,130
Minority interest in subsidiaries' earnings	43	9	39
Equity	2,929	2,881	3,169
Capital employed	4,623	5,348	5,047
Average equity, including minority interest²	2,905	3,025	2,746
Average capital employed³	5,143	4,959	3,986

¹ The net debt estimation is set presented in "Debt obligations" section.

² Average equity including minority interest is calculated as a simple average of the equity including minority interest at the start and end of the given period.

³ Average capital employed is calculated as a simple average of the capital employed at the start and the end of the given period on a monthly basis.

Calculation of Return on Average Capital Employed (ROACE)

	<i>For 12 months ended December 31</i>		
	2015	2014	2013
	(RUB billion, except %)		
Revenue and equity share in profits/(losses) of associates and joint ventures	5,150	5,503	4,694
Total costs and expenses	(4,442)	(4,910)	(4,139)
Effect of prepayments offsetting	87	–	–
Income tax expense	(104)	(96)*	(81)
Return used for calculation of ROACE	691	497	474
Average capital employed	5,143	4,959	3,986
ROACE	13.4%	10.0%	11.9%

*Excluding one-off effect from withholding tax in the amount of RUB 32 billion in 2014.

Calculation of Return on Average Equity (ROAE)

	<i>For 12 months ended December 31</i>		
	2015	2014	2013
	(RUB billion, except %)		
Net income	355	348	549
Average equity, including minority interest	2,905	3,025	2,746
ROAE	12.2%	11.5%	20.0%

Consolidated financial highlights (in USD terms)¹

Consolidated statement of profit or loss

	<i>For 3 months ended</i>		<i>For 12 months ended</i>	
	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
	USD billion			
Total revenues and equity share in profits/(losses) of associates and joint ventures	18.6	21.1	86.9	146.7
Costs and expenses				
Production and operating expenses	2.8	2.1	9.4	12.3
Cost of purchased oil, gas and petroleum products and refining costs	1.9	2.3	8.8	13.1
General and administrative expenses	0.6	0.5	2.1	2.9
Pipeline tariffs and transportation costs	2.0	2.2	8.9	12.3
Exploration expenses	–	0.1	0.2	0.5
Depreciation, depletion and amortization	1.3	1.9	7.5	12.2
Taxes other than income tax	4.2	5.1	21.4	31.8
Export customs duty	2.8	4.1	15.3	44.8
Total cost and expenses	15.6	18.3	73.6	129.9
Operating income	3.0	2.8	13.3	16.8
Finance income	0.2	0.2	0.9	0.7
Finance expenses	(1.1)	(0.9)	(4.4)	(5.3)
Other income	0.5	–	1.2	1.8
Other expenses	(0.5)	(0.2)	(1.2)	(1.5)
Foreign exchange differences	(0.4)	0.9	0.1	(0.1)
Accounting hedge	(0.5)	(0.5)	(2.0)	–
Income before income tax	1.2	2.3	7.9	12.4
Income tax	(0.4)	(0.5)	(1.8)	(3.1)
Net income	0.8	1.8	6.1	9.3
Net income attributable to Rosneft	0.8	1.8	6.1	9.3

¹Calculated using average monthly Bank of Russia exchange rates for the reporting period (Appendix)

Key consolidated financial highlights (in USD terms)

Key financial ratios in USD equivalent for the periods indicated are set forth below:

	<i>For 3 months ended</i>		<i>For 12 months ended</i>	
	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
EBITDA margin	23.1%	22.3%	23.9%	19.8%
Net income margin	4.3%	8.5%	7.0%	6.3%
Net debt to annualised EBITDA	1.12	1.18	1.12	1.51
Current ratio	1.33	1.42	1.33	1.05
	USD/bbl*			
EBITDA/bbl	12.2	13.3	14.8	20.4
Upstream capital expenditures/bbl	6.0	5.0	5.3	6.5
Upstream operating expenses/bbl	3.1	3.0	3.2	4.7
Free cash flow /bbl	7.3	8.2	8.7	11.1
	USD/boe*			
EBITDA/boe	9.7	10.8	11.9	16.8
Upstream capital expenditures/boe	4.8	4.0	4.3	5.3
Upstream operating expenses/boe	2.5	2.5	2.6	3.9
Free cash flow /boe	5.8	6.7	7.0	9.1

*Calculated from unrounded data

Calculation of Free Cash Flow

	<i>For 3 months ended</i>		<i>For 12 months ended</i>	
	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
	USD billion			
Net cash provided by operating activities	4.5	20.3	34.9	44.4
Capital expenditures	(2.8)	(2.2)	(9.7)	(13.9)
Trading securities operations*	–	(0.1)	(0.1)	0.1
<i>Receipt of prepayments under long term supply contracts</i>	–	(15.7)	(15.7)	(14.8)
<i>Offsetting of prepayments under long term supply contracts</i>	0.8	0.7	2.8	–
Adjusted free cash flow	2.5	3.0	12.2	15.8

*In accordance with IFRS Consolidated statement of cash flows "Acquisition and proceeds from trading security".

Calculation of EBITDA Margin

	<i>For 3 months ended</i>		<i>For 12 months ended</i>	
	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
	USD billion (except %)			
Revenue and equity share in profits/(losses) of associates and joint ventures*	18.6	21.1	86.9	146.7
Operating income	(15.6)	(18.3)	(73.6)	(129.9)
Depreciation, depletion and amortization	1.3	1.9	7.5	12.2
EBITDA	4.3	4.7	20.8	29.0
Revenue and equity share in profits/(losses) of associates and joint ventures	18.6	21.1	86.9	146.7
EBITDA margin	23.1%	22.3%	23.9%	19.8%

*Including effect from offsetting of prepayments under long-term contracts in the amount of 2.9 billion USD in 2015.

Calculation of Net Income Margin

	<i>For 3 months ended</i>		<i>For 12 months ended</i>	
	December 31, 2015	September 30, 2015	December 31, 2015	December 31, 2014
	USD billion (except %)			
Net income	0.8	1.8	6.1	9.3
Revenues and equity share in profits/(losses) of associates and joint ventures*	18.6	21.1	86.9	146.7
Net income margin	4.3%	8.5%	7.0%	6.3%

*Including effect from offsetting of prepayments under long-term contracts in the amount of 2.9 billion USD in 2015.

Current ratio

As of the date	December 31, 2015	September 30, 2015	December 31, 2014
	USD billion (except %)		
Current assets	33.0	38.1	37.9
Current liabilities	24.9	26.8	36.1
Current ratio	1.33	1.42	1.05

Appendix: Average monthly RUB/USD exchange rates, calculated using the Bank of Russia data

2015	RUB/USD	2014	RUB/USD
January	61.88	January	33.46
February	64.68	February	35.23
March	60.26	March	36.21
April	52.93	April	35.66
May	50.59	May	34.93
June	54.51	June	34.41
July	57.08	July	34.64
August	65.20	August	36.11
September	66.77	September	37.88
October	63.09	October	40.77
November	65.03	November	45.91
December	69.68	December	55.54