



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED DECEMBER 31, 2014 AND SEPTEMBER 30, 2014
AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014, 2013 AND 2012**

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, 2014, 2013 and 2012 (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 thousands 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.

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.

OJSC Rosneft was established in accordance with the Russian Government Decree № 971, issued on September 29, 1995. From its foundation, the Company has expanded significantly through organic growth, consolidation of interests, acquisition of new companies and development of new businesses. Rosneft is now the leader of Russia's petroleum industry in terms of crude oil reserves and production operating in all key regions of the country.

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 gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, as of December 31, 2014 proved hydrocarbon reserves amounted to 43.09 billion barrels of oil equivalent, including 30.80 billion barrels of crude oil and NGL and 2,018 billion cubic meters of marketable gas, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System ("PRMS").

Rosneft's hydrocarbon production amounts to 5.2 million boe per day and output of natural and associated gas is 15.86 billion cubic meters in the fourth quarter of 2014.

Rosneft's domestic refinery throughput is 0.23 million tonnes per day (average for the fourth quarter of 2014). Current utilization of the refining capacities is close to maximum adjusted for planned turnarounds. 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 3rd quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	<i>December 31, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
Financial results, RUB billion								
Revenues and equity share in profits of associates and joint ventures	1,311	1,382	(5.1)%	5,503	4,694	3,089	17.2%	52.0%
EBITDA	188	276	(31.9)%	1,057	947	618	11.6%	53.2%
Net income ¹	89	1	>100%	350	555 ²	365	(36.9)%	52.1%
Capital expenditures	163	133	22.6%	533	560	473	(4.8)%	18.4%
Adjusted free cash flow*	192	171	12.3%	596	204	43	>100%	>100%
Net Debt	2,467	1,772	39.2%	2,467	1,878	602	31.4%	>100%
Operational results								
Hydrocarbon production (th. boe per day)	5,200	5,072	2.5%	5,106	4,873	2,702	4.8%	80.3%
Crude oil and NGL production (th. barrels per day)	4,150	4,135	0.4%	4,159	4,196	2,439	(0.9)%	72.0%
Gas production (th.boe per day)	1,050	937	12.1%	947	677	263	39.9%	>100%
Production of petroleum products in Russia (mln tonnes)	22.22	20.98	5.9%	83.88	74.89	48.80	12.0%	53.5%
Production of petroleum products outside Russia (mln tonnes)	3.43	3.46	(0.9)%	13.19	12.22	10.79	7.9%	13.3%

*Excluding the effect of operations with trading securities and one-off effect from prepayments under long-term supply oil agreements of RUB 497 billion in 2014 and RUB 470 billion 2013.

¹ Management of foreign exchange risk in terms of high russian rouble fluctuation

In accordance with IAS 39, *Financial instruments: recognition and measurement* the Company applies hedge accounting in the financial statements to account for the effects of a natural hedge between a portion of its export revenues and liabilities denominated in U.S. dollars, effective from October 1, 2014. A portion of future monthly export revenues expected to be received in U.S. dollars over the following five years is designated as a hedged item. Debt liabilities of the Company in U.S. dollars to third parties are designated as hedging instruments. The nominal amounts of the hedged item and the hedging instruments are equal. To the extent that a change in foreign currency rate impacts the hedging instrument, the effects are recognized in other comprehensive income/(loss).

Upon completion of the hedged transaction the related exchange differences temporarily held within equity are released to profit or loss for the period within revenue. In the fourth quarter of 2014 the foreign exchange differences on cash flow hedges are recognized in “Other comprehensive loss” in the amount of RUB 498 billion.

² Finalization of allocation of the purchase price of LLC Taas-Yuriakh Neftegazodobycha and update of allocation of the purchase price of OJSC Sibneftegas

At the date of the issuance of the consolidated financial statements for the year ended December 31, 2013 the Company made a preliminary allocation of the purchase price of LLC Taas-Yuriakh Neftegazodobycha (hereinafter “TYuNGD”) and OJSC Sibneftegas (hereinafter “Sibneftegaz”) to the fair value of assets acquired and liabilities assumed. In the fourth quarter of 2014 the allocation of the purchase price of LLC Taas-Yuriakh Neftegazodobycha was finalized, and the allocation of the purchase price of OJSC Sibneftegas was updated.

The effect from finalized estimation on the consolidated statement of profit and loss for 2013 is presented in the table:

	Data before finalization of purchase price allocation	Effect from the finalization of purchase price allocation		Data after finalization of purchase price allocation
		TYuNGD	Sibneftegas	
Revenues and equity share in (losses)/profits of associates and joint ventures	4,694	–	–	4,694
Cost and expenses	4,139	–	–	4,139
Operating profit	555	–	–	555
Finance income	21	–	–	21
Finance expense	(56)	–	–	(56)
Other income	242*	23	(19)	246
Other expense	(59)	–	–	(59)
Foreign exchange differences	(71)	–	–	(71)
Income before income tax	632	23	(19)	636
Income tax	(81)	–	–	(81)
Net profit*	551	23	(19)	555

*Including the effect from TNK-BP assets estimation of RUB 167 billion.

Significant events in the fourth quarter of 2014

Rosneft acquired 20% in National Oil Consortium

On December 23, 2014 the Company and Lukoil signed a package of legally binding documents regarding the Company's acquisition of 20% share in the NOC. Due to this deal the share of Rosneft in the charter capital of NOC will increase to 80%, with the remaining 20% owned by Gazprom Neft.

Rosneft repays part of a loan arranged for acquisition of new assets according to schedule

Rosneft announces it repaid part of a loan obtained to finance the acquisition of TNK-BP assets. On December, 22 the Company paid to lenders around USD 7 billion.

Rosneft and Essar agreed on key terms of oil and oil products supplies to Essar refineries

Rosneft and Essar signed key terms of oil and oil products supplies to Essar refineries in India. Supplies may begin in 2015. The agreement involves 10 million tonnes/year over a 10-year period.

Rosneft and major russian companies agree on partnership in oil product supplies

Rosneft develops cooperation with major russian companies in the area of oil product supply. Partnership agreements were signed with METALLOINVEST, OMZ, SUEK and UES Federal Grid Company. The documents provide for joint research activities in developing, manufacturing and marketing of high-tech lubricants and oil products.

Achinsk Refinery resumes output of commercial motor fuels

Achinsk Refinery started shipping high octane gasoline and diesel fuel of the quality no lower than environmental class IV of the Technical Regulations. The Company, therefore, resumed output of commercial motor fuels after the accident that happened on June 15, 2014.

Rosneft and PDVSA signed a second long-term contract for supplies of oil and oil products

Rosneft Group and PDVSA signed a long-term contract for supplies of oil and oil products of Venezuelan production. The document envisages the supplies of over 1.6 mln tonnes of oil and 9 mln tonnes of oil products to the Rosneft Group within 5 years.

Rosneft and CNPC signed a framework agreement on the purchase of 10% share stake of Vankorneft

Rosneft and China National Oil & Gas Exploration and Development Corporation (CNPC subsidiary) have signed a framework agreement envisaging the purchase of a 10% share stake in ZAO Vankorneft. The document was signed on the sidelines of the APEC summit.

Rosneft and Transneft Sign Tariff Agreement for the Construction of ESPO Pipeline Offshoot to Komsomolsk Refinery

Rosneft and Transneft signed a long-term Tariff Agreement as part of their joint project to construct a pipeline offshoot from the East Siberia – Pacific Ocean (ESPO) trunk pipeline to the Komsomolsk Refinery with an annual capacity of up to 8 mln tonnes of oil. The offshoot design and construction will be financed by Transneft.

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/US\$ 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 of 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 (Russian pipeline monopoly) 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 is different for different types of petroleum products.

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

	<i>For 3 months ended</i>		<i>change between</i>	<i>For 12 months ended</i>			<i>change for 12 months</i>	
	<i>December 31, 2014</i>	<i>September 30, 2014</i>	<i>4th and 3rd quarters</i>	<i>December 31,</i>			<i>ended December 31,</i>	
				2014	2013	2012	2014 – 2013	2013 – 2012
World market	(US\$ per barrel)		%	(US\$ per barrel)			%	
Brent (dated)	76.2	101.9	(25.2)%	98.9	108.6	111.6	(8.9)%	(2.7)%
Urals (average Med and NWE)	75.3	101.1	(25.5)%	97.6	107.7	110.3	(9.4)%	(2.3)%
Urals (FOB Primorsk)	73.3	98.7	(25.8)%	95.8	106.2	109.0	(9.8)%	(2.5)%
Urals (FOB Novorossysk)	73.8	99.9	(26.1)%	96.6	107.1	109.5	(9.9)%	(2.2)%
Dubai	74.4	101.5	(26.7)%	96.5	105.5	109.1	(8.5)%	(3.3)%
	(US\$ per tonne)		%	(US\$ per tonne)			%	
Naphtha (av. FOB/CIF Med)	587	865	(32.2)%	816	884	918	(7.7)%	(3.7)%
Naphtha (av. FOB Rotterdam/CIF NWE)	609	879	(30.8)%	834	901	934	(7.4)%	(3.6)%
Naphtha (CFR Japan)	637	914	(30.2)%	859	918	943	(6.5)%	(2.6)%
Fuel oil (av. FOB/CIF Med)	406	565	(28.1)%	532	594	631	(10.4)%	(5.9)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	396	556	(28.8)%	524	589	629	(11.0)%	(6.4)%
High sulphur fuel oil 180 cst (FOB Singapore)	437	591	(26.1)%	561	619	672	(9.4)%	(7.9)%
Gasoil (av. FOB/CIF Med)	675	864	(21.9)%	838	920	953	(9.0)%	(3.4)%
Gasoil (av. FOB Rotterdam/CIF NWE)	680	865	(21.4)%	842	921	954	(8.6)%	(3.4)%
Gasoil (FOB Singapore)	665	858	(22.5)%	830	911	946	(8.9)%	(3.7)%
	(th. RUB per barrel)		%	(th. RUB per barrel)			%	
Brent (dated)	3.62	3.69	(1.9)%	3.80	3.46	3.47	9.9%	(0.3)%
Urals (average Med and NWE)	3.57	3.66	(2.5)%	3.75	3.43	3.43	9.3%	0.0%
Urals (FOB Primorsk)	3.48	3.57	(2.7)%	3.68	3.38	3.39	8.8%	(0.2)%
Urals (FOB Novorossysk)	3.50	3.62	(3.2)%	3.71	3.41	3.40	8.7%	0.3%
Dubai	3.53	3.67	(4.0)%	3.71	3.36	3.39	10.4%	(0.9)%
	(th. RUB per tonne)		%	(th. RUB per tonne)			%	
Naphtha (av. FOB/CIF Med)	27.8	31.3	(11.2)%	31.4	28.2	28.5	11.4%	(1.2)%
Naphtha (av. FOB Rotterdam/CIF NWE)	28.9	31.8	(9.3)%	32.0	28.7	29.0	11.7%	(1.1)%
Naphtha (CFR Japan)	30.2	33.1	(8.6)%	33.0	29.2	29.3	12.8%	(0.2)%
Fuel oil (av. FOB/CIF Med)	19.2	20.4	(5.8)%	20.5	18.9	19.6	8.1%	(3.5)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	18.8	20.1	(6.6)%	20.1	18.8	19.5	7.3%	(3.8)%
High sulphur fuel oil 180 cst (FOB Singapore)	20.7	21.4	(3.2)%	21.5	19.7	20.9	9.3%	(5.7)%
Gasoil (av. FOB/CIF Med)	32.0	31.3	2.3%	32.2	29.3	29.6	9.8%	(1.0)%
Gasoil (av. FOB Rotterdam/CIF NWE)	32.3	31.3	3.0%	32.3	29.3	29.7	10.2%	(1.2)%
Gasoil (FOB Singapore)	31.6	31.1	1.6%	31.9	29.0	29.4	9.9%	(1.3)%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)		%	(th. RUB per tonne)			%	
Crude oil	10.9	11.5	(4.9)%	11.6	10.6	10.2	9.7%	3.4%
Fuel oil	8.3	9.7	(14.6)%	9.0	8.8	9.2	3.1%	(4.6)%
Summer diesel	25.8	26.8	(3.7)%	26.5	25.3	23.2	4.7%	9.0%
Winter diesel	30.2	29.4	2.5%	29.0	28.5	25.3	1.8%	12.8%
Jet fuel	26.0	26.1	(0.6)%	25.3	23.9	23.3	6.0%	2.4%
High octane gasoline	32.2	33.6	(4.1)%	31.1	27.2	25.5	14.2%	6.9%
Low octane gasoline	29.6	29.4	0.5%	28.1	24.9	23.4	12.7%	6.4%

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

The difference between price movements denominated in US\$ and those denominated in RUB is explained by nominal RUB depreciation against US\$ by 31% in the fourth quarter of 2014 compared to the third quarter of 2014 and nominal RUB depreciation against US\$ by 20.6% in 2014 compared to 2013. Nominal RUB depreciation against US\$ by 2.4% in 2013 compared to 2012.

The Russian Government regulates the price of the gas sold in Russia by Gazprom. While the regulated price is expected to continue to rise to a level closer to parity with export netbacks, it is currently still significantly below this level.

The regulated price has affected, and is likely to continue to affect, the pricing of Rosneft gas sales. Rosneft's average gas sales price (net of VAT) was RUB 3.10 thousand per thousand cubic meters and RUB 2.79 thousand per thousand cubic meters in the fourth quarter of 2014 and third quarter of 2014, respectively.

In 2014, 2013 and 2012 the average gas sale price (net of VAT) was RUB 2.96 thousand, RUB 2.63 thousand and RUB 1.97 thousand per thousand cubic meters, respectively.

US\$/RUB and EUR/RUB Exchange Rates and Inflation

The US\$/RUB and EUR/RUB exchange rates and inflation in Russian Federation affect Rosneft's results as most of the Company's revenues from sales of crude oil and petroleum products are denominated in US\$, while most of the Company's expenses are denominated in RUB. Thus, the depreciation of the rouble positively affects Rosneft's operating income, while rouble appreciation has a negative effect.

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, 2014	September 30, 2014	2014	2013	2012
Rouble inflation (CPI) for the period	5.1%	1.5%	11.4%	6.5%	6.6%
Average RUB/US\$ exchange rate for the period	47.42	36.19	38.42	31.85	31.09
RUB/US\$ exchange rate at the end of the period	56.26	39.39	56.26	32.73	30.37
Average RUB/EUR exchange rate for the period	59.20	47.99	50.82	42.31	39.95
RUB/EUR exchange rate at the end of the period	68.34	49.95	68.34	44.97	40.23

Source: Central Bank of Russian Federation.

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, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
Mineral extraction tax								
Crude oil (RUB per tonne)	5,265	5,840	(9.8)%	5,827	5,330	5,066	9.3%	5.2%
Associated gas (RUB per th. cubic meters)	0	0	–	0	0	0	–	–
Export customs duty for crude oil								
Crude oil (US\$ per tonne)	312.9	380.5	(17.8)%	366.0	392.1	404.3	(6.7)%	(3.0)%
Crude oil (RUB per tonne)	14,840	13,772	7.8%	14,062	12,489	12,570	12.6%	(0.6)%
Crude oil (RUB per barrel)	2,004	1,860	7.7%	1,899	1,697	1,718	11.9%	(1.2)%
Export customs duty for petroleum products								
Gasoline (RUB per tonne)	13,355	12,393	7.8%	12,654	11,239	11,312	12.6%	(0.6)%
Naphtha (RUB per tonne)	13,355	12,393	7.8%	12,654	11,239	11,312	12.6%	(0.6)%
Light and middle distillates (RUB per tonne)	9,793	9,088	7.8%	9,280	8,242	8,295	12.6%	(0.6)%
Diesel (RUB per tonne)	9,643	8,950	7.8%	9,138	8,242	8,295	10.9%	(0.6)%
Liquid fuels (fuel oil) (RUB per tonne)	9,793	9,088	7.8%	9,280	8,242	8,295	12.6%	(0.6)%

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 three-year staged reduction of oil export duties and petroleum export duties depending on type of the petroleum products and simultaneous increase in oil mineral extraction tax rate and gas condensate.

Starting from July 1, 2014 new method of calculation is used for MET for natural gas and gas condensate, which involves the calculation of MET for each field depending on the complexity of production (for more details see “Mineral extraction tax”).

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

Excise on petroleum products	From January 1 until June 30, 2013	From July 1 until December 31, 2013	2014
High octane gasoline (RUB per tonne)			
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	10,100	10,100	11,110
High octane gasoline euro-3 (RUB per tonne)	9,750	9,750	10,725
High octane gasoline euro-4 (RUB per tonne)	8,560	8,960	9,916
High octane gasoline euro-5 (RUB per tonne)	5,143	5,750	6,450
Naphtha (RUB per tonne)	10,229	10,229	11,252
Diesel (RUB per tonne)			
Diesel below euro-3,4,5 (RUB per tonne)	5,860	5,860	6,446
Diesel euro-3 (RUB per tonne)	5,860	5,860	6,446
Diesel euro-4 (RUB per tonne)	4,934	5,100	5,427
Diesel euro-5 (RUB per tonne)	4,334	4,500	4,767
Lubricants (RUB per tonne)	7,509	7,509	8,260

According to Federal law 366-FZ the excise tax rate on petroleum products is presented as follows:

Excise on petroleum products	2015	2016	From January 1, 2017
High octane gasoline (RUB per tonne)			
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	7,300	7,530	5,830
High octane gasoline euro-3 (RUB per tonne)	7,300	7,530	5,830
High octane gasoline euro-4 (RUB per tonne)	7,300	7,530	5,830
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

In accordance with Federal law 366-FZ the producer is able to apply an increased coefficient to excise duty deduction (from 1.7 to 3.4 depending on type of the oil product subject to exercise duty and deduction period). This rule is applied only to the petrochemical products produced from naphtha, benzole, paraxylene and ortoxylene. Starting from 2015, the Company is planning to exercise its right to apply the above mentioned rule.

Rosneft pays a significant portion of taxes from revenues, as set out in the following table:

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31, 2014	September 30, 2014	2014	2013	2012
	RUB billion				
Total revenues	1,311	1,382	5,503	4,694	3,089
Total taxes*	764	717	3,006	2,487	1,677
Effective tax burden, %	58.3%	51.9%	54.6%	53.0%	54.3%

* Including export customs duty, mineral extraction tax, excise tax, income tax and other taxes.

The mineral extraction tax and the export customs duty accounted for approximately 49.5% and 47.8% of Rosneft's total revenues in the fourth quarter of 2014 and in the third quarter of 2014, respectively. In 2014, 2013 and 2012 the mineral extraction tax and the export customs duty accounted for approximately 48.4%, 47.1% and 47.1% of Rosneft's total revenues, respectively.

Mineral Extraction Tax

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 US\$ per barrel of crude oil produced using average exchange rate established by the Central Bank of Russia for the respective month.

The mineral extraction tax rate in 2014 was calculated by multiplying the base rate of **RUB 493** (in 2013 base rate was **RUB 470**) 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/US\$ exchange rate established by the Central Bank of Russia in the respective month, as well as factors which characterize the degree of depletion of a particular field, reserves of a particular field and the degree of difficulty of extraction.

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/US\$ 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” will be 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.

The Russian Tax Code provides for reduced or zero mineral extraction tax rate for crude oil produced at certain fields:

- the reduced rate is applicable to crude oil produced at the fields with reserve depletion rate of over 80%; for calculation of the reduced rate a special adjustment ratio ($3.8 - 3.5 \times$ reserve depletion rate) is applied; the reduced rate therefore varies from 0.3 to 1.0 of the standard rate;
- the zero tax rate is applicable to high-viscosity crude oil (in-situ viscosity more than 200 mPas);
- the zero tax rate is applicable during specific time period or for specific volumes of production (depending on what is achieved earlier) at fields in Yakutia, Irkutsk Region, Krasnoyarsk Territory, Nenets Autonomous District, Yamal Peninsula, Azov, Caspian and Black seas, sea of Okhotsk, offshore fields located to the north of the Arctic Circle (the exact time period and volume vary by region where the field is located);
- the reduced tax rate is applicable to crude oil produced at the fields with the volume of initial recoverable reserves being less than 5 million tonnes and depletion level of reserves less or equal 0.05. For the calculation of reduced tax rate special coefficient characterising the volume of reserves for a specific field ($0.125 \times$ value of initial oil recoverable reserves + 0.375) should be used;
- zero tax rate is applicable at fields: Bazhenov, Abalak, Khadum, Domanic formations and the reduced rate is applicable at fields with permeability less than 2×10^{-3} square micrometres and Tyumen formation.

Starting from January 1, 2015 above-mentioned terms of the Tax Code of Russia, related to application of the reduced or zero tax rates (except for application of reduced or zero tax rate for crude oil production at Bazhenov, Abalak, Khadum, Domanic formations at fields with permeability less than 2×10^{-3} square micrometres and Tyumen formation) were changed:

- zero tax rate is applicable for high-viscosity crude oil (in-situ viscosity more than 10 000 mPas);
- instead of zero tax rate that was initially applicable for fields in Yakutia, Irkutsk Region, Krasnoyarsk Territory, Nenets Autonomous District, Yamal Peninsula, Azov, Caspian and Black seas, sea of Okhotsk, offshore fields located to the north of the Arctic Circle and reduced tax rates for crude oil produced at the fields with reserve depletion rate of over 80% and at the fields with the volume of initial recoverable reserves being less than 5 million tonnes and depletion level of reserves less or equal 0.05 the Tax Code provides for tax rate reduction by the coefficient which characterizes crude oil production at a particular field, “**Dm**”.

In 2014 the Company applied reduced and zero MET tax rates for defined fields:

Rosneft benefits from the reduced mineral extraction tax rate as the Company has several fields with reserve depletion rate of over 80%.

The fields in Irkutsk Region, the Republic of Sakha (Yakutia) and Krasnoyarsk Territory are subject to zero mineral extraction tax rate which is applicable for the first 25 million tonnes of production (30 million tonnes for Okhotsk sea fields) or if not more than 10 years period for a production license and not more than 15 years period for an exploration and production license, on the territory of the Nenets Autonomous district, Yamalo-Nenets Autonomous district – for the first 15 million tonnes of production or if not more than 7 years period for a production license and not more than 12 years period for an exploration and production license.

In February 2014 accumulated production at Verkhnechonsk fields exceeded 25 million tonnes and starting from March 2014 the regular MET rate is applied.

The zero MET rate is applied for a number of Rosneft fields containing extra-viscous oil.

Rosneft has exploration projects in the Azov, Okhotsk, Caspian, Barents, Kara, Laptev, East Siberian, Chukchi and Black seas and participates in the Sakhalin-1 PSA which is subject to a special tax regime exempting the Company from paying mineral extraction tax.

The Company has exploration and production licenses for the fields with hard to recover reserves. In accordance with the Federal Law № 213-FZ of July 23, 2013, starting from September 2013, special tax regime for these reserves was approved, which provide for tax exemption for the projects at the fields with hard to recover reserves, including Bazhenov, Abalak, Khadum, Domanic formations, and reduced tax rate for crude oil from deposits with permeability of less than 2×10^{-3} square micrometres and Tyumen formation.

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 of degree of the complexity to recover natural gas and gas condensate.

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

- at rate of 0.5 and 0.64 applicable to gas deposits with specific depth characteristics at Rospan and Russko-Rechenskoe licensed fields, and Kynsko-Chaselskoye fields and at a number of fields of Sibneftegaz respectively;
- at rate of 0.1 applicable to reserves disposed in Krasnyarsk region, in the sea of Okhotsk, in region of Far East depending on the geographical location;
- at rate of 0.21 applicable to 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%.

Fixed rate of mineral extraction tax for natural gas was valid until July 1, 2014 in average and was RUB 471 per th. cubic meters. Starting from the second half of 2014 extraction tax for natural gas was RUB 496 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 amounts to RUB 647 per tonne till July 2014, and RUB 505 per tonne in the second half of 2014.

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 US\$ per tonne.

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

<i>Urals price (US\$ per tonne)</i>	<i>Export customs duty (US\$ per tonne)</i>
Below and including 109.5 (15 US\$ per barrel)	Export customs duty is not levied
Above 109.5 to 146 including	35% of the difference between the average Urals price in US\$ per tonne and US\$ 109.5 (15 to 20 US\$ per barrel)
Above 146 to 182.5 including	US\$ 12.78 plus 45% of the difference between the average Urals price in US\$ per tonne and US\$ 146 (20 to 25 US\$ per barrel)
Above 182.5 (25 US\$ per barrel)	US\$ 29.2 plus 60% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since October 1, 2011 through December 31, 2013) US\$ 29.2 plus 59% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 through December 31, 2014) US\$ 29.2 plus 42% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 through December 31, 2015) US\$ 29.2 plus 36% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 through December 31, 2016) US\$ 29.2 plus 30% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1, 2017)

The marginal export duty rate for crude oil has been decreasing: starting from January 2014 to 59%, from January 2015 – to 42%, from January 2016 – to 36% and from January 2017 – to 30%.

The export customs duty is changed every month and the duty for the next month is based on the average Urals price 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 (US\$ per tonne)
10% of the established marginal export duty rate on oil (for the period through December 31, 2014)
10% of US\$ 29.2 per tonne and 57% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 through December 31, 2015)
10% of US\$ 29.2 per tonne and 55% of the difference between the average Urals price in US\$ per tonne and US\$ 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), 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 (US\$ per tonne)
45% of the difference between the average Urals price in US\$ per tonne and US\$ 365 (through December 31, 2014)
42% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 deducting 14% of the average Urals price in US\$ per tonne and US\$ 56.57 (since January 1 through December 31, 2015)
36% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 deducting 14% of the average Urals price in US\$ per tonne and US\$ 56.57 (since January 1 through December 31, 2016)
30% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 deducting 14% of the average Urals price in US\$ per tonne and US\$ 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

Export duties are not payable on crude oil exports to CIS countries that are members of the Customs Union. Starting from January 1, 2012 zero export duty rate is applicable to the crude oil exports to Belarus as for export to Kazakhstan. Starting from October 2014, Armenia became a member 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 US\$ per tonne for the period from the 15th day of the previous month to the 14th day (inclusive) of the current month.

Starting from May 1, 2011 the Russian Government introduced a special export duty for gasoline equivalent to 90% of the export duty for crude oil. Starting from June 1, 2011 the Russian Government introduced a special export duty for naphtha equivalent to 90% of the export duty for crude oil.

Starting from October 2011 the export duty for light petroleum products (excluding gasoline and naphtha) was lowered from 67% to 66% of export duty for crude oil. Starting from October 2011 the export duty rate for dark petroleum products has been increased from 46.7% to 66% of export duty for crude oil. Export duty for naphtha and gasoline remained at 90% of crude oil export duty.

Starting from January 1, 2014 calculation of the export duty rate for diesel fuel applies lower factor 0.65 instead of 0.66.

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	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 performed basing 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.

The Federal Tariff Service (“FTS”), a governmental body regulating natural monopolies, sets 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 FTS. The tariffs are set in roubles and are not linked to the exchange rate.

The FTS sets tariffs for each separate route of the pipeline networks depending on the length of the 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.

Recent changes of Transneft transportation tariffs

Petroleum products

Starting from September 2014, Transneft increased tariffs for transportation of petroleum products in the direction of Primorsk. In the fourth quarter of 2014 the tariffs on this direction increased by 3.9% on average compared to the third quarter of 2014.

Crude oil

Starting from January 1, 2015 the Transneft tariffs for oil pipeline transportation will increase up to 6.5%, and for oil transportation via ESPO in the eastern direction – up to 7.5% compared to 2014.

On March 2, 2014 investment tariff for Purpe-Samotlor transportation route in the amount of RUB 108.2 per tonne (net of VAT) was implemented. The tariff is agreed by Transneft and Rosneft for 36 months period from the effective date of FTS decision about establishment of the tariff.

On February 1, 2014 Transneft increased transit tariffs for crude oil transportation by 8.9% in Belarus.

On February 1, 2013 Transneft increased transit tariffs for crude oil transportation by 9.7% in Belarus.

Recent changes in railroad transportation tariffs

Starting from January 1, 2015 indexation of tariffs, fees and charges for goods transportation and employment of railroad infrastructure will amount to 10%.

Starting from August 2014 there was an increase in tariffs for export transportation for crude oil and petroleum products by 13.4% (except diesel and transportation via Kaliningrad district). Tariffs for diesel transportation in all direction (excluding transportation on the Far East domestic market) increased by 12.5%.

The table sets forth the Rosneft's average transportation tariffs applied to major transportation routes denominated in RUB for the respective periods excluding transshipment:

	<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, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	– 2012
	(th. RUB/tonne)		(%)	(th. RUB/tonne)			(%)	
CRUDE OIL								
Domestic								
<i>Pipeline</i>								
Yuganskneftegaz (Karkateevy) – Syzran refinery	0.85	0.85	–	0.85	0.85	0.81	–	4.9%
Samaraneftegaz (Kuleshovka) – Saratov refinery	0.25	0.25	–	0.25	0.25	–	–	–
Vankorneft (Purpe) – Tuapse refinery	1.65	1.65	–	1.65	1.65	1.57	–	5.1%
Samotlorneftegaz (Samotlor via Omsk) – Achinsk refinery	0.94	0.94	–	0.94	0.94	–	–	–
Varyeganneftegaz (Bahilovskoe) – Achinsk refinery	0.53	0.53	–	0.53	0.53	–	–	–
Orenburgneft (Krotovka) – Novokuibyshevsk refinery	0.06	0.06	–	0.06	0.06	–	–	–
Orenburgneft (Pokrovka) – Saratov refinery	0.34	0.34	–	0.34	0.34	–	–	–
Samotlorneftegaz (Nizhneartovsk) – Ryazan NPK	1.23	1.23	–	1.23	1.23	–	–	–
Uvatneftegaz (Demyanskoe) – Ryazan refinery	1.06	1.06	–	1.06	1.06	–	–	–
Samotlorneftegaz – Angarsk refinery (short route)	0.94	0.94	–	0.94	0.94	–	–	–
Yuganskneftegaz – Ryazan NPK	1.15	1.15	–	1.15	1.15	1.10	–	4.5%
<i>Mixed transportation</i>								
Purneftegaz – Komsomolsk refinery (short route)	4.42	4.42	–	4.42	4.31	–	2.6%	–
Samotlor – Komsomolsk refinery	4.52	4.52	–	4.52	4.41	–	2.5%	–
Samotlorneftegaz – Komsomolsk refinery (short route)	4.04	4.04	–	4.04	3.93	–	2.8%	–
Export								
<i>Pipeline</i>								
Yuganskneftegaz (Karkateevy) – Port Primorsk	1.60	1.60	–	1.60	1.60	1.55	–	3.2%
Yuganskneftegaz (Yuzhny Balyk) – Port Novorossiysk	1.59	1.59	–	1.59	1.59	1.50	–	6.0%
Yuganskneftegaz (Karkateevy) – Port Ust-Luga	1.65	1.65	–	1.65	1.65	–	–	–
Samaraneftegaz (Kuleshovka) – Port Novorossiysk	0.85	0.85	–	0.85	0.85	–	–	–
Vankor (Purpe) - China	2.19	2.19	–	2.17	2.08	1.92	4.3%	8.3%
Yuganskneftegaz (Karkateevy) – Germany	1.62	1.62	–	1.62	1.60	1.54	1.3%	3.9%
Yuganskneftegaz (Yuzhny Balyk) – Poland	1.55	1.55	–	1.55	1.53	1.45	1.3%	5.5%
Yuganskneftegaz (Karkateevy) – Belarus (Naftan)	1.51	1.51	–	1.51	1.50	1.47	0.7%	2.0%
Verkhnechonskneftegaz (Talakan) – Kozmino	2.08	2.08	–	2.08	2.08	–	–	–
<i>Railroad and mixed transportation</i>								
Stavropolneftegaz – CPC (railroad transport)	0.72	0.72	–	0.72	0.72	0.68	–	5.9%

	<i>For 3 months ended</i>		<i>change between 4th and 3rd quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
	<i>(th. RUB/tonne)</i>		<i>(%)</i>	<i>(th. RUB/tonne)</i>			<i>(%)</i>	
PETROLEUM PRODUCTS								
Export								
Diesel								
Angarsk refinery – Nakhodka	4.93	4.79	2.9%	4.69	4.44	4.16	5.6%	6.7%
Komsomolsk refinery – Nakhodka	1.94	1.89	2.6%	1.84	1.74	1.63	5.7%	6.7%
Achinsk refinery – Tuapse	5.59	5.43	2.9%	5.31	5.01	4.69	6.0%	6.8%
Ryazan refinery – Primorsk	1.90	1.83	3.8%	1.80	1.70	–	5.9%	–
YaNOS – Primorsk	1.61	1.55	3.9%	1.54	1.45	–	6.2%	–
Fuel oil								
Samara group refineries – Odessa	2.22	2.16	2.8%	2.12	–	–	–	–
Angarsk refinery – Nakhodka	5.01	4.84	3.5%	4.72	4.43	4.14	6.5%	7.0%
Komsomolsk refinery – Nakhodka	1.90	1.83	3.8%	1.78	1.67	1.56	6.6%	7.1%
Achinsk refinery – Nakhodka	6.29	6.12	2.8%	5.99	5.68	5.30	5.5%	7.2%
Ryazan refinery – Ust-Luga	1.79	1.75	2.3%	1.72	1.67	–	3.0%	–
Ryazan refinery – Estonia	2.07	2.03	2.0%	1.99	1.93	–	3.1%	–
YaNOS – Estonia	1.51	1.47	2.7%	1.44	1.39	–	3.6%	–
Naphtha								
Samara refineries – Tuapse	2.32	2.25	3.1%	2.19	2.07	1.93	5.8%	7.3%
Achinsk refinery – Tuapse	5.50	5.32	3.4%	5.18	4.86	4.58	6.6%	6.1%
Angarsk refinery – Nakhodka	4.76	4.59	3.7%	4.47	4.19	3.92	6.7%	6.9%
Komsomolsk refinery – Nakhodka	1.91	1.85	3.2%	1.81	1.71	1.60	5.8%	6.9%

Source: Transneft, RZD, Rosneft. The data is provided for major routes at each direction. Mixed export tariffs include transshipment at non-Rosneft terminals.

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 oil service Group companies; and
- *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 activities.

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 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 by using of transfer prices for settlements between segments. For the estimation of upstream revenues within vertical 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.

Financial performance by segments for the periods: fourth and third quarters of 2014

	Upstream		Downstream		Corporate		Total	
	Quarter IV, 2014	Quarter III, 2014	Quarter IV, 2014	Quarter III, 2014	Quarter IV, 2014	Quarter III, 2014	Quarter IV, 2014	Quarter III, 2014
Revenues and equity share in (losses)/profits of associates and joint ventures								
Oil and gas sales	–	–	635	717	–	–	635	717
Petroleum products and petrochemicals sales	–	–	669	647	–	–	669	647
Support services and other revenues	–	–	–	–	20	21	20	21
Equity share in losses of associates and joint ventures	(13)	(3)	–	–	–	–	(13)	(3)
<i>Intersegment turnover</i>	443	544	–	–	–	–	–	–
Total revenues and equity share in (losses)/profits of associates and joint ventures	430	541	1,304	1,364	20	21	1,311	1,382
Costs and expenses								
Production and operating expenses	75	65	45	46	11	11	131	122
Cost of purchased oil, gas and petroleum products and refining costs	5	4	127	117	–	–	132	121
<i>Intersegment turnover</i>	–	–	443	544	–	–	–	–
General and administrative expenses	5	7	7	5	18	18	30	30
Pipeline tariffs and transportation costs	6	4	117	109	–	–	123	113
Exploration expenses	6	4	–	–	–	–	6	4
Depreciation, depletion and amortisation	113	95	20	19	1	2	134	116
Taxes other than income tax	233	257	39	41	4	5	276	303
Export customs duty	–	–	425	413	–	–	425	413
Total cost and expenses	443	436	1,223	1,294	34	36	1,257	1,222
Operating income	(13)	105	81	70	(14)	(15)	54	160
Finance income	–	–	–	–	9	9	9	9
Finance expenses	–	–	–	–	(107)	(61)	(107)	(61)
Other income	–	–	–	–	–	2	–	2
Other expenses	–	–	–	–	(18)	(13)	(18)	(13)
Foreign exchange differences	–	–	–	–	214	(95)	214	(95)
Income before income tax	(13)	105	81	70	84	(173)	152	2
Income tax	2	(22)	(17)	(13)	(48)	34	(63)	(1)
Net income	(11)	83	64	57	36	(139)	89	1
EBITDA	100	200	101	89	(13)	(13)	188	276

Financial performance by segments for the periods: 2014, 2013 and 2012

	Upstream			Downstream			Corporate			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Revenues and equity share in profits/ (losses) of associates and joint ventures												
Oil and gas sales	–	–	–	2,838	2,428	1,526	–	–	–	2,838	2,428	1,526
Petroleum products and petrochemicals sales	–	–	–	2,602	2,196	1,498	–	–	–	2,602	2,196	1,498
Support services and other revenues	–	–	–	–	–	–	75	58	42	75	58	42
Equity share in (losses)/profits of associates and joint ventures	(12)	12	23	–	–	–	–	–	–	(12)	12	23
<i>Intersegment turnover</i>	<i>2,154</i>	<i>1,895</i>	<i>1,265</i>	–	–	–	–	–	–	–	–	–
Total revenues and equity share in (losses)/profits of associates and joint ventures	2,142	1,907	1,288	5,440	4,624	3,024	75	58	42	5,503	4,694	3,089
Costs and expenses												
Production and operating expenses	257	204	86	174	154	130	38	31	31	469	389	247
Cost of purchased oil, gas and petroleum products and refining costs	17	–	–	478	432	319	–	–	–	495	432	319
<i>Intersegment turnover</i>	–	–	–	<i>2,154</i>	<i>1,895</i>	<i>1,265</i>	–	–	–	–	–	–
General and administrative expenses	27	20	11	21	21	14	66	70	43	114	111	68
Pipeline tariffs and transportation costs	19	–	–	452	392	241	–	–	–	471	392	241
Exploration expenses	19	17	23	–	–	–	–	–	–	19	17	23
Depreciation, depletion and amortisation	383	329	167	71	56	33	10	7	6	464	392	206
Taxes other than income tax	1,018	856	577	161	155	93	16	13	2	1,195	1,024	672
Export customs duty	–	–	–	1,683	1,382	901	–	–	–	1,683	1,382	901
Total cost and expenses	1,740	1,426	864	5,194	4,487	2,996	130	121	82	4,910	4,139	2,677
Operating income	402	481	424	246	137	28	(55)	(63)	(40)	593	555	412
Finance income	–	–	–	–	–	–	30	21	24	30	21	24
Finance expenses	–	–	–	–	–	–	(219)	(56)	(15)	(219)	(56)	(15)
Other income	–	–	–	–	–	–	64	246	87	64	246	87
Other expenses	–	–	–	–	–	–	(54)	(59)	(50)	(54)	(59)	(50)
Foreign exchange differences	–	–	–	–	–	–	64	(71)	11	64	(71)	11
Income before income tax	402	481	424	246	137	28	(170)	18	17	478	636	469
Income tax	(81)	(96)	(94)	(50)	(27)	(6)	3	42	(4)	(128)	(81)	(104)
Net income	321	385	330	196	110	22	(167)	60	13	350	555	365
EBITDA	785	810	591	317	193	61	(45)	(56)	(34)	1,057	947	618

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 venture, 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 sale 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, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
Operational results								
Hydrocarbon production (th. boe per day)	5,200	5,072	2.5%	5,106	4,873	2,702	4.8%	80.3%
Crude oil and NGL production (th. barrels per day)	4,150	4,135	0.4%	4,159	4,196	2,439	(0.9)%	72.0%
Gas production (th.boe per day)	1,050	937	12.1%	947	677	263	39.9%	>100%
Hydrocarbon production (mln boe) ¹	441.9	430.6	2.6%	1,721.7 ²	1,478.1 ²	934.5	16.5%	58.2%
Financial results, RUB billion								
EBITDA	100	200	(50.0)%	785	810	591	(3.1)%	37.1%
Capital expenditures ³	99	88	12.5%	350	330	283	6.1%	16.6%
Upstream operating expenses ⁴	71.7	64.8	10.6%	253.6	201.9	85.0	25.6%	>100%
Indicators per boe								
EBITDA, RUB/boe	226	464	(51.3)%	456	548	632	(16.8)%	(13.3)%
Capital expenditures, RUB/boe	224	204	9.8%	203	223	303	(9.0)%	(26.4)%
Upstream operating expenses, RUB/boe	162	150	8.0%	147	137	91	7.3%	50.5%
Upstream operating expenses, USD*/boe	3.4	4.1	(17.1)%	3.9	4.3	2.9	(9.3)%	48.3%

¹ Excluding associates.

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

³ Refer to "Capital expenditures".

⁴ Excluding one-off effect of ecological reserve estimation in the amount of RUB 3.2 billion in 2014 and RUB 1.7 billion in 2013 and RUB 0.7 billion in 2012.

*Estimation is made using monthly exchange rate for 2014 and 2013 years. For 2012 average annual exchange rate is used.

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%, Polar Lights – 50.0% and Slavneft – 49.94%. The Company also participates in international projects in Vietnam and Venezuela.

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

	<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, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
	(million of barrels)		(%)	(million of barrels)			(%)	
Yuganskneftegaz (Western Siberia)	119.1	120.1	(0.8)%	477.4	487.2	488.8	(2.0)%	(0.3)%
Samaraneftegaz (Central Russia)	21.7	21.5	0.9%	85.1	81.1	78.8	4.9%	2.9%
Purneftegaz (Western Siberia)	11.0	11.3	(2.7)%	44.7	47.5	50.7	(5.9)%	(6.3)%
Vankorneft (Eastern Siberia)	41.0	41.1	(0.2)%	162.9	157.8	133.9	3.2%	17.8%
Severnaya Neft (Timan Pechora)	5.3	5.2	1.9%	21.0	22.7	25.7	(7.5)%	(11.7)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.5	2.0	25.0%	9.6	8.7	8.7	10.3%	–
Tomskneft (Western Siberia)	9.5	9.3	2.2%	36.8	37.4	37.4 ²	(1.6)%	–
Samotlorneftegas	40.6	40.7	(0.2)%	162.8	136.4	–	19.4%	–
Orenburgneft	36.0	36.5	(1.4)%	145.5	119.4	–	21.9%	–
Verkhnechonskneftegaz	16.0	15.2	5.3%	60.7	44.6	–	36.1%	–
RN-Uvatneftegaz	18.8	18.9	(0.5)%	73.9	52.8	–	40.0%	–
Varyeganneftez	11.8	12.1	(2.5)%	49.0	43.5	–	12.6%	–
RN-Nyaganneftegaz	11.5	11.6	(0.9)%	46.5	36.9	–	26.0%	–
Taas Yuryakh	1.7	1.6	6.3%	6.7	1.6	–	>100%	–
RN-Shelf Dalniy Vostok (Far East)	2.1	–	–	2.1	–	–	–	–
Other	8.7	8.8	(1.1)%	34.9	34.5	29.9	1.2%	15.4%
Crude oil and NGL production by fully and proportionately consolidated enterprises	357.3	355.9	0.4%	1,419.6	1,312.1	853.9	8.2%	53.7%
Udmurtneft (Central Russia)	6.0	5.9	1.7%	23.6	23.6	23.5	–	0.4%
Polar Lights (Timan Pechora)	0.3	0.4	(25.0)%	1.5	1.6	1.9	(6.3)%	(15.8)%
Verkhnechonskneftegaz (Eastern Siberia) ³	–	–	–	–	3.1	13.3	–	(76.7)%
Slavneft	14.8	15.1	(2.0)%	59.8	47.9	–	24.8%	–
Other	3.4	3.1	9.7%	13.6	9.3	–	46.2%	–
Total share in production of associates	24.5	24.5	–	98.5	85.5	38.7	15.2%	>100.0%
Total crude oil and NGL production	381.8	380.4	0.4%	1,518.1	1,397.6	892.6	8.6%	56.6%
Daily crude oil production (th. barrels per day)	4,150	4,135	0.4%	4,159	4,196	2,439	(0.9)%	72.0%

For information: to convert tonnes to barrels a 7.362 ratio and 7.315 ratio were used in 2013 and 2012 respectively.

¹ For information: in 2013 all production volumes of new assets are included from the acquisition date.

² Tomskneft is presented with effect of retrospective changes in the accounting policy.

³ Before the date of acquisition of TNK-BP assets.

In the fourth quarter of 2014 crude oil and NGL production increased by 0.4% compared to the third quarter of 2014 due to increased production at Samaraneftegaz and Verkhnechonskneftegaz. The commercial oil production at the North Chayvo field increased in the fourth quarter of 2014. Increased daily production at Greenfields was due to launch of wells with high flow rate at the North Chayvo, lifting infrastructural restrictions and employment of new oil recovery technologies.

The commercial inflows of oil, gas and condensate have been acquired in exploration wells on Rosneft’s licensed blocks in Irkutsk region. According to the results of drilling and probes, maximum rates totalled up to 60 cbm of oil per day and up to 150 cbm of gas per day. The expected incremental value for C1 category only is over 10 million tonnes of oil and NGL and 14 bln cbm of gas.

In October 2014 the Company made oil discovery “Pobeda” in the Kara sea. First recoverable reserves at Pobeda field are 130 million of oil and 396 cbm of gas.

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.

In 2013 organic daily crude oil and NGL production growth of 1.0% (excluding associates) was due to production increase at Vankorneft and Samaraneftegas fields compared to same period of 2012.

Production of Gas

The table below sets forth Rosneft's used gas* production¹:

	<i>For 3 months ended</i>		<i>change between</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2014	September 30, 2014	<i>4th and 3^d quarters</i>	2014	2013	2012	2014 – 2013	2013 – 2012
	(bcm)		(%)	(bcm)			(%)	
NGK ITERA (Western Siberia) ²	2.80	2.76	1.4%	10.97	0.04	–	>100%	–
Purneftegaz (Western Siberia)	1.32	1.22	8.2%	4.77	4.17	4.07	14.4%	2.5%
Yuganskneftgaz (Western Siberia)	1.20	1.16	3.4%	4.50	3.78	3.16	19.0%	19.6%
Krasnodarneftgaz (Southern Russia)	0.85	0.72	18.1%	3.05	3.06	2.90	(0.3)%	5.5%
Samaraneftgaz (Central Russia)	0.10	0.11	(9.1)%	0.40	0.50	0.53	(20.0)%	(5.7)%
Severnaya Neft (Timan Pechora)	0.06	0.06	–	0.24	0.26	0.29	(7.7)%	(10.3)%
Vankorneft (Eastern Siberia) ³	2.13	1.54	38.3%	5.32	0.63	0.47	>100%	34.0%
Sakhalin-1 (Far East) (net of royalty and government share)	0.14	0.07	100.0%	0.43	0.40	0.34	7.5%	17.6%
Tomskneft (Western Siberia)	0.25	0.20	25.0%	0.88	0.86	0.84	2.3%	2.4%
Samotlorneftgaz (Western Siberia)	1.56	1.29	20.9%	5.67	4.33	–	30.9%	–
Rospan International (Western Siberia)	1.03	0.98	5.1%	3.98	2.93	–	35.8%	–
Orenburgneft (Central Russia)	0.73	0.65	12.3%	2.87	2.18	–	31.7%	–
Varyeganneftgaz (Western Siberia)	0.81	0.70	15.7%	3.03	2.33	–	30.0%	–
RN-Nyaganneftgaz (Western Siberia)	0.38	0.38	–	1.49	1.12	–	33.0%	–
Other	0.53	0.43	23.3%	2.00	1.67	1.13	19.8%	47.8%
Total gas production by fully and proportionately consolidated enterprises	13.89	12.27	13.2%	49.60	28.26	13.73	75.5%	>100%
Purgaz (NGK ITERA)	1.80	1.72	4.7%	6.49	5.40	1.52	20.2%	>100%
Sibneftgaz (NGK ITERA)	–	–	–	–	4.03	1.10	–	>100%
Slavneft	0.11	0.11	–	0.42	0.31	–	35.5%	–
Other	0.06	0.05	20.0%	0.22	0.17	0.04	29.4%	>100%
Total share in production of associates	1.97	1.88	4.8%	7.13	9.91	2.66	(28.1)%	>100%
Total gas production	15.86	14.15	12.1%	56.73	38.17	16.39	48.6%	>100%
Natural gas	7.79	7.08	10.0%	28.52	18.54	7.28	53.8%	>100%
Associated gas	8.07	7.07	14.1%	28.21	19.63	9.11	43.7%	>100%

* Production volume equals extracted volume minus flared volume and gas used for NGL production.

¹ For information: in 2013 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 Sibneftgaz from 2014.

³ Including gas injection to maintain reservoir pressure.

In the fourth quarter of 2014 gas production was 15.86 bcm, increase of 12.1% compared to the third quarter of 2014. Growth in gas production was mainly at Vankorneft, Samotlorneftgaz, Krasnodarneftgaz, Varyeganneftgaz and Purneftegaz. Gas production upturn resulted from seasonal increase in demand, schedule performance of geological activities, final stage of launch of the gas booster station at the Kharampurskoye field and continuous processing at gas refineries.

The Company is aimed at gas development in long-term perspective. In 2014 the Company started experimental production of tight gas reserves of the Turonian field at the Kharampurskoye field, situated at the territory of the Yamalo-Nenets Autonomous District. First produced gas is already delivered to the gas booster station of the Kharampurskoye field. At the moment the wells are in the experimental operation mode at Purneftegaz which will result in determination of a technology, providing successful performance of commercial operation of Turonian deposits at all licensed blocks of the Company.

In 2014 Rosneft's increased gas production by 48.6% was due to incorporation of new production units and implementation of associated gas utilization program (up to 81% in 2014 compared to 70% in 2013). In 2014 gas production upturn resulted from increased associated gas utilization up to 95% at Purneftegaz due to final stage of launch of the gas booster station at the Kharampurskoye field for gas processing.

In 2013 Rosneft's gas production was significantly higher than in 2012, mainly due to NGK "Itera" LLC and acquisition of new assets.

Financial indicators

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

The equity share in losses of associates and joint ventures amounted to RUB 13 billion in the fourth quarter of 2014 in comparison with the losses in the amount of RUB 3 billion in the third quarter of 2014 mainly due to negative effect of rouble depreciation on financial results of some joint ventures.

In 2014 the equity share in profits of associates and joint ventures significantly decreased in comparison with 2013 and 2012. The decrease was mainly due to exemption of Verkhnechonskneftegaz equity results and incorporation of total Verkhnechonskneftegaz results into Company's consolidation from the date of acquisition and due to negative effect of rouble depreciation on financial results of some joint ventures.

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 recovery, procurement of fuel and lubricants, electricity and other costs of Rosneft's consolidated exploration and production units.

Upstream production and operating expenses increased by 10.6% in the fourth quarter of 2014 compared with the third quarter of 2014 and amounted to RUB 71.7 billion. The growth of operating expenses was due to increased electricity expenses, materials and intensive wellworks. The growth of production and operating expenses was also resulted from the seasonal increase in equipment maintenance and repairs of oil infrastructure facilities.

The re-assessment of environmental remediation provision was performed in the fourth quarter of 2014. The estimation of reserves in the amount of RUB 3.2 billion is included in upstream operating expenses, but is eliminated from the calculation "per unit" (boe).

In 2014 upstream production and operating expenses increased significantly 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.

In 2013 upstream production and operating expenses increased by more than 100.0% compared with 2012. The growth of expenses was mainly due to incorporation of operating expenses of new production units and due to increased associated gas utilization.

In the fourth quarter of 2014 upstream operating expenses per boe increased by 8.0% up to 162 RUB/boe, compared to the third quarter of 2014, mainly due to increase in oilfield services and electricity costs, supply and materials costs and repairs expenses.

In 2014 upstream operating expenses per boe increased by 7.3% up to 147 RUB/boe mainly due to increase in electricity tariff and volumes of geological wellworks.

Gas procurement

In the fourth quarter of 2014 gas procurement that refers to resale on domestic and international markets increased to RUB 6 billion in comparison with RUB 4 billion in the third quarter of 2014. The increase is due to seasonal demand on domestic market.

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 2014 exploration expenses amounts to RUB 6 billion in comparison with RUB 4 billion in the third quarter of 2014. The increase was due to increased geological and seismic works on Company's license areas.

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

In 2013 exploration expenses decreased by 26.1% compared with 2012 due to decreased volumes of seismic works and other geological works not related to the exploration drilling on different license areas of the Company.

Mineral extraction tax

The amount of mineral extraction tax was RUB 224 billion in the fourth quarter of 2014 compared with RUB 248 billion in the third quarter of 2014. The decrease in mineral extraction tax was mainly due to reduction of the base rate.

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>	
	December 31, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
	(thousand RUB per tonne, except %)							
Average enacted oil mineral extraction tax rate	5.26	5.84	(9.9)%	5.83	5.33	5.07	9.4%	5.1%
Actual mineral extraction tax expense per tonne of oil equivalent produced*	3.81	4.33	(12.0)%	4.27	4.17	4.33	2.4%	(3.7)%
	(RUB per thousand cm, except %)							
Average actual extraction gas tax rate	484	509	(4.9)%	484	334	251	44.9%	33.1%

*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 the reduced rates for crude oil produced at fields with reserve depletion of over 80% and the volume of hard-to-recover oil, also due to application of zero mineral extraction tax rate in the Irkutsk and the Krasnoyarsk regions until its accumulated production exceeds 25 million tonnes. Starting from January 1, 2015 new legislation establishes the exemptions for the fields listed above in the form of reduction of the extraction tax rate by coefficient “**Dm**” which characterizes crude oil production at a particular oil field.

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, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
Operational results								
Crude oil processing at refineries, mln. tn	26.25	25.10	4.6%	99.83	90.12	61.58	10.8%	46.3%
<i>Processing at Company's own refineries in Russia, mln.tn</i>	<i>20.75</i>	<i>19.68</i>	<i>5.4%</i>	<i>78.94</i>	<i>71.89</i>	<i>50.85</i>	<i>9.8%</i>	<i>41.4%</i>
<i>Processing at Company's own refineries outside Russia, mln.tn</i>	<i>2.80</i>	<i>2.67</i>	<i>4.9%</i>	<i>10.55</i>	<i>10.60</i>	<i>10.73</i>	<i>(0.5)%</i>	<i>(1.2)%</i>
<i>Processing at Associate's refineries</i>	<i>2.70</i>	<i>2.75</i>	<i>(1.8)%</i>	<i>10.34</i>	<i>7.63</i>	<i>–</i>	<i>35.5%</i>	<i>100.0%</i>
Financial results, RUB billion								
EBITDA	101	89	13.5%	317	193	61	64.2%	>100%
Capital expenditures ¹	60	39	53.8%	165	194	151	(14.9)%	28.5%
Operating expenses for processing in Russia	20.33	16.61	22.4%	68.00	57.46	35.14	18.3%	63.5%
Operating expenses for processing outside Russia	6.37	4.63	37.6%	19.39	15.81	14.98	22.6%	5.5%
Indicators per tonne of the output²								
EBITDA, RUB per tonne	4,289	3,982	7.7%	3,542	2,340	991	51.4%	>100%
Capital expenditure, RUB per tonne	2,548	1,745	46.0%	1,844	2,352	2,452	(21.6)%	(4.1)%
Operating expenses for processing in Russia, RUB per tonne	980	813	20.5%	853	799	691	6.8%	15.6%
Operating expenses for processing outside Russia, RUB per tonne	2,276	1,733	31.3%	1,838	1,492	1,396	23.2%	6.9%

¹ Refer to "Capital expenditures".

² Calculated from unrounded data.

Operating indicators

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: the Tuapse refinery on the Black Sea in the South of Russia, the Komsomolsk refinery in the Russian Far East, the Achinsk and Angarsk refineries in Eastern Siberia and the Kuibyshev, Novokuibyshevsk and Syzran refineries in the Samara region, the Saratov refinery and the Ryazan refinery (European part of Russia). Rosneft also owns production capacity at four Ruhr Oel GmbH (ROG) refineries in Germany and processes of crude oil in Belarus.

The following table sets forth Rosneft's crude oil processing and petroleum product output volumes.¹

	<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, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
	<i>(million of tonnes)</i>		<i>(%)</i>	<i>(million of tonnes)</i>			<i>(%)</i>	
Crude oil processing at Rosneft's refineries in Russia	22.78	21.68	5.1%	86.59	77.78	50.85	11.3%	53.0%
Crude oil processing at refineries outside Russia	3.47	3.42	1.5%	13.24	12.34	10.73	7.3%	15.0%
<i>including crude oil processing at Ruhr Oel GmbH (ROG)</i>	2.80	2.67	4.9%	10.55	10.60	10.73	(0.5)%	(1.2)%
<i>including crude oil processing in Belarus</i>	0.67	0.75	(10.7)%	2.69	1.74	–	54.6%	–
Total group crude oil processing	26.25	25.10	4.6%	99.83	90.12	61.58	10.8%	46.3%
Petroleum product output:								
High octane gasoline	2.86	2.57	11.3%	10.56	10.08	5.34	4.8%	88.8%
Low octane gasoline	0.08	0.05	60.0%	0.20	0.19	0.35	5.3%	(45.7)%
Naphtha	1.55	1.50	3.3%	5.79	4.64	3.67	24.8%	26.4%
Diesel	7.04	6.74	4.5%	26.94	24.08	17.22	11.9%	39.8%
Fuel oil	7.50	6.83	9.8%	28.16	25.28	16.39	11.4%	54.2%
Jet fuel	0.90	0.99	(9.1)%	3.50	3.01	1.50	16.3%	>100.0%
Petrochemicals	0.21	0.17	23.5%	0.77	0.70	0.53	10.0%	32.1%
Other*	2.08	2.13	(2.3)%	7.96	6.91	3.80	15.2%	81.8%
Product output at Rosneft's own refineries in Russia	22.22	20.98	5.9%	83.88	74.89	48.80	12.0%	53.5%
Product output at refineries outside Russia	3.43	3.46	(0.9)%	13.19	12.22	10.79	7.9%	13.3%
<i>including crude oil output at Ruhr Oel GmbH (ROG)</i>	2.81	2.77	1.4%	10.71	10.60	10.79	1.0%	(1.8)%
<i>including product output in Belarus</i>	0.62	0.69	(10.1)%	2.48	1.62	–	53.1%	–
Total group product output	25.65	24.44	5.0%	97.07	87.11	59.59	11.4%	46.2%

*including production of petroleum products at gas refineries.

¹ For information: in 2013 all production volumes of acquired assets are included from acquisition date.

In the fourth quarter of 2014 Rosneft's total refinery throughput amounts to 26.25 mln tonnes, higher by 4.6% compared with the third quarter of 2014. The refinery throughput inside Russia increased by 5.1% mainly due to decreased periods of planned turnarounds at refineries. Significant increase in refinery throughput at Angarskaya refinery, Komsomolsky refinery by 5.0% and 5.0%, respectively, resulted from the optimization of the technical process within the specified plant capacity and implemented modernization program at refineries.

Achinsk refinery restarted output of high-octane diesel in accordance with the repair-and-renewal work schedule.

In the fourth quarter of 2014 processing volume at German refineries increased by 4.9% compared to the third quarter of 2014 due to completion of planned turnaround of the production unit in the period of June-July 2014.

The volume of crude oil processing increased by 9.8% at Rosneft's refineries in Russia in 2014 compared to 2013, due to large-scale upgrade refinery program and new assets acquisition.

Processing volume increase in 2013 compared with 2012 was due to modernization of the Company's refineries in Russia. Oil throughput at Ruhr Oel GmbH (ROG) refineries slightly decreased in 2013 compared with 2012 due to unscheduled turnarounds at Gelsenkirchen refinery, PCK Schwedt refinery and Bayernoil refinery.

Financial indicators

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

In the fourth quarter of 2014 revenues and equity share in (losses)/profits of associates and joint ventures amounted to RUB 1,311 billion in comparison with RUB 1,382 billion in the third quarter of 2014, due to decrease in international crude oil sales volume, accompanied by worldwide decline of crude oil and petroleum products prices.

In 2014 revenues and equity share in (losses)/profits of associates and joint ventures increased by 17.2% compared to 2013, which was mostly driven by export sales volumes growth due to acquisition of new assets and increase in prices denominated in RUB.

In 2013 revenues and equity share in profits of associates and joint ventures was RUB 4,694 billion or upturn 52.0% compared to 2012, which was driven by new assets acquisition, and was offset by decrease in world market prices.

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

	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, 2014	September 30, 2014		2014		2013		2012		2014 – 2013	2013 – 2012		
	% 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	540	41.2%	624	45.0%	(13.5)%	2,458	44.6%	2,116	45.1%	1,421	46.0%	16.2%	48.9%
Europe and other directions	337	25.7%	408	29.4%	(17.4)%	1,614	29.3%	1,574	33.6%	1,033	33.4%	2.5%	52.4%
Asia	203	15.5%	216	15.6%	(6.0)%	844	15.3%	542	11.5%	388	12.6%	55.7%	39.7%
International sales to CIS	20	1.5%	23	1.7%	(13.0)%	100	1.8%	128	2.7%	78	2.5%	(21.9)%	64.1%
Domestic sales	25	1.9%	29	2.1%	(13.8)%	112	2.0%	81	1.7%	5	0.2%	38.3%	>100%
Total crude oil	585	44.6%	676	48.8%	(13.5)%	2,670	48.4%	2,325	49.5%	1,504	48.7%	14.8%	54.6%
Gas	50	3.8%	41	3.0%	22.0%	168	3.1%	103	2.2%	22	0.7%	63.1%	>100%
Petroleum products													
International Sales to non-CIS	377	28.8%	354	25.6%	6.5%	1,492	27.2%	1,165	24.8%	856	27.7%	28.1%	36.1%
Europe and other directions	293	22.4%	272	19.7%	7.7%	1,153	21.0%	871	18.5%	628	20.3%	32.4%	38.7%
Asia	84	6.4%	82	5.9%	2.4%	339	6.2%	294	6.3%	228	7.4%	15.3%	28.9%
International Sales to CIS	21	1.6%	14	1.0%	50.0%	70	1.3%	84	1.8%	11	0.4%	(16.7)%	>100%
Domestic sales	232	17.7%	229	16.6%	1.3%	860	15.6%	794	16.9%	497	16.1%	8.3%	59.8%
Wholesale	127	9.7%	124	9.0%	2.4%	469	8.5%	455	9.7%	297	9.6%	3.1%	53.2%
Retail	105	8.0%	105	7.6%	0.0%	391	7.1%	339	7.2%	200	6.5%	15.3%	69.5%
Sales of bunker fuel to end-users	17	1.3%	23	1.7%	(26.1)%	74	1.3%	59	1.3%	50	1.6%	25.4%	18.0%
Total petroleum products	647	49.4%	620	44.9%	4.4%	2,496	45.4%	2,102	44.8%	1,414	45.8%	18.7%	48.7%
Petrochemical products	22	1.7%	27	2.0%	(18.5)%	106	1.9%	94	2.0%	84	2.7%	12.8%	11.9%
International sales	17	1.3%	23	1.7%	(26.1)%	88	1.6%	82	1.7%	73	2.3%	7.3%	12.3%
Domestic sales	5	0.4%	4	0.3%	12.9%	18	0.3%	12	0.3%	11	0.4%	50.0%	9.1%
Support services and other revenues	20	1.5%	21	1.5%	(4.8)%	75	1.4%	58	1.2%	42	1.4%	29.3%	38.1%
Equity share in (losses)/profits of associates and joint ventures	(13)	(1.0)%	(3)	(0.2)%	>100%	(12)	(0.2)%	12	0.3%	23	0.7%	(200.0)%	(47.8)%
Total revenues and equity share in (losses)/profits of associates and joint ventures	1,311	100.0%	1,382	100.0%	(5.1)%	5,503	100.0%	4,694	100.0%	3,089	100.0%	17.2%	52.0%

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

¹ Under IFRS consolidated financial statements.

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, 2014		September 30, 2014		% change between 4 th and 3 ^d quarters	2014		2013		2012		2014 – 2013	2013 – 2012
	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	161.4	42.8%	179.2	46.8%	(9.9)%	700.4	45.6%	644.2	45.4%	438.2	46.9%	8.7%	47.0%
Europe and other directions	98.5	26.1%	115.5	30.2%	(14.7)%	452.4	29.4%	468.2	33.0%	306.5	32.8%	(3.4)%	52.8%
Asia	62.9	16.7%	63.7	16.6%	(1.3)%	248.0	16.2%	176.0	12.4%	131.7	14.1%	40.9%	33.6%
International Sales to CIS	14.9	3.9%	13.3	3.5%	12.0%	57.8	3.8%	72.1	5.1%	47.5	5.1%	(19.8)%	51.8%
Domestic	17.1	4.5%	17.0	4.4%	0.6%	65.2	4.2%	50.1	3.5%	3.7	0.4%	30.1%	>100%
Total crude oil	193.4	51.2%	209.5	54.7%	(7.7)%	823.4	53.6%	766.4	54.0%	489.4	52.4%	7.4%	56.6%
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		mln tonnes			
International Sales to non-CIS	21.8	42.8%	24.2	46.8%	(9.9)%	94.6	45.6%	87.5	45.4%	59.9	46.9%	8.7%	47.0%
Europe and other directions	13.3	26.1%	15.6	30.2%	(14.7)%	61.1	29.4%	63.6	33.0%	41.9	32.8%	(3.4)%	52.8%
Asia	8.5	16.7%	8.6	16.6%	(1.3)%	33.5	16.2%	23.9	12.4%	18.0	14.1%	40.9%	33.6%
International Sales to CIS	2.0	3.9%	1.8	3.5%	12.0%	7.8	3.8%	9.8	5.1%	6.5	5.1%	(19.8)%	51.8%
Domestic sales	2.3	4.5%	2.3	4.4%	0.6%	8.8	4.2%	6.8	3.5%	0.5	0.4%	30.1%	>100%
Total crude oil	26.1	51.2%	28.3	54.7%	(7.7)%	111.2	53.6%	104.1	54.0%	66.9	52.4%	7.4%	56.6%
Petroleum products													
International Sales to non-CIS	14.5	28.3%	13.0	25.1%	11.5%	55.3	26.7%	47.5	24.6%	33.2	25.9%	16.4%	43.1%
Europe and other directions	11.4	22.2%	10.1	19.5%	12.9%	43.3	20.9%	35.8	18.5%	24.7	19.2%	20.9%	44.9%
Asia	3.1	6.1%	2.9	5.6%	6.9%	12.0	5.8%	11.7	6.1%	8.5	6.7%	2.6%	37.6%
International Sales to CIS	0.6	1.2%	0.4	0.8%	50.0%	2.3	1.1%	3.1	1.6%	0.5	0.4%	(25.8)%	>100%
Domestic sales	8.2	16.1%	8.1	15.6%	1.2%	31.5	15.2%	31.8	16.5%	21.4	16.8%	(0.9)%	48.6%
Wholesale	5.3	10.4%	5.1	9.8%	3.9%	20.3	9.8%	21.6	11.2%	14.6	11.5%	(6.0)%	47.9%
Retail	2.9	5.7%	3.0	5.8%	(3.3)%	11.2	5.4%	10.2	5.3%	6.8	5.3%	9.8%	50.0%
Sales of bunker fuel to end-users	1.0	2.0%	1.2	2.3%	(16.7)%	4.0	1.9%	3.3	1.7%	2.8	2.2%	21.2%	17.9%
Total petroleum products	24.3	47.6%	22.7	43.8%	7.0%	93.1	44.9%	85.7	44.4%	57.9	45.3%	8.6%	48.0%
Petrochemical products	0.6	1.2%	0.8	1.5%	(9.7)%	3.1	1.5%	3.1	1.6%	2.9	2.3%	0.0%	6.9%
International sales	0.4	0.8%	0.5	0.9%	(21.2)%	2.1	1.0%	2.3	1.2%	2.2	1.8%	(7.5)%	4.5%
Domestic sales	0.2	0.4%	0.3	0.6%	(0.1)%	1.0	0.5%	0.8	0.4%	0.7	0.5%	21.3%	14.3%
Total crude oil and products	51.0	100.0%	51.8	100%	(1.5)%	207.4	100.0%	192.9	100%	127.7	100%	7.5%	51.1%
Gas	bcm		bcm			bcm		bcm		bcm			
Sales Volumes	16.07		14.70		9.3%	56.53		39.07		11.08		44.7%	>100%

*Calculated from unrounded data.

¹To convert tonnes to barrels a 7.404 ratio is used in 2014, 7.362 in 2013, 7.315 in 2012.

Average Crude Oil 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, 2014</i>		<i>September 30, 2014</i>		<i>% change between 4th and 3^d quarters</i>	<i>December 31, 2014</i>		<i>December 31, 2013</i>		<i>December 31, 2012</i>		<i>December 31, 2014 - 2013</i>		<i>2013 - 2012</i>	
	<i>(thRUB/ barrel)</i>	<i>(thRUB/ tonne)</i>	<i>(thRUB/ barrel)</i>	<i>(thRUB/ tonne)</i>		<i>thRUB/ barrel)</i>	<i>(thRUB/ tonne)</i>	<i>(thRUB/ barrel)</i>	<i>(thRUB/ tonne)</i>	<i>(thRUB/ barrel)</i>	<i>(thRUB/ tonne)</i>	<i>2014 - 2013</i>	<i>2013 - 2012</i>		
Average prices on foreign markets															
Crude oil, non-CIS	3.32	24.6	3.49	25.9	(5.0)%	3.51	26.0	3.29	24.2	3.24	23.7	7.4%	2.1%		
Europe and other directions	3.39	25.1	3.54	26.2	(4.2)%	3.57	26.4	3.37	24.8	3.37	24.6	6.5%	0.8%		
Asia	3.21	23.7	3.41	25.2	(6.0)%	3.40	25.1	3.08	22.7	2.95	21.6	10.6%	5.1%		
Crude oil, CIS	1.38	10.2	1.73	12.8	(20.3)%	1.74	12.9	1.76	13.0	1.66	12.1	(0.8)%	7.4%		
Petroleum products, non-CIS		25.9		27.1	(4.4)%		27.0		24.5		25.8	10.2%	(5.0)%		
Europe and other directions		25.6		26.8	(4.5)%		26.6		24.3		25.4	9.5%	(4.3)%		
Asia		27.1		28.2	(3.9)%		28.2		25.2		26.8	11.9%	(6.0)%		
Petroleum products, CIS		37.2		35.7	4.2%		30.5		27.0		23.4	13.0%	15.4%		
Average domestic prices															
Crude oil	1.51	11.2	1.74	12.9	(13.2)%	1.73	12.8	1.61	11.9	1.40	10.3	7.6%	15.5%		
Petroleum products		28.3		28.3	0.0%		27.3		24.9		23.1	9.6%	7.8%		
Wholesale		24.0		24.0	0.0%		23.1		21.1		20.2	9.5%	4.5%		
Retail		36.0		35.6	1.1%		35.0		33.0		29.4	6.1%	12.2%		
Gas (th.rub. /th. cubic meter)		3.10		2.79	11.1%		2.96		2.63		1.97	12.5%	33.5%		
Sales of bunker fuel to end-users		18.2		19.1	(4.7)%		18.6		18.0		17.9	3.3%	0.6%		
Petrochemical products		33.6		36.0	(6.7)%		33.8		29.9		29.8	13.0%	0.3%		
International sales		43.7		43.9	(0.5)%		41.8		35.8		33.9	16.8%	5.6%		
Domestic sales		19.0		19.0	0.1%		17.7		14.3		16.8	23.8%	(14.9)%		

**average price is calculated from unrounded figures.*

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the fourth quarter of 2014 amounted to RUB 540 billion compared to RUB 624 billion in the third quarter of 2014. Revenue reduction by RUB 62 billion was due to decrease in sales volumes by 9.9% accompanied by 5.0% downturn of average crude oil price (negative effect on revenue of RUB 22 billion). The decrease in export sales volumes was due to redirection of crude oil volumes to processing.

In 2014 revenues from international crude oil sales to non-CIS countries increased by 16.2% compared to 2013 and amounted to RUB 2,458 billion. Sales volumes growth by 8.7% (positive impact on revenues of RUB 172 billion) was accompanied by an increase in average prices by 7.4% (favourable impact on revenues of RUB 170 billion).

In 2013 revenues from international crude oil sales to non-CIS countries increased by 48.9% (or by RUB 695 billion) compared to 2012. Sales volumes growth was 47.0% (positive impact on revenues of RUB 652 billion) and was accompanied by a slight increase in average price by 2.1% (favourable impact on revenues of RUB 43 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 2014 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.

Share of sales to Transneft in the total volume of oil supplies to the Asian region slightly increased in the fourth quarter of 2014. Excluding revenues from crude oil sales to Transneft (RUB 19 billion) in the fourth quarter of 2014 the average sales price on the Asian markets in comparison with the third quarter of 2014 decreased by 4.9% and amounted to RUB 3.55 thousand per barrel.

In 2014 compared with 2013 the average sales price on Asian markets excluding revenues from crude oil sales to Transneft increased by 6.0% and amounted to 3.73 thousand per barrel.

In 2013 the average price on the Asian markets amounted to RUB 3.52 thousand per barrel excluding revenues from crude oil sales to Transneft (RUB 78 billion).

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS in the fourth quarter of 2014 reduced by 13.0% compared to the third quarter of 2014 and amounted to RUB 20 billion. The decrease in average sales price by 20.3% (negative effect of RUB 6 billion) was partially offset by crude oil sales volume upturn of 12.0% (favourable impact on revenues of RUB 3 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).

In 2013 revenues from international crude oil sales to CIS countries were RUB 128 billion or 64.1% upturn in comparison with 2012, which is mainly attributable to sales volumes growth of 51.8% (positive impact on revenues of RUB 40 billion) and was accompanied by a 7.4% increase in average sales price (favourable impact on revenues of RUB 10 billion).

Domestic Sales of Crude Oil

Revenue from domestic sales of crude oil in the fourth quarter of 2014 decreased by 13.8% compared to the third quarter 2014 and amounted to RUB 25 billion mainly due to downturn of average crude oil price by 13.2% (negative impact on revenues of RUB 4 billion).

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).

In 2013 revenues from domestic sales of crude oil were RUB 81 billion. The increase in sales volume more than 12 times (the positive impact on revenues of RUB 65 billion) was accompanied by growth of average crude oil price by 15.5% (the positive impact of RUB 11 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 2014:

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2014			September 30, 2014			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	3	0.1	41.7	3	0.1	37.9	0.0%	0.0%	10.0%
Low octane gasoline	1	0.0	41.5	1	0.0	36.0	0.0%	–	15.3%
Naphtha	29	1.0	28.3	28	0.9	32.2	3.6%	11.1%	(12.1)%
Diesel (Gasoil)	124	4.0	31.0	115	3.6	31.1	7.8%	11.1%	(0.3)%
Fuel oil	127	6.3	20.2	121	5.6	21.4	5.0%	12.5%	(5.6)%
Jet fuel	0	0.0	44.5	0	0.0	40.3	–	–	10.4%
Other	14	0.5	28.2	14	0.5	30.6	0.0%	0.0%	(7.8)%
Total petroleum products exported to non-CIS	298	11.9	25.0	282	10.7	26.2	5.7%	11.2%	(4.6)%
<i>Petroleum products sold from ROG refineries</i>	74	2.5	30.1	72	2.3	31.4	2.8%	8.7%	(4.1)%
<i>Petroleum products bought and sold outside Russia</i>	5	0.1	31.9	–	–	–	–	–	–
Total	377	14.5	25.9	354	13.0	27.1	6.5%	11.5%	(4.4)%

*average price is calculated from unrounded figures.

Revenue from the international sales of petroleum products to non-CIS countries were RUB 377 billion in the fourth quarter of 2014, which is 6.5% higher compared to the third quarter of 2014. The growth mainly resulted from sales volumes upturn of 11.5% (favourable impact of RUB 41 billion) and was partially offset by decrease in average price of 4.4% (negative impact of RUB 18 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in 2014, 2013 and 2012:

	For 12 months ended December 31,									% change between 12 months ended December 31, 2014 and 2013		% change between 12 months ended December 31, 2013 and 2012			
	2014			2013			2012			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	19	0.6	34.9	17	0.6	29.2	7	0.2	37.2	11.8	0.0	19.5	>100	>100	(21.5)
Low octane gasoline	4	0.0	36.9	2	0.1	34.9	5	0.2	30.1	100.0	(100.0)	5.7	(60.0)	(50.0)	15.9
Naphtha	118	3.8	31.3	118	4.1	28.7	104	3.6	28.8	0.0	(7.3)	9.1	13.5	13.9	(0.3)
Diesel (Gasoil)	489	15.6	31.4	322	11.1	29.1	203	7.0	29.1	51.9	40.5	7.9	58.6	58.6	0.0
Fuel oil	510	23.9	21.3	397	20.7	19.2	254	12.6	19.9	28.5	15.5	10.9	56.3	64.3	(3.5)
Jet fuel	0	0.0	39.5	2	0.0	37.6	1	0.0	37.6	(100.0)		5.1	100	-	0.0
Other	65	2.2	30.3	50	1.9	26.4	5	0.3	27.0	30.0	15.8	14.8	>100	>100	(2.2)
Total petroleum products exported to non-CIS	1,205	46.1	26.2	908	38.5	23.6	579	23.9	24.2	32.7	19.7	11.0	56.8	61.1	(2.5)
<i>Petroleum products sold from ROG refineries</i>	275	8.9	31.0	245	8.6	28.5	260	8.7	29.7	12.2	3.5	8.8	(5.8)	(1.1)	(4.0)
<i>Petroleum product purchased and sold outside Russia</i>	12	0.3	31.9	12	0.4	30.1	17	0.6	29.3	0.0	(25.0)	6.0	(29.4)	(33.3)	2.7
Total	1,492	55.3	27.0	1,165	47.5	24.5	856	33.2	25.8	28.1	16.4	10.2	36.1	43.1	(5.0)

*average price is calculated from unrounded figures

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).

In 2013 revenues from the export of petroleum products to non-CIS countries were RUB 1,165 billion, 36.1% higher compared to 2012. Sales volume increased by 43.1% (favourable impact on revenues of RUB 369 billion). Significant increase in sales volumes was partially offset by average price decline of 5.0% (negative impact on revenues of RUB 60 billion).

International Petroleum Product Sales to CIS

Revenues from sales of petroleum products to CIS countries were RUB 21 billion in the third quarter of 2014, which is 50.0% higher compared to the third quarter of 2013. 50.0% growth of petroleum products sales volumes (positive impact on revenues of RUB 6 billion) was accompanied by an increase in average prices by 4.2% (favorable impact on revenues of RUB 1 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 quarter and third quarter of 2014:

	For 3 months ended						% change					
	December 31, 2014			September 30, 2014			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	110	3.1	36.4	107	2.9	36.6	2.8%	6.9%			(0.5)%	
Low octane gasoline	1	0.0	33.5	0	0.0	31.1	-	-			7.7%	
Diesel (Gasoil)	74	2.4	30.7	70	2.4	29.8	5.7%	0.0%			3.0%	
Fuel oil	8	0.8	10.3	7	0.5	11.1	14.3%	60.0%			(7.2)%	
Jet fuel	26	0.9	28.3	28	1.0	28.4	(7.1)%	(10.0)%			(0.4)%	
Other	13	1.0	12.9	17	1.3	13.8	(23.5)%	(23.1)%			(6.5)%	
Total	232	8.2	28.3	229	8.1	28.3	1.3%	1.2%			0.0%	

Revenues from sales of petroleum products on the domestic market were RUB 232 billion in the fourth quarter of 2014, which is 1.3% higher compared to the third quarter of 2014. A growth of sales volume of 1.2% (positive impact on revenues of RUB 3 billion) was accompanied by a stable average price.

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russia in 2014, 2013 and 2012:

	<i>For 12 months ended December 31,</i>									<i>% change between 12 months ended December 31, 2014 and 2013</i>			<i>% change between 12 months ended December 31, 2013 and 2012</i>		
	2014			2013			2012			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	RUB billion	million of tonnes	Average price th.RUB/tonne	RUB billion	million of tonnes	Average price th.RUB/tonne
High octane gasoline	398	11.4	35.0	334	10.5	31.7	188	6.3	30.0	19.2	8.6	10.4	77.7	66.7	5.7
Low octane gasoline	3	0.0	30.7	4	0.2	24.0	7	0.4	24.7	(25.0)	(100.0)	27.9	(42.9)	(50.0)	(2.8)
Diesel	278	9.3	30.2	305	10.7	28.4	212	8.7	24.9	(8.9)	(13.1)	6.3	43.9	23.0	14.1
Fuel oil	26	2.5	10.4	19	1.9	10.2	17	1.6	10.6	36.8	31.6	2.0	11.8	18.8	(3.8)
Jet fuel	96	3.4	28.1	77	3.1	25.4	39	1.6	25.4	24.7	9.7	10.6	97.4	93.8	0.0
Other	59	4.9	12.3	55	5.4	10.1	34	2.8	10.9	7.3	(9.3)	21.8	61.8	92.9	(7.3)
Total	860	31.5	27.3	794	31.8	24.9	497	21.4	23.1	8.3	(0.9)	9.6	59.8	48.6	7.8

*average price is calculated from unrounded figures.

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).

Revenues from sales of petroleum products on the domestic market in 2013 were 59.8% higher in comparison to 2012 and amounted to RUB 794 billion. The increase was due to sales volumes growth by 48.6% (favorable impact on revenues of RUB 240 billion) and 7.8% upturn in average prices (positive impact on revenues of RUB 57 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. In 2013 growth of the jet fuel sales was more than twice in comparison with 2012 due to participation of important partners.

Sales of bunker fuel

The Company sells bunker fuel (fuel oil, low-viscosity marine fuel and diesel fuel) in the seaport (the Far East, the North 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 as well as in ports outside the Russian Federation.

Revenues from sales of bunker fuel in the fourth quarter of 2014 were RUB 17 billion, a decrease of 26.1% in comparison with the third quarter of 2014, which is mainly attributable to seasonal decrease in bunker fuel sales in winter period.

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. Revenues from sales of bunker fuel in 2013 increased by 18.0% or RUB 9 billion in comparison with 2012.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the fourth quarter of 2014 were RUB 22 billion. The decrease was 18.5% or RUB 5 billion compared to the third quarter of 2014. A decrease in sales volume of 9.7% (unfavorable impact on revenues of RUB 4 billion) was accompanied by average sales price downturn by 6.7% (negative impact on revenue of RUB 1 billion). Sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) in the fourth quarter 2014 in comparison to the third quarter 2014 slightly decreased and amounted to 0.4 mln tonnes.

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 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.

In 2013 revenues from sales of petrochemical products increased by 11.9% compared to 2012, due to the growth of sales volume by 6.9% (positive impact on revenues of RUB 6 billion) and average sales price upturn by 0.3% (favorable impact on revenue of RUB 4 billion). In 2013 sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) amounted to 2.2 mln tonnes.

Gas Sales

The Company strategy envisages gas business expansion on the Russian domestic market. Rosneft's supply of gas has been limited to date. Gazprom is a dominant gas supplier and controls the Uniform Gas Supply System with the domestic market share of more than 70%.

In order to increase its share on the domestic market Rosneft is currently implementing gas program aimed at extension of contracts portfolio and effective diversification of distribution channels.

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>	
	<i>December 31, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
Revenue	(RUB billion)		%	(RUB billion)			%	
Western Siberia	27.2	19.1	42.4%	88.2	55.4	5.7	59.2%	>100%
South Russia	3.0	2.5	20.0%	10.6	9.7	8.0	9.3%	21.3%
Far East	0.6	0.3	100.0%	1.7	1.3	1.4	30.8%	(7.1)%
European part of Russia	18.5	18.7	(1.1)%	64.9	29.9	6.7	>100%	>100%
Outside Russian Federation	0.6	0.4	50.0%	2.3	6.6	0.0	(65.2)%	–
Total	49.9	41.0	21.7%	167.7	102.9	21.8	63.0%	>100.0%
Sales volumes	(bcm)			(bcm)				
Western Siberia	9.43	8.25	14.3%	32.75	24.02	4.54	36.3%	>100%
South Russia	0.88	0.73	20.5%	3.12	3.11	3.02	0.3%	3.0%
Far East	0.19	0.10	90.0%	0.60	0.58	0.72	3.4%	(19.4)%
European part of Russia	5.44	5.49	(0.9)%	19.41	10.42	2.80	86.3%	>100%
Outside Russian Federation	0.13	0.13	0.0%	0.65	0.94	0.00	(30.9)%	–
Total	16.07	14.70	9.3%	56.53	39.07	11.08	44.7%	>100.0%
Average price	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)				
Western Siberia	2.88	2.32	24.1%	2.69	2.24	1.25	20.1%	79.2%
South Russia	3.39	3.48	(2.6)%	3.40	3.12	2.64	9.0%	18.2%
Far East	3.14	2.58	21.7%	2.73	2.29	1.88	19.2%	21.8%
European part of Russia	3.40	3.40	0.0%	3.34	2.91	2.45	14.8%	18.8%
Outside Russian Federation	4.68	3.49	34.1%	3.67	6.97	0.00	(47.3)%	–
Total	3.10	2.79	11.1%	2.96	2.63	1.97	12.5%	33.5%

*average price is calculated from unrounded figures.

In the fourth quarter of 2014 revenues from gas sales increased in comparison with third quarter 2014 and amounted to RUB 49.9 billion. A growth of sales volume by 9.3% (favourable impact of RUB 4 billion) was mainly due to seasonal increased sales and was accompanied by increase in average price by 11.1% (positive impact on revenues of RUB 5 billion) resulted from increased sales to regional distributors and premium channels in energy sector.

Gas sales growth of RUB 65 billion in 2014 in comparison with 2013 was driven by the extension of contracts' portfolio and by the acquisition NGK "Itera" LLC assets which contributed to entering the market of end-users in the premium Russian regions and resulted in increased gas supply to final industrial and household consumers.

Gas sales growth of RUB 81 billion in 2013 in comparison with 2012 was driven by the acquisition of TNK-BP assets and NGK "Itera" LLC assets.

In October-November 2014 the Company participated in the natural gas exchange trading at the St.Petersburg international commodity exchange. At the closing of trading sessions the Company supplied 24 mln cubic metres of gas to the industrial end-users.

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 comprehensive income.

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, 2014		September 30, 2014			2014		2013		2012		2014 – 2013	2013 – 2012
	% of total revenue	% of total revenue	% of total revenue	% of total revenue		% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue		
	(RUB billion, except %)												
Drilling services	3.0	14.9%	3.9	18.8%	(23.1)%	11.0	14.7%	2.9	5.0%	2.2	5.3%	>100%	31.8%
Sales of materials	5.3	26.4%	7.4	36.0%	(28.4)%	23.1	30.9%	19.8	33.9%	10.1	24.3%	16.7%	96.0%
Repairs and maintenance services	1.5	7.5%	1.2	5.8%	25.0%	4.0	5.3%	2.7	4.6%	3.3	7.9%	48.1%	(18.2)%
Rent services	0.9	4.5%	1.0	4.8%	(10.0)%	3.6	4.8%	3.6	6.2%	2.8	6.7%	0.0%	28.6%
Construction services	0.2	1.0%	0.2	0.5%	0.0%	0.7	0.9%	0.7	1.2%	2.2	5.3%	0.0%	(68.2)%
Transport services	2.6	12.9%	2.2	10.6%	18.2%	9.9	13.2%	8.5	14.6%	7.2	17.3%	16.5%	18.1%
Electric power sales and transmission	3.0	14.9%	2.2	10.6%	36.4%	9.7	13.0%	6.2	10.6%	4.6	11.1%	56.5%	34.8%
Other revenues	3.6	17.9%	2.7	12.9%	33.3%	12.8	17.2%	14.0	23.9%	9.2	22.1%	(8.6)%	52.2%
Total	20.1	100.0%	20.8	100.0%	(3.4)%	74.8	100.0%	58.4	100.0%	41.6	100.0%	28.1%	40.4%

Support services and other revenues were 3.4% lower in the fourth quarter of 2014 compared to the third quarter of 2014 and amounted to RUB 20.1 billion. Revenues from drilling services and sales of materials decrease in fourth quarter of 2014 compared to third quarter 2014 due to seasonal factor.

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.

Downstream production and operating cost

Downstream operating expenses decreased by 2.2% in the fourth quarter of 2014 compared with the third quarter of 2014 and amounted to RUB 45 billion mainly due to change in intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories).

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

	<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, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
Operating expenses at refineries in Russia (RUB billion)	20.33	16.61	22.4%	68.00	57.46	35.14	18.3%	63.5%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)*	1,001	836*	19.7%	879*	829	720	6.0%	15.1%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	980	813*	20.5%	853*	799	691	6.8%	15.6%
Operating expenses at refineries outside Russia (RUB billion)**	6.37	4.63	37.6%	19.39	15.81	14.98	22.6%	5.5%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,270	1,671	35.8%	1,811	1,492	1,388	21.4%	7.5%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,276	1,733	31.3%	1,838	1,492	1,396	23.2%	6.9%
Total operating expenses at Rosneft's refineries (RUB billion)	26.70	21.24	25.7%	87.39	73.27	50.12	19.3%	46.2%

*Achinsk refinery workshops expenses incurred in the period of accident liquidation RUB 0.6 billion were excluded from calculation of operating expenses per tonne.

**Refineries outside Russia also procured for processing the additives and materials: in the fourth quarter of 2014 – RUB 12.83 billion, in the third quarter of 2014 – in the amount of RUB 8.03 billion, in 2014 – RUB 38.74 billion, in the years 2013 and 2012 – in the amount of RUB 30.65 billion and RUB 33.70 billion, respectively.

Operating expenses of Rosneft's refineries were RUB 26.70 billion in the fourth quarter of 2014, which is an increase of 25.7% compared with the third quarter of 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.

In 2013 operating expenses of Rosneft's refineries increased by 46.2% compared to 2012 and amounted to RUB 73.27 billion.

Operating expenses of Rosneft's refineries in Russia were RUB 20.33 billion in the fourth quarter of 2014 and increased by 22.4% compared with the third quarter of 2014. The increase resulted from electricity and materials and supplies growth.

In 2014 operating expenses of Rosneft's refineries in Russia increased to RUB 68 billion (or by 18.3%) in comparison with 2013, mainly as a result of incorporation of expenses of new assets from the acquisition date in 2013.

In 2013 operating expenses of Rosneft's refineries in Russia increased to RUB 57.46 billion (or by 63.5%) compared with RUB 35.14 billion in 2012 mainly due to incorporation of operating expenses of new refining units.

Operating expenses of Rosneft's refineries outside of Russia increased in the fourth quarter of 2014 by 37.6% in comparison with the third quarter of 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.

Operating costs per tonne of crude oil throughput of Rosneft's refineries outside Russia are higher than operating expenses of Rosneft's refineries in Russia due to more wide range of produced petroleum products and specifically petrochemicals, and also higher Nelson index (more complicated technological production process).

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 853 RUB 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 1,838 RUB 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 Costs¹

The following table shows Rosneft's crude oil, gas and petroleum products procurement costs and volumes and third-party refining 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>	
	December 31, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
Crude oil procurement								
Cost of crude oil procured (RUB billion)	106	100	6.0%	403	341	261	18.2%	30.7%
<i>including Domestic market</i>	35	36	(2.8)%	144	108	40	33.3%	>100%
<i>International market</i>	71	64	10.9%	259	233	221	11.2%	5.4%
Volume of crude oil procured (million of barrels)	45.9	40.7	12.8%	163.9	143.3	91.4	14.4%	56.8%
<i>including Domestic market</i>	27.7	23.5	17.9%	96.0	77.0	28.3	24.7%	>100%
<i>International market</i>	18.2	17.2	5.8%	67.9	66.3	63.1	2.4%	5.1%
Inventory revaluation write-off (RUB billion)	–	–	–	–	14	–	(100)%	100%
Gas procurement²								
Cost of gas procured (RUB billion)	6.3	4.1	53.7%	23.2	26.0	1.2	(10.8)%	>100%
Volume of gas procured (bcm)	3.88	2.62	48.1%	13.29	14.9	0.72	(10.8)%	>100%
Petroleum products procurement								
Cost of petroleum product procured (RUB billion)*	12	9	33.3%	41	35	57	17.1%	(38.6)%
Volume of petroleum product procured (million of tonnes)	0.36	0.34	5.9%	1.42	1.35	2.12	5.2%	(36.3)%
Crude oil, gas and petroleum products refining services								
Cost of refining of crude oil under processing agreements (RUB billion)	8.2	7.7	6.5%	28.3	15.6	–	81.4%	100%
Volumes of crude oil refined under processing agreements (million of tonnes)	0.8	0.8	–	3.1	4.0	–	(22.5)%	100%
Volumes of refining of gas under processing agreements (bcm)	3.1	2.5	24.0%	9.2	3.7	–	>100%	100%
Volumes of refining of petroleum products under processing agreements (million of tonnes)	2.0	2.2	(9.1)%	8.2	4.4	–	86.4%	100%
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	132	121	9.1%	495	432	319	14.6%	35.4%

*Average 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.

¹Cost of purchases under IFRS consolidated financial statements.

²Disclosure of gas procurement in section "Upstream .Financial indicators. Gas procurement".

Crude oil procurement

Rosneft purchases crude oil primarily from its associates to process it at own refineries and also to export. Rosneft procures crude oil on the international market to supply it to Ruhr Oel GmbH (ROG) 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 31 December,</i>	
	<i>December 31, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
	(million bbl, except %)							
International market	18.2	17.2	5.8%	67.9	66.3	63.1	2.4%	5.1%
Udmurteft	7.4	6.6	12.1%	25.9	19.7	12.6	31.5%	56.3%
Slavneft	18.0	14.6	23.3%	57.7	48.0	–	20.2%	–
Others	2.3	2.3	–	12.4	9.3	15.7	33.3%	(40.8)%
Total	45.9	40.7	12.8%	163.9	143.3	91.4	14.4%	56.8%

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 comprehensive income in previous periods.

The volume of swap was 7.6 mln barrels, 68.7 million barrels and 81.6 million barrels in 2014, 2013 and 2012, 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 foreign markets.

The table below sets forth Rosneft’s costs, volumes and average prices per tonne of petroleum products procured from third parties:

	<i>For 3 months ended</i>						<i>% change</i>		
	<i>December 31, 2014</i>			<i>September 30, 2014</i>			<i>RUB billion</i>	<i>million of tonnes</i>	<i>Average price th. RUB/tonne</i>
	<i>RUB billion</i>	<i>million of tonnes</i>	<i>Average price th. RUB/tonne</i>	<i>RUB billion</i>	<i>million of tonnes</i>	<i>Average price th. RUB/tonne</i>			
<i>Petroleum products procurement in Russia</i>									
High octane gasoline	3	0.08	34.1	4	0.13	32.0	(25.0)%	(38.5)%	6.6%
Diesel	2	0.07	30.8	2	0.09	28.8	–	(22.2)%	6.9%
Fuel oil	0	0.01	13.4	1	0.07	14.1	(100.0)%	(85.7)%	(5.0)%
Jet fuel	1	0.03	28.1	0	0.00	28.6	100.0%	100.0%	(1.7)%
Other	1	0.02	24.6	2	0.05	22.1	(50.0)%	(60.0)%	11.3%
<i>Petroleum products procured outside Russia</i>	5	0.15	31.9	0	0.00	26.7	100.0%	100.0%	19.5%
Total	12	0.36	32.8	9	0.34	25.9	33.3%	5.9%	26.6%

The volume of petroleum product procured in the fourth quarter of 2014 increased by 5.9% compared with the third quarter of 2014. Increase in petroleum products procurements volume in Russia was due to increase in seasonal demand. Increased procurement of petroleum products outside Russia was due to increased sales of petroleum products under long-term agreements.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in 2014, 2013 and 2012:

	<i>For 12 months ended December 31,</i>									<i>% change for 12 months ended December 31, 2014 and 2013</i>			<i>% change for 12 months ended December 31, 2013 and 2012</i>		
	2014			2013			2012			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	11	0.33	32.3	6	0.24	28.2	24	0.90	26.7	83.3%	37.5%	14.5%	(75.0)%	(73.3)%	5.6%
Diesel	10	0.36	28.9	4	0.17	27.0	10	0.41	25.1	>100%	>100%	7.0%	(60.0)%	(58.5)%	7.6%
Fuel oil	2	0.18	13.6	1	0.05	11.9	-	-	-	100%	>100%	14.3%	-	-	-
Jet fuel	2	0.05	27.3	2	0.09	25.9	2	0.07	24.3	-	(44.4)%	5.4%	-	28.6%	6.6%
Other	3	0.09	24.3	2	0.07	22.8	3	0.13	20.9	50.0%	28.6%	6.6%	(33.3)%	(46.2)%	9.1%
Petroleum products procured outside Russia	13	0.41	31.9	20	0.73	28.7	18	0.61	29.1	(35.0)%	(43.8)%	11.1%	11.1%	19.7%	(1.4)%
Total	41	1.42	28.7	35	1.35	26.4	57	2.12	25.5	17.1%	5.2%	8.7%	(38.6)%	(36.3)%	3.5%

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.

The petroleum product volume procured in Russia increased in 2014 compared to 2013 resulted from insufficient fulfillment of seasonal increase in petroleum products consumption from Company resources caused by some turnarounds.

The decrease in volumes of petroleum product purchased in 2013 compared to 2012 was due consumption fulfilment from Company's resources following the increase in processing volumes.

Petroleum products procurement outside Russia

Petroleum products procured outside Russia amounted to RUB 5 billion (0.15 million tonnes) in the fourth quarter of 2014. Increased procurement of petroleum products outside Russia is due to increased sales of petroleum products under long-term agreements.

Petroleum products procured outside Russia in 2014 was RUB 13 billion (0.41 mln tonnes) in comparison with RUB 20 billion (0.73 million tonnes) in 2013 and RUB 18 billion (0.61 mln tonnes) in 2012.

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 8.7 billion in 2014.

Gas purchases amounted to RUB 6.3 billion in the fourth quarter of 2014, an increase of 53.7% compared with the third quarter of 2014 was due to seasonal factor (planned increased consumption in winter period).

Gas purchases in 2014, 2013, 2012 were RUB 23.2 billion, RUB 26.0 billion and RUB 1.2 billion, respectively. Crude oil and gas processing expenses increased in 2014 in comparison with 2013 by 81.4% due to incorporation of new assets in 2013.

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).

In the fourth quarter of 2014 Rosneft's transportation costs increased by 8.8% and amounted to RUB 123 billion compared to the third quarter of 2014. The growth in transportation costs was due to increased railroad tariffs and volume of petroleum products following the resumption of dispatches from Achinsk refinery.

In 2014 Rosneft's transportation costs increased by 20.2% compared to 2013. The growth in transportation costs was due to transportation volumes growth and increased tariffs.

In 2013 Rosneft's transportation costs increased by 62.7% compared to 2012. The growth in transportation costs was due to incorporation of expenses of new assets, transportation volumes growth and tariffs indexation, partially offset by the change in structure of transportation routes.

The table below sets forth comparison on quarter-on-quarter basis for costs per tonne of crude oil and petroleum products transported by pipeline, railroad and mixed transportation:

	<i>For 3 months ended</i>								<i>% change</i>		
	December 31, 2014				September 30, 2014				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			
CRUDE OIL											
<u>International sales</u>											
Pipeline	22.7	95.4%	37.0	1.63	24.6	94.6%	39.5	1.61	(7.7)%	(6.3)%	1.2%
Railroad and mixed	1.1	4.6%	3.4	2.83	1.4	5.4%	3.3	2.58	(21.4)%	3.0%	9.7%
<u>Transportation to refineries</u>											
Pipeline ¹	24.6		19.0	0.77	23.0		19.3	0.84	7.0%	(1.6)%	(8.3)%
Railroad and mixed	1.7		7.0	4.00	1.8		6.7	3.64	(5.6)%	4.5%	9.9%
PETROLEUM PRODUCTS											
<u>International sales</u>											
Pipeline	1.4	8.7%	3.5	2.55	1.0	6.8%	2.2	2.25	40.0%	59.1%	13.3%
Railroad and mixed	12.8	79.0%	32.4	2.53	11.8	79.7%	23.5	1.98	8.5%	37.9%	27.8%
Pipeline and FCA ²	2.0	12.3%			2.0	13.5%			0.0%		
<u>Other transportation expenses</u> ³											
			21				18			16.7%	
Total	66.3		123		65.6		113		1.1%	8.8%	

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

² Rosneft exported part of petroleum products in the fourth and third quarters of 2014 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 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.

Crude oil pipeline transportation cost per tonne of international sales in the fourth quarter of 2014 increased insignificantly and amounted to RUB 1.63 thousand per tonne.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 9.7% due to indexation of railroad tariffs and negative effect of dollar component of the transportation tariff.

Crude oil pipeline transportation cost per tonne of supplies to refineries decreased by 8.3% in the fourth quarter of 2014 compared to the third quarter of 2014 which was due to reduction of share of expensive routes.

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries in the fourth quarter of 2014 increased by 9.9% compared to the third quarter of 2014 due to the change in transportation structure and indexation of transportation tariffs.

The increase in pipeline cost per tonne of petroleum product international sales was 13.3% in the fourth quarter of 2014 compared to the previous quarter mainly due to change in logistic structure and growth of transportation tariffs for several directions.

Railroad and mixed transportation cost per tonne of petroleum product international sales increased by 27.8% in the fourth quarter of 2014 compared to the third quarter of 2014 due to indexation of railroad tariffs, termination of river navigation period and resumption of petroleum products dispatches from Achinsk refinery .

The table below sets forth comparison for costs per tonne of crude oil and petroleum products transported by pipeline, railway and mixed transportation in 2014, 2013 and 2012:

	For 12 months ended December 31,												% change between the twelve months ended December 31, 2014 and 2013			% change between the twelve months ended December 31, 2013 and 2012		
	2014				2013				2012				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	96.9	94.6%	155.9	1.61	91.9	94.5%	153.0	1.66	64.7	97.4%	105.6	1.63	5.4%	1.9%	(3.0)%	42.0%	44.9%	1.8%
Railroad and mixed	5.5	5.4%	14.4	2.65	5.4	5.5%	11.4	2.19	1.7	2.6%	1.4	0.84	1.9%	26.3%	21.0%	>100%	>100%	>100%
Transportation to refineries																		
Pipeline ¹	92.2		74.9	0.81	75.1		54.0	0.72	43.4		25.8	0.59	22.8%	38.7%	12.5%	73.0%	>100%	22.0%
Railroad and mixed	6.8		27.6	3.98	6.1		23.5	3.83	6.1		24.2	3.97	11.5%	17.4%	3.9%	-	(2.9)%	(3.5)%
PETROLEUM PRODUCTS																		
International sales																		
Pipeline	4.5	7.2%	10.3	2.32	3.9	7.1%	8.1	2.10	1.4	3.8%	3.3	2.39	15.4%	27.2%	10.5%	>100%	>100%	(12.1)%
Railroad and mixed	50.5	80.4%	114.5	2.26	40.4	73.5%	76.0	1.88	27.0	73.4%	47.0	1.74	25.0%	50.7%	20.2%	49.6%	61.7%	8.0%
Pipeline and FCA ²	7.8	12.4%			10.7	19.5%			8.4	22.8%			(27.1)%			27.4%		
Other transportation expenses ³																		
			74				65					34		13.8%			91.2%	
Total	264.2		471		233.5		392		152.7		241		13.1%	20.2%		52.9%	62.7%	

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

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

³ 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.

In 2014 the decrease in crude oil pipeline transportation cost per tonne of international sales was 3.0% in comparison with 2013 due to increase in share of short routes.

The increase in transportation costs per tonne of products sold (for crude oil and petroleum products) almost for every type of transport mainly resulted from tariffs indexation, change in transportation structure due to new assets integration.

Excise tax

In the fourth quarter of 2014 excise tax was RUB 34 billion in comparison with RUB 36 billion in the third quarter of 2014.

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.

Excise amount in 2013 increased in comparison with 2012 and was RUB 136 billion.

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 Results of Operations – Taxation”.

The following table sets forth Rosneft’s export customs 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, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
	(RUB billion, except %)							
Export customs duty for crude oil	300	307	(2.3)%	1,224	1,025	689	19.4%	48.8%
Export customs duty for gas	–	–	–	–	1	–	(100%)	–
Export customs duty for petroleum products	125	106	17.9%	459	356	212	28.9%	67.9%
Total export customs duties	425	413	2.9%	1,683	1,382	901	21.8%	53.4%

Export customs duty increase of 2.9% in the fourth quarter of 2014 compared to the third quarter of 2014 was due to the higher rouble-denominated duty rates (resulting from rouble depreciation) and the negative impact of duty lag which were partially offset by the lower dollar-denominated Urals price and decreased oil export volumes. In the third quarter of 2014 the Ministry of Economic Development of the Russian Federation published revised export customs duty rates for January 2014. Downturn effect from the revision of export customs duty rate of prior period amounted to RUB 2.4 billion.

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.

In 2013 export custom duty growth was 53.4% compared to 2012, mainly due to the expansion of Company’s export operations resulted from consolidation of acquired assets.

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, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
	(thousand RUB per tonne, except %)							
Average Urals price	26.43	27.10	(2.5)%	27.77	25.25	25.09	10.0%	0.6%
Average enacted export customs duty	14.84	13.77	7.8%	14.06	12.49	12.57	12.6%	(0.6)%
Hypothetical export customs duty*	11.37	12.90	(11.9)%	12.77	12.50	12.55	2.2%	(0.4)%
Average customs duty on crude oil exports to non-CIS countries subject to regular rate	14.71	13.76	6.9%	13.85	12.49	12.57	10.9%	(0.6)%

*Hypothetical 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.

Operating results of segment “Corporate and others”

Segment includes the Group companies that provides 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, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
Financial results, RUB billion								
EBITDA	(13)	(13)	–	(45)	(56)	(34)	19.6%	(64.7)%
Operating cost	11	11	–	38	31	31	22.6%	–
Capital expenditures ¹	–	5	(100%)	11	20	19	(45.0%)	5.3%

¹Refers to “Capital expenditures”.

Financial indicators

Operating cost of the segment “Corporate”

Production and operating expenses related to the segment “Corporate” remained practically unchanged in the fourth quarter of 2014 compared to the third quarter of 2014.

Selected 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.

General and administrative expenses in the fourth quarter of 2014 amounted to RUB 30 billion. The company strengthened control over administrative expenses.

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.

In 2013 and 2012 general and administrative expenses were RUB 111 billion and RUB 68 billion, respectively. The increase was mainly driven by the incorporation of expenses of acquired assets, payment of commission fees under the long-term crude supply contracts, legal and consulting fees during the integration process with new assets and other services.

Depreciation, Depletion and Amortisation

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

Depreciation, depletion and amortisation were RUB 134 billion in the fourth quarter of 2014 compared to RUB 116 billion in the third quarter of 2014. The increase of RUB 18 billion was mainly due to increased fixed assets costs.

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

In 2013 depreciation, depletion and amortisation increased by 90.3% compared with RUB 206 billion in 2012, mainly due to incorporation of acquired assets into the Company.

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, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
	(RUB billion, except %)							
Mineral extraction tax	224	248	(9.7)%	982	829	553	18.5%	49.9%
Excise tax	34	36	(5.6)%	139	136	79	2.2%	72.2%
Social security tax	8	9	(11.1)%	38	31	23	27.3%	34.8%
Property tax	7	7	–	28	22	12	22.6%	83.3%
Interest, penalties and other payments to budget	3	3	–	8	6	5	33.3%	20.0%
Total taxes other than income tax	276	303	(8.9)%	1,195	1,024	672	16.7%	52.4%

Taxes other than income tax were RUB 276 billion and decreased by 8.9% in the fourth quarter of 2014, compared with RUB 303 billion in the third quarter of 2014 mainly due to decreased mineral extraction tax resulted from tax rate reduction and social security tax resulted from regression scale at the end of the year.

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.

In 2013 an increase in taxes other than income was 52.4% (RUB 352 billion) compared to 2012, that was mainly due to incorporation of other tax expenses of new acquired assets in 2013 and due to an increase in mineral extraction tax rate and excise duties.

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 2014 net finance expenses amounted to RUB 98 billion compared to RUB 52 billion the third quarter of 2014 mainly due to negative changes in fair value of cross-currency rate swap and forward contracts. In the fourth quarter of 2014 the net loss from operations with derivative financial instruments in the amount of RUB 75 billion includes an unrealized loss from changes in fair value measurements in the amount of RUB 78 billion and a realized gain in the form of net payments in the amount of RUB 3 billion. The loss from changes in fair value of derivative financial instruments is due to RUB depreciation against USD at the end of the period.

Net finance expenses increased by RUB 154 billion in 2014 compared to 2013. The increase is mainly attributable to the net loss from operations with derivative financial instruments (including an unrealized loss from changes in fair value measurements in the amount of RUB 132 billion and a realized gain in the form of net payments in the amount of RUB 10 billion in 2014) and the increase in interest expenses, including interest expenses for the use of funds under terms of prepayment agreements.

In 2013 the increase in net finance expenses compared with 2012 was mainly attributable to accrual of finance expenses on loans drawn for the acquisition of TNK-BP assets, the repayment of bank deposits, and changes in net effect from operations with derivative financial instruments.

Other income and other expenses

In the fourth quarter of 2014 there is no changes in other income compared to RUB 2 billion in the third quarter of 2014.

In 2014 other income amounted to RUB 64 billion. In 2013 other income was RUB 246 billion including the final fair value estimation of new assets acquired. In 2012 other income amounted to RUB 87 billion.

In the fourth quarter of 2014 other expenses amounted to RUB 18 billion compared to RUB 13 billion in the third quarter of 2014. Other expenses mainly include expenses on liquidation of fixed assets in the course of operating activities and other expenses.

In 2014, 2013 and 2012 other expenses amounted to RUB 54 billion, RUB 59 billion and RUB 50 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. Changes were mainly related to revaluation of assets and liabilities denominated in foreign currency as a result of the significant depreciation of the RUB against the US\$ in the fourth quarter of 2014.

In accordance with IAS 39, *Financial instruments: recognition and measurement* the Company applies hedge accounting in the financial statements to account for the effects of a natural hedge between a portion of its export revenues and liabilities denominated in U.S. dollars, effective on October 1, 2014¹. A portion of future monthly export revenues expected to be received in U.S. dollars over the following five years is designated as a hedged item. Debt liabilities of the Company in U.S. dollars to third parties are designated as hedging instruments. The nominal amounts of the hedged item and the hedging instruments are equal.

¹ See p. 3 "Management on foreign exchange risk in terms of high russian rouble fluctuation

To the extent that a change in foreign currency rate impacts the hedging instrument, the effects are recognized in other comprehensive income/(loss). Upon completion of the hedged transaction the related exchange differences temporarily held within equity are released to profit or loss for the period within revenue.

In 2014 foreign exchange gain recognized in profit and loss statement amounted to RUB 64 billion. The cumulative effect from cash flow hedge in the amount of RUB 498 billion was recognized in other comprehensive loss/(income) and will be reclassified in the statement of profit and loss with relative currency revenue recognition starting from 2015.

The effect from capitalization of the foreign exchange differences on capital loans to fund capital expenditures amounted to RUB 15 billion.

Foreign exchange loss in 2013 was RUB 71 billion compared to foreign exchange gain of RUB 11 billion in 2012. In 2013 and 2012 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.

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>		
	December 31, 2014	September 30, 2014	2014	2013	2012
Effective income tax rate for Rosneft under IFRS	20.4 ¹ %	20.0%	20.1 ¹ %	22.5%*	22.2%

*Excluding the effect of fair value estimation and initial revaluation surplus of non-controlling interests in Verkhnechonskneftegaz.

¹ Excluding tax dividend in the amount of RUB 32 billion.

The Company applies the provisions of IAS 12 "Income taxes" to determine effective tax rate. The effective tax rate in 2014 was 20.1%.

The income tax expense amounted to RUB 63 billion in the fourth quarter of 2014. This amount includes income tax to dividends received from non-resident company of RUB 32 billion.

In accordance with Statement of comprehensive income, income tax expense was RUB 128 billion and RUB 81 billion and RUB 104 billion in 2014, 2013 and 2012, respectively.

Net Income

As a result of the factors discussed above, including effect of foreign exchange risk management, net income amounted to RUB 89 billion in the fourth quarter of 2014 compared to the net income of RUB 1 billion in the third quarter of 2014.

Net income amounted to RUB 350 billion in 2014, including effect of foreign exchange risk management, effective from the fourth quarter of 2014.

Net income amounted to RUB 555 billion and RUB 365 billion in 2013 and 2012, respectively. The increase in the net income is mainly attributable to operating income and other income increase (including the effect of new assets acquired) which were partially offset by foreign exchange losses. In 2013 the amount of net income included positive effect from estimation of TNK-BP assets of RUB 167 billion. Excluding this effect the amount of net income was RUB 388 billion.

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, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
	<i>(RUB billion)</i>		<i>Times</i>	<i>(RUB billion)</i>			<i>times</i>	
Net cash provided by operating activities	358	366	0.98	1,626	1,216	521	1.34	2.33
Net cash used in investing activities	(123)	(229)	0.54	(979)	(2,220)	(452)	0.44	4.91
Net cash from/(used in) financing activities	(185)	(148)	1.25	(774)	965	73	–	13.26

Operating Cash Flow

Net cash provided by operating activities amounted to RUB 358 billion in the fourth quarter of 2014 compared to RUB 366 billion in the third quarter of 2014. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net inflow of RUB 3 billion in the fourth quarter of 2014 and net outflow of RUB 4 billion in the third quarter of 2014).

Net cash provided by operating activity adjusted for the above operations amounted to RUB 355 billion in the fourth quarter of 2014 (adjusted for operations with trading securities in the amount of RUB 3 billion), RUB 370 billion in the third quarter of 2014 (adjusted for operations with trading securities in the amount of RUB 4 billion).

Net cash provided by operating activities amounted to RUB 1,626 billion in 2014 in comparison with RUB 1,234 billion in 2013 (adjusted for operations with trading securities in the amount of RUB 18 billion) and RUB 516 billion in 2012 (adjusted for operations with trading securities in the amount of RUB 5 billion).

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, 2014</i>	<i>September 30, 2014</i>		<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2014 – 2013</i>	<i>2013 – 2012</i>
	<i>(RUB billion)</i>		<i>times</i>	<i>(RUB billion)</i>			<i>times</i>	
Net cash provided by operating activity	358	366	0.98	1,626	1,216	521	1.34	2.33
<i>Effect from operation with trading securities</i>	<i>(3)</i>	<i>4</i>	<i>–</i>	<i>–</i>	<i>18</i>	<i>(5)</i>	<i>–</i>	<i>–</i>
Adjusted net cash provided by operating activity	355	370	0.96	1,626	1,234	516	1.32	2.39
<i>One off effect from receipts under long term oil contracts</i>	<i>–</i>	<i>66</i>	<i>–</i>	<i>497</i>	<i>470</i>	<i>–</i>	<i>–</i>	<i>–</i>
Adjusted net cash provided by operating activity before change in working capital	355	304	1.17	1,129	764	516	1.48	1.47

In the fourth quarter of 2014 operating cash flow decreased by 2.2% compared to the third quarter of 2014. Despite unfavorable macroeconomic environment the Company continues to generate a positive cash flow through effective working capital management.

Investing Activities

Net cash used in investing activities was RUB 123 billion in the fourth quarter of 2014 compared to RUB 229 billion in the third quarter of 2014. The decrease in cash used in investing activities was due to the inflow from placed deposits which was partially compensated by growth of capital expenditures, license acquisition expenses and expenses for JV activity financing in the fourth quarter of 2014 in comparison with the third quarter of 2014.

Net cash used in investing activities was RUB 979 billion in 2014 and RUB 2,220 billion in 2013 including cash used for TNK-BP acquisition of RUB 1,195 billion in 2013. Net cash used in investing activities was RUB 452 billion in 2012.

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>	
	December 31, 2014	September 30, 2014		2014	2013	2012	2014 – 2013	2013 – 2012
(RUB billion, except %)								
Yuganskneftegaz	25	23	8.7%	87	100	117	(13.0)%	(14.5)%
Vankorneft	12	7	71.4%	39	62	91	(37.1)%	(31.9)%
Orenburgneft	7	6	16.7%	26	23	–	13.0%	–
Samotlorneftegaz	7	6	16.7%	25	16	–	56.3%	–
Projects on Sakhalin	1	8	(87.5)%	23	12	12	91.7%	–
Uvatneftegaz	6	4	50.0%	21	21	–	–	–
Verkhnechonskneftegaz	4	4	–	17	16	–	6.3%	–
Purneftegaz	5	5	–	16	18	18	(11.1)%	–
Rospan International	5	3	66.7%	15	7	–	>100%	–
Samaraneftegaz	5	3	66.7%	15	11	11	36.4%	–
Varyoganneftegaz	3	3	–	12	9	–	33.3%	–
VSNGK	5	3	66.7%	9	3	2	>100%	50.0%
Tomskneft VNK	2	2	–	7	7	7	–	–
Nyaganeftegaz	2	2	–	7	6	–	16.7%	–
Severnaya Neft	2	1	100.0%	7	5	7	40.0%	(28.6)%
Other	13	12	8.3%	34	21	18	61.9%	16.7%
Government grants	(5)	(4)	25.0%	(10)	(7)	–	42.9%	–
Total upstream segment	99	88	12.5%	350	330	283	6.1%	16.6%
JSC “NK “Rosneft”	–	–	–	–	1	1	(100.0)%	–
Tuapse refinery	25	11	>100%	57	69	77	(17.4)%	(10.4)%
Kuibyshev refinery	7	2	>100%	16	17	11	(5.9)%	54.5%
Novokuibyshevsk refinery	4	4	–	15	21	13	(28.6)%	61.5%
Syzran refinery	3	3	–	13	14	8	(7.1)%	75.0%
Angarsk refinery	4	4	–	12	13	9	(7.7)%	44.4%
Achinsk refinery	5	2	>100%	12	16	14	(25.0)%	14.3%
Ryazan refinery	2	2	–	8	9	–	(11.1)%	–
Komsomolsk refinery	2	1	100.0%	8	12	9	(33.3)%	33.3%
Saratov refinery	1	–	–	2	3	–	(33.3)%	–
Other refineries	7	10	(30.0)%	22	20	10	10.0%	100.0%
Marketing Business Units and others	4	1	>100%	7	15	19	(53.3)%	(21.1)%
Total downstream segment	64	40	60.0%	172	210	171	(18.1)%	22.8%
Other activities	–	5	(100.0)%	11	20	19	(45.0)%	5.3%
Total capital expenditures	163	133	22.6%	533	560	473	(4.8)%	18.4%
License acquisition costs	20	6	>100%	28	12	4	>100%	>100%

In the fourth quarter of 2014 total capital expenditures (including construction material purchases) increased compared with the third quarter capital expenditures and amounted to RUB 163 billion.

In 2014 total capital expenditures (including construction material purchases) were RUB 533 billion in comparison with RUB 560 billion in 2013 due to the optimization of capital expenditures performed by the Company.

In 2013 and 2012 total capital expenditures (including construction material purchases) amounted to RUB 560 billion and RUB 473 billion respectively. The increase was due to incorporation of capital expenditures of new acquired entities.

In the fourth quarter of 2014 upstream capital expenditures (including construction material purchases) increased by 12.5% compared to the third quarter and amounted to RUB 99 billion. The Company maintained a stable level of contracting and execution of works and seasonal intensive works at the end of the year.

In 2014 upstream capital expenditures amounted to RUB 350 billion compared with RUB 330 billion in the 2013 and RUB 283 billion in 2012. Works performed in 2014 mainly relate to completion of active stage of development of oil fields infrastructure at Vankor field and at a number of the Company's fields, development of gas projects in Krasnodar and exploration drilling and field development in Yamal and Irkutsk region.

Downstream capital expenditures increased by 60% to RUB 64 billion in the fourth quarter of 2014, compared with RUB 40 billion in the third quarter of 2014. Capital expenditures of refineries increased in the fourth quarter of 2014 to RUB 60 billion compared with RUB 39 billion in the third quarter of 2014. Increase in refinery capital expenditures was due to works and equipment deliveries under continued modernization refinery program in Russia.

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 194 billion, in 2013 and RUB 171 billion, including capital expenditures of refineries in the amount of RUB 151 billion, in 2012. Works performed in 2014 mainly related to continued programme for capacity upgrade and expansion at Rosneft's refineries in order to completely switch to production of the Euro-5 motor fuels, including extension of capacities of Tuapse refinery and preliminary works at VNHK.

Capital expenditures for other activities that were related to planned acquisition of transportation and other equipment were optimized compared with the third quarter of 2014. Capital expenditures for other activities were equal to RUB 11 billion in 2014 compared with RUB 20 billion in 2013 and RUB 19 billion in 2012.

The Company retrospectively changed the presentation of changes in stock of materials for capital expenditure. The changes in stock of materials for capital expenditure were reclassified from the line "Increase/(decrease) in stock of materials for capital expenditure" to the line presenting capital expenditures of respective subsidiary of the Company, which holds these materials. The amounts reclassified are presented below:

	<i>For 12 months ended December 31, 2013</i>
	RUB billion
Upstream segment	(13)
Downstream segment	7
Other activities	(3)
Total decrease in stock of materials for capital expenditure	(9)

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.

Financing activities

Net cash used in financing activities was RUB 185 billion in the fourth quarter of 2014 compared to RUB 148 billion of net cash used in financing activities in the third quarter of 2014. The increase in cash used in financing activities was mainly due to scheduled loans repayment.

Net cash used in financing activities in 2014 was RUB 774 billion compared with RUB 965 billion of net cash provided by financing activities in 2013 that was as a result of raising funds to finance the acquisition of TNK-BP assets in the amount of US\$ 31.04 billion.

Net cash provided by financing activities amounted to RUB 73 billion in 2012.

Debt Obligations

Rosneft net debt amounts was RUB 2,467 billion as of December 31, 2014 compared to RUB 1,772 billion as of September 30, 2014. In December 2014 the Company made a scheduled payment in the amount approximately equal to US\$ 7 billion of some loans taken out for TNK-BP acquisition.

Rosneft's total loans and borrowings and other financial liabilities was RUB 3,406 billion as of December 31, 2014 compared to RUB 2,582 billion as of September 30, 2014. The increase was mainly attributable to effect of revaluation of debt denominated in foreign currency.

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, 2014, September 30, 2014 and December 31, 2013: 28.3%, 26.1%, 23.6% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of December 31, 2014, September 30, 2014 and December 31, 2013 pledged oil exports constituted 4.3%, 4.2% and 4.2% respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

The calculation of the net debt is disclosed in the following table¹:

As of the date	December 31, 2014	September 30, 2014	December 31, 2013
	RUB billion		
Short-term debt and other short-term liabilities	1,216	1,114	701
Long-term debt and other long-term liabilities	2,190	1,468	1,684
Total debt	3,406	2,582	2,385
Cash and cash equivalents	216	139	275
Other short-term financial assets	723	671	232
Net debt	2,467	1,772	1,878

¹Revised data of previous periods.

Key Financial Ratios

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,	2014	2013	2012
	2014	2014			
Adjusted EBITDA margin	14.3%	20.0%	19.2%	20.7%	20.0%
Net income margin	6.8%	0.1%	6.4%	11.8%	11.8%
Net debt to annualised EBITDA	2.33	1.55	2.33	1.81 ¹	0.97
Current ratio	1.05	1.07	1.05	1.05	2.09
	RUB / bbl				
Adjusted EBITDA/bbl	526	778	745	739	724
Upstream capital expenditures/bbl	277	247	247	252	331
Upstream operating expenses/bbl	201	182	179	154	100
Adjusted free cash flow before interest/bbl	537	480	420	155	50
	RUB / boe				
Adjusted EBITDA/boe	425	643	615	656	661
Upstream capital expenditures/boe	224	204	203	223	303
Upstream operating expenses/boe	162	150	147	137	91
Adjusted free cash flow before interest/boe	434	397	346	138	46

¹ Estimation, including LLC NGK "Itera" results from 01.01.2013.

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 Measures¹

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31,	September 30,	2014	2013	2012
	2014	2014			
Crude oil and NGL production (mln bbl)	357.3	355.9	1,419.6	1,312.1	853.9
Crude oil and NGL and gas production (mln boe)	441.9	430.6	1,721.7*	1,478.1*	934.5

¹ Excluding share in production of associates.

* Including gas production at Kynsko-Chaselskoye Neftegaz and Bratskecogaz from the third quarter of 2013 and gas production at Sibneftegaz from 2014.

Calculation of Adjusted Free Cash Flow

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31,	September 30,	2014	2013	2012
	2014	2014			
	(RUB billion)				
Net cash provided by operating activities	358	366	1,626	1,216	521
Capital expenditures	(163)	(133)	(533)	(560)	(473)
Trading securities operations*	(3)	4	–	18	(5)
One-off effect from receipts under long term oil contracts	–	(66)	(497)	(470)	–
Adjusted free cash flow	192	171	596	204	43

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

Calculation of adjusted EBITDA Margin

	For 3 months ended		For 12 months ended December 31,		
	December 31, 2014	September 30, 2014	2014	2013	2012
			(RUB billion)		
Operating income	54	160	593	555	412
Depreciation, depletion and amortisation	134	116	464	392	206
EBITDA	188	276	1,057	947	618
<i>One-off effect¹</i>	–	1	1 ¹	23	–
Adjusted EBITDA	188	277	1,058	970	618
Sales revenues	1,311	1,382	5,503	4,694	3,089
Adjusted EBITDA margin	14.3%	20.0%	19.2%	20.7%	20.0%

¹One-off effect from the recognition of commission expenses under long term oil contracts in 2014. 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 Net Income Margin

	For 3 months ended		For 12 months ended December 31,		
	December 31, 2014	September 30, 2014	2014	2013	2012
			(RUB billion)		
Net income	89	1	350	555	365
Revenues	1,311	1,382	5,503	4,694	3,089
Net income margin	6.8%	0.1%	6.4%	11.8%	11.8%

Current ratio

	For 3 months ended		For 12 months ended December 31,		
	December 31, 2014	September 30, 2014	2014	2013	2012
			(RUB billion)		
Current assets	2,131	1,916	2,131	1,455	949
Current liabilities	2,031	1,789	2,031	1,387	453
Current ratio	1.05	1.07	1.05	1.05	2.09

Calculation of Capital Employed and Related Indicators

	For 12 months ended December 31,		
	2014	2013	2012
	(RUB billion)		
Short-term loans, other liabilities and current portion of long-term debt	1,216	701	146
Long-term debt	2,190	1,684	845
Cash and cash equivalents	(216)	(275)	(299)
Short-term financial assets	(723)	(232)	(90)
Net debt¹	2,467	1,878	602
Shareholders' equity	2,872	3,130	2,283
Minority interest in subsidiaries' earnings	9	39	39
Equity	2,881	3,169	2,322
Capital employed	5,348	5,047	2,924
Average equity, including minority interest²	3,025	2,746	2,213
Average capital employed	4,959³	3,986	2,739

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

²Average 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.

³Average 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)

	For 12 months ended December 31		
	2014	2013	2012
	(RUB billion, except %)		
Operating income	593	555	412
Income tax expense	(96)*	(81)	(104)
Return used for calculation of ROACE	497	474	308
Average capital employed	4,959	3,986	2,739
ROACE	10.0%	12.0%	11.0%

*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>		
	2014	2013	2012
		(RUB billion, except %)	
Net income	350	555	365
Average equity, including minority interest	3,025	2,746	2,213
ROAE, annualized where appropriate	11.6%	20.2%	16.5%