



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND JUNE 30, 2015
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**

*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 September 30, 2015 and June 30, 2015 and September 30, 2014 (the "**Interim Condensed Consolidated Financial Statements**"). Such terms as "**Rosneft**", "**Company**" and "**Group**" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries, its equity share in associates and joint ventures. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.*

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

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

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

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Overview

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

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

According to oil and gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, as of December 31, 2014 proved hydrocarbon reserves amounted:

Classification	Proved reserves volume	Replacement coefficient, %
SEC	34 bln boe	154%
PRMS (1P)*	43 bln boe	174%

*including crude oil and NGL – 30.8 billion barrels and marketable gas – 2,018 billion cubic meters

In the third quarter of 2015 Rosneft's hydrocarbon production amounts to 5.1 million boe per day. The output of natural and associated gas is 14.83 billion cubic meters in the third quarter of 2015.

Domestic crude oil processing amounted to 0.22 million tonnes per day (average for the third quarter of 2015) at Company's own refineries. 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

	For 3 months ended		% change	For 9 months ended		% change
	September 30, 2015	June 30, 2015		September 30, 2015	September 30, 2014	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	1,266	1,312	(3.5)%	3,866	4,192	(7.8)%
EBITDA	244	311	(21.5)%	820	869	(5.6)%
EBITDA adjusted *	267	326	(18.1)%	879	870	1.0%
Net income ¹	113	134	(15.7)%	303	261	16.1%
Capital expenditures	140	141	(0.7)%	409	370	10.5%
Adjusted free cash flow**	177	210	(15.7)%	517	404	28.0%
Net Debt	1,622	2,215	(26.8)%	1,622	1,772	(8.5)%
Operational results						
Hydrocarbon production (th. boe per day)	5,081	5,149	(1.3)%	5,143	5,074	1.4%
Crude oil and NGL production (th. barrels per day)	4,099	4,126	(0.7)%	4,119	4,162	(1.0)%
Gas production (th. boe per day)	982	1,023	(4.0)%	1,024	912	12.3%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	21.47	20.36	5.5%	62.84	61.66	1.9%
Production of petroleum products and petrochemical products outside Russia (mln tonnes) ***	3.40	3.29***	3.3%	9.29	9.76	(4.8)%

*Adjusted for exchange rate difference referred to revenue recognition under long term oil supply contracts in the amount of RUB 23 billion and RUB 15 billion in the third and the second quarters, RUB 59 billion in the nine months of 2015 respectively.

**Excluding the effect of operations with trading securities and one-off effect from prepayments under long-term supply oil agreements.

*** Revised data of the additives output in the second quarter of 2015.

For reference only: Financial highlights in USD terms*

	For 3 months ended		% change	For 9 months ended		% change
	June 30, 2015	March 31, 2015		June 30, 2015	June 30, 2014	
Financial results, USD billion						
Revenues and equity share in profits of associates and joint ventures	20.6	25.2	(18.3)%	66.8	118.5	(43.6)%
EBITDA	4.2	6.3	(33.3)%	15.0	24.7	(39.3)%
Net income	1.8	2.5	(28.0)%	5.3	7.3	(27.4)%
Capital expenditures	2.2	2.7	(18.5)%	6.9	10.4	(33.7)%
Adjusted free cash flow	3.0	4.2	(28.6)%	9.7	11.6	(16.4)%
Net Debt	24.5	39.9	(38.6)%	24.5	45.0	(45.6)%

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

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 and loss for the period within revenue.

In the third quarter of 2015 foreign exchange differences are recognised in "Other comprehensive (loss)/income". The amount recognised was a loss of RUB 169 billion before tax (RUB 135 billion after tax). Upon the completion of the hedged transaction the related exchange differences temporarily held within equity are recognized in the consolidated profit or loss statement for the period as "Revenue". The amount recognized in Profit and loss statement for the third quarter 2015 was a loss of RUB 30 billion before tax (RUB 24 billion after tax). In nine months of 2015 the total foreign exchange cash flow hedge recognized in "Other comprehensive (loss)/income" was a loss of RUB 101 billion before tax (RUB 81 billion loss after tax).

As of September 30, 2015 the total amount of accumulated loss that remains to be amortized to revenue is RUB 599 billion before tax (RUB 479 billion after tax).

Rouble depreciation vs U.S. dollar causes accumulated loss to grow and has a negative impact on revenues. Rouble appreciation vs U.S. dollar causes accumulated losses to become smaller and reduces negative impact on revenues.

Significant events in the third quarter of 2015

Rosneft agreed on sale of 15% in Vankorneft to ONGC Videsh

Rosneft and Indian ONGC Videsh Limited during the Eastern Economic Forum signed the agreement of sale and purchase of 15% in Vankorneft and shareholders agreement in regard of the enterprise management. Parties intend to complete the transaction upon getting necessary regulatory and other approvals.

Rosneft retains 100% control over the Vankor cluster infrastructure (including the Vankor - Purpe pipeline) and will create an operator company that will allow more efficient management of both Vankor field and other Company's licenses in this region.

Rosneft, Sberbank and Pietro Barbaro closed the acquisition of Prime Shipping

The Russian Joint Venture between Rosneft, Sberbank Investments and Pietro Barbaro S.p.A. closed the acquisition of the Pietro Barbaro Group shipping assets in the Russian Federation (100% share of Prime Shipping group of companies). The acquisition of a logistics asset will allow Rosneft to strengthen its positions in the river transportation market and enhance the efficiency of operations, including that in the area of oil and oil products trading, and secure tanker fleet transportation.

Rosneft closed the transaction for the acquisition of a Russian oilfield service company from Trican Well Service Ltd.

A company of the Rosneft Group and a subsidiary of Trican Well Service Ltd. closed the transaction, pursuant to which a Rosneft subsidiary acquires a 100% participation interest in Trican Well Service LLC, which provides high-quality pressure pumping services focused on enhancement of production within the conventional oil and gas industry in Russia.

Acquisition of Petrol Market Company

In August 2015 the Company acquired 100% ownership interest in Petrol Market Company ("Petrol Market") which owns a network of gas stations and oil storage facilities in the Republic of Armenia. Consideration paid amounted to US\$ 40 million (RUB 2.7 billion at the CBR official exchange rate at the acquisition date).

Macroeconomic factors affecting results of operations

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

- Changes in crude oil, petroleum product and gas prices;
- RUB/USD exchange rate and inflation;
- Taxation including changes in mineral extraction tax, export customs duty and excises;
- Changes in tariffs of natural monopolies (for pipeline and railway transport);
- Changes 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 pipeline system is blended with crude oil of other producers that is of a different quality. The resulting Urals blend is traded at a discount to Brent. Crude oil exported via Eastern Siberia – Pacific Ocean ("ESPO") pipeline is sold at a price which is linked to the price of "Dubai" blend.

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

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

	For 3 months ended			For 9 months ended		
	September 30, 2015	June 30, 2015	% change	September 30, 2015	September 30, 2014	% change
World market	(USD per barrel)			(USD per barrel)		
Brent (dated)	50.3	61.9	(18.8)%	55.3	106.6	(48.1)%
Urals (average Med and NWE)	49.4	61.8	(20.1)%	54.6	105.1	(48.0)%
Urals (FOB Primorsk)	47.6	58.8	(19.0)%	52.3	103.4	(49.4)%
Urals (FOB Novorossiysk)	48.5	60.0	(19.3)%	53.3	104.2	(48.8)%
Dubai	49.8	61.3	(18.8)%	54.3	104.0	(47.8)%
	(USD per tonne)			(USD per tonne)		
Naphtha (av. FOB/CIF Med)	409	516	(20.6)%	456	894	(49.0)%
Naphtha (av. FOB Rotterdam/CIF NWE)	427	536	(20.3)%	476	909	(47.7)%
Naphtha (CFR Japan)	461	564	(18.2)%	506	933	(45.8)%
Fuel oil (av. FOB/CIF Med)	247	329	(24.7)%	286	575	(50.3)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	239	320	(25.3)%	277	567	(51.1)%
High sulphur fuel oil 180 cst (FOB Singapore)	274	367	(25.4)%	319	602	(47.0)%
Gasoil (av. FOB/CIF Med)	470	571	(17.7)%	516	893	(42.1)%
Gasoil (av. FOB/Rotterdam/CIF NWE)	476	573	(17.0)%	521	896	(41.8)%
Gasoil (FOB Singapore)	459	552	(16.9)%	504	888	(43.1)%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent (dated)	3.17	3.26	(2.9)%	3.28	3.77	(13.0)%
Urals (average Med and NWE)	3.11	3.25	(4.4)%	3.24	3.72	(12.9)%
Urals (FOB Primorsk)	3.00	3.10	(3.1)%	3.10	3.66	(15.2)%
Urals (FOB Novorossiysk)	3.05	3.16	(3.4)%	3.16	3.69	(14.3)%
Dubai	3.14	3.23	(2.9)%	3.22	3.68	(12.6)%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	25.8	27.2	(5.1)%	27.0	31.6	(14.5)%
Naphtha (av. FOB Rotterdam/CIF NWE)	26.9	28.2	(4.7)%	28.2	32.2	(12.3)%
Naphtha (CFR Japan)	29.0	29.7	(2.2)%	30.0	33.0	(9.2)%
Fuel oil (av. FOB/CIF Med)	15.6	17.3	(10.0)%	16.9	20.3	(16.8)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	15.1	16.9	(10.6)%	16.4	20.1	(18.1)%
High sulphur fuel oil 180 cst (FOB Singapore)	17.3	19.3	(10.8)%	18.9	21.3	(11.2)%
Gasoil (av. FOB/CIF Med)	29.6	30.1	(1.6)%	30.6	31.6	(3.1)%
Gasoil (av. FOB Rotterdam/CIF NWE)	29.9	30.2	(0.8)%	30.9	31.7	(2.5)%
Gasoil (FOB Singapore)	28.9	29.1	(0.6)%	29.9	31.4	(4.7)%
Russian market	(th. RUB per tonne)			(th. RUB per tonne)		
(net of VAT, including excise tax)						
Crude oil	12.6	13.7	(7.8)%	13.0	11.8	10.6%
Fuel oil	7.4	8.2	(10.6)%	7.7	9.3	(17.1)%
Summer diesel	28.5	28.7	(0.5)%	28.0	26.7	4.8%
Winter diesel	30.4	29.8	2.0%	29.6	28.7	3.1%
Jet fuel	28.2	26.5	6.4%	26.4	25.1	5.4%
High octane gasoline	35.1	30.6	14.9%	31.3	30.8	1.9%
Low octane gasoline	31.2	27.2	14.8%	28.3	27.6	2.6%

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

The difference between price movements denominated in USD and those denominated in RUB is explained by nominal RUB depreciation against USD by 16.4% in the third quarter of 2015 compared to the second quarter of 2015 and nominal RUB depreciation against USD by 40.3% in the nine months of 2015 compared with the nine months of 2014.

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

Starting from July 1, 2015 regulated gas price which is set by the FAS increased by 7.5%. The regulated price has affected, and is likely to continue to affect, the pricing of Rosneft gas sales. Rosneft's average domestic gas sales price (net of VAT) was RUB 3.16 thousand per thousand cubic meters and RUB 3.03 thousand per thousand cubic meters in the third and second quarters of 2015, respectively, and RUB 3.11 thousand per thousand cubic meters and RUB 2.90 thousand per thousand cubic meters in the nine months of 2015 and 2014, respectively.

USD/RUB and EUR/RUB Exchange Rates and Inflation

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

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
Producer price index (PPI) for the period*	0.5%	2.1%	12.0%	5.2%
Average RUB/USD exchange rate for the period**	62.98	52.65	59.28	35.39
RUB/USD exchange rate at the end of the period	66.24	55.52	66.24	39.39
Average RUB/EUR exchange rate for the period	70.11	58.24	66.26	47.99
RUB/EUR exchange rate at the end of the period	74.58	61.52	74.58	49.95

Source: Central Bank of Russian Federation.

*Annualized producer price index amounted to 12.7% as at the end of nine months of 2015.

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

Taxation

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2015	June 30, 2015	% change	September 30, 2015	September 30, 2014	% change
Mineral extraction tax *						
Crude oil (RUB per tonne)	6,263	7,071	(11.4)%	6,721	6,017	11.7%
Export customs duty for crude oil						
Crude oil (USD per tonne)	128.7	130.4	(1.3)%	129.8	383.9	(66.2)%
Crude oil (RUB per tonne)	8,104	6,867	18.0%	7,692	13,585	(43.4)%
Crude oil (RUB per barrel)	1,095	927	18.0%	1,039	1,835	(43.4)%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	6,319	5,354	18.0%	5,997	12,225	(50.9)%
Naphtha (RUB per tonne)	6,886	5,834	18.0%	6,535	12,225	(46.5)%
Light and middle distillates (RUB per tonne)	3,886	3,294	18.0%	3,688	8,965	(58.9)%
Diesel (RUB per tonne)	3,886	3,294	18.0%	3,688	8,828	(58.2)%
Liquid fuels (fuel oil) (RUB per tonne)	6,155	5,217	18.0%	5,843	8,965	(34.8)%

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

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

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

Excise on petroleum products	2015	2016	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
Benzol, paraxylene, ortoxylyene (RUB per tonne)	2,300	3,000	2,800

In accordance with Federal law 366-FZ the producer is able to apply an increased coefficient to excise duty deduction (from 1.37 to 3.4 depending on type of the oil product subject to excise duty and deduction period). This rule is applied only to the petrochemical products, benzole, paraxylene and ortoxylyene produced from naphtha. In the 9 months of 2015, the Company exercised its right to apply increased coefficient to excise duty deduction and had a positive effect of RUB 1.14 billion.

Effective tax burden of the Company was 48.0% and 45.8% in the third and second quarters of 2015, respectively. The mineral extraction tax and the export customs duty accounted for approximately 42.1% and 39.7% of Rosneft's total revenues in the third and second quarters of 2015, respectively. Tax withdrawing share in the financial results excluding forex and one off effects increased by 1.7% up to 87% in the nine months of 2015.

Mineral Extraction Tax (MET)

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

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

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

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

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

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

Changes in MET rate calculation for natural gas and gas condensate

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

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

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

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

In the third and second quarters of 2015 and nine months of 2015 and 2014 average extraction tax for natural gas was RUB 536 and 510 per th. cubic meters, and RUB 514 and 484 per th. cubic meters, respectively. Until July 2014 the mineral extraction rate for gas condensate was fixed and amounted to RUB 471 per th. cubic meters.

Mineral extraction gas condensate tax rate

The production of gas condensate is mainly subject to MET rate for crude oil because the purification of gas condensate is compounded in the crude oil production. Mineral extraction gas condensate tax rate is applied in separate purification of gas condensate. Significant volume of gas condensate produced at Rospan fields is subject to mineral extraction gas condensate tax rate, which was RUB 2,318* and 2,411 per tonne* in the third and second quarters of 2015 and RUB 2,349* and 608 per tonne in nine months of 2015 and 2014, RUB 647 per tonne was till July 2014.

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

Export Customs Duty on Crude Oil

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

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

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

**Currently the Government of Russian Federation is in process of revising possible increase in the rate of export customs duty for crude oil up to 42% in 2016 instead of previously established - 36%.*

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

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

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

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

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

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

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

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

Marginal export customs duty rate for crude oil with special physical and chemical characteristics produced at certain crude oil fields (USD per tonne)
42% of the difference between the average Urals price in USD per tonne and USD 182.5 deducting 14% of the average Urals price in USD per tonne and USD 56.57 (since January 1 through December 31, 2015)
36% of the difference between the average Urals price in USD per tonne and USD 182.5 deducting 14% of the average Urals price in USD per tonne and USD 56.57 (since January 1 through December 31, 2016)
30% of the difference between the average Urals price in USD per tonne and USD 182.5 deducting 14% of the average Urals price in USD per tonne and USD 56.57 (since January 1, 2017)
Calculated negative marginal export customs duty rate equals 0 (export customs duty is not levied)

Export customs duty on crude oil export to CIS

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

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

Export Customs Duty on Petroleum Products

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

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

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

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

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

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

Changes in Transport Tariffs of Pipeline and Railway Monopolies

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

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

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

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

Recent changes of Transneft transportation tariffs

Petroleum products

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

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

Crude oil

Starting from February 1, 2015 Transneft increased transit tariffs for crude oil transportation via Belarus by 9.7%. Starting from January 1, 2015 Transneft tariffs for oil pipeline transportation increased up to 6.5%, and for oil transportation via ESPO in the eastern direction – up to 7.5% compared to 2014. Starting from January 1, 2015, special export tariff is applied to crude oil transportation from fields of Western Siberia to the ports of Primorsk and Ust-Luga.

Recent changes in gas transportation tariffs

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

Recent changes in railroad transportation tariffs

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

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

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

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

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

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

	<i>For 3 months ended</i>	
	September 30, 2015	June 30, 2015
	th. RUB/tonne	
CRUDE OIL		
Domestic		
<i>Pipeline</i>		
Orenburgneft (Pokrovka) – Novokuibyshevsk refinery	0.13	0.13
Samotlorneftegaz – Angarsk refinery (short route)	1.00	1.00
Yuganskneftegaz (Karkateevy) – Ryazan NPK	1.23	1.23
Yuganskneftegaz (Karkateevy) – Syzran refinery	0.91	0.91
Export		
<i>Pipeline</i>		
Vankorneft (Purpe) – China	2.35	2.35
Verkhnechonskneftegaz (Talakan) – Kozmino	2.24	2.24
Yuganskneftegaz (Karkateevy) – Germany	1.75	1.74
Uvatneftegaz (Demyanskoe) – China via Kazakhstan	1.39	1.29
Yuganskneftegaz (Karkateevy) – Primorsk Port/ Ust-Luga Port	1.70	1.70
Yuganskneftegaz (Yuzhny Balyk) – Mozyr refinery	1.53	1.53
Samaraneftegaz (Kuleshovka) – Novorossiysk Port	0.90	0.90
PETROLIUM PRODUCTS (EXPORT)		
<i>Railroad</i>		
Diesel		
Angarsk refinery – Nakhodka Port	5.46	5.46
Komsomolsk refinery – Nakhodka Port	2.14	2.14
Saratov refinery – Novorossiysk Port	2.01	2.01
Fuel oil		
Samara refineries – Novorossiysk Port	2.43	2.43
Achinsk refinery – Taman Port	5.82	5.82
Ryazan refinery – Ust-Luga Port	2.05	2.05
Yanos – Ust-Luga Port	1.67	1.67
Naphtha		
Samara refineries – Tuapse Port	2.57	2.57
Achinsk refinery – Arkhangelsk Port	5.14	5.14
Komsomolsk refinery – Nakhodka Port	2.08	2.08
Nizhnevartovsky refinery – Tuapse Port	3.19	3.19

Source: *Transneft, RZD, Rosneft.*

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

Business Segments and Intersegment sales

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

Operating Segments

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

- *Exploration and production (Upstream).* Geological exploration and development of fields and crude oil and gas production both on the onshore and offshore in the territory of Russia and abroad;
- *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 the refineries of affiliates and third parties. Refined petroleum products are then either sold by the Company through wholesale in international or domestic markets or sold to the Company's sale subsidiaries for subsequent wholesale and retail distribution in Russia.

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

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

(Consolidated statement of profit or loss in RUB billions)

	Upstream		Downstream		Corporate		Total	
	Quarter III, 2015	Quarter II, 2015	Quarter III, 2015	Quarter II, 2015	Quarter III, 2015	Quarter II, 2015	Quarter III, 2015	Quarter II, 2015
Revenues and equity share in profits/(losses) of associates and joint ventures								
Oil, gas, petroleum products and petrochemicals sales	–	–	1,247	1,289	–	–	1,247	1,289
Support services and other revenues	–	–	–	–	18	18	18	18
Equity share in profits/(losses) of associates and joint ventures	(1)	1	2	4	–	–	1	5
<i>Intersegment revenues*</i>	<i>560</i>	<i>674</i>	–	–	–	–	–	–
Total revenues and equity share in profits/(losses) of associates and joint ventures	559	675	1,249	1,293	18	18	1,266	1,312
Costs and expenses								
Production and operating expenses	68	69	56	51	10	9	134	129
Cost of purchased oil, gas, petroleum products and refining costs	3	3	143	135	–	–	146	138
<i>Intersegment turnover*</i>	–	–	<i>560</i>	<i>674</i>	–	–	–	–
General and administrative expenses *	8	8	7	6	12	18	27	32
Pipeline tariffs and transportation costs	4	5	130	125	–	–	134	130
Exploration expenses	2	5	–	–	–	–	2	5
Depreciation, depletion and amortization	96	99	22	21	3	3	121	123
Taxes other than income tax	286	315	33	30	3	4	322	349
Export customs duty	–	–	257	218	–	–	257	218
Total costs and expenses	467	504	1,208	1,260	28	34	1,143	1,124
Operating income	92	171	41	33	(10)	(16)	123	188
Finance income	–	–	–	–	12	12	12	12
Finance expenses	–	–	–	–	(60)	(38)	(60)	(38)
Other income	–	–	–	–	–	28	–	28
Other expenses	–	–	–	–	(16)	(17)	(16)	(17)
Foreign exchange differences	–	–	–	–	83	(5)	83	(5)
Income before income tax	92	171	41	33	9	(36)	142	168
Income tax expense	(19)	(34)	(8)	(6)	(2)	6	(29)	(34)
Net income	73	137	33	27	7	(30)	113	134
EBITDA	188	270	63	54	(7)	(13)	244	311

*Updated data for the second quarter of 2015

Financial performance by segments for the periods: nine months ended September 30, 2015 and September 30, 2014*

(Consolidated statement of profit or loss in RUB billions)

	Upstream		Downstream		Corporate		Total	
	nine months ended							
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenues and equity share in profits/(losses) of associates and joint ventures								
Oil, gas, petroleum products and petrochemicals sales	–	–	3,803	4,136	–	–	3,803	4,136
Support services and other revenues	–	–	–	–	55	55	55	55
Equity share in profits/(losses) of associates and joint ventures	3	3	5	(2)	–	–	8	1
<i>Intersegment revenues</i>	<i>1,849</i>	<i>1,711</i>	–	–	–	–	–	–
Total revenues and equity share in profits/(losses) of associates and joint ventures	1,852	1,714	3,808	4,134	55	55	3,866	4,192
Costs and expenses								
Production and operating expenses	205	182	155	129	29	27	389	338
Cost of purchased oil, gas, petroleum products and refining costs	12	12	395	351	–	–	407	363
<i>Intersegment turnover</i>	–	–	<i>1,849</i>	<i>1,711</i>	–	–	–	–
General and administrative expenses	24	22	19	14	43	48	86	84
Pipeline tariffs and transportation costs	16	13	392	335	–	–	408	348
Exploration expenses	9	13	–	–	–	–	9	13
Depreciation, depletion and amortization	293	270	64	51	8	9	365	330
Taxes other than income tax	899	785	99	122	11	12	1,009	919
Export customs duty	–	–	738	1,258	–	–	738	1,258
Total costs and expenses	1,458	1,297	3,711	3,971	91	96	3,411	3,653
Operating income	394	417	97	163	(36)	(41)	455	539
Finance income	–	–	–	–	39	21	39	21
Finance expenses	–	–	–	–	(201)	(112)	(201)	(112)
Other income	–	–	–	–	37	64	37	64
Other expenses	–	–	–	–	(44)	(36)	(44)	(36)
Foreign exchange differences	–	–	–	–	95	(150)	95	(150)
Income before income tax	394	417	97	163	(110)	(254)	381	326
Income tax expense	(79)	(83)	(19)	(33)	20	51	(78)	(65)
Net income	315	334	78	130	(90)	(203)	303	261
EBITDA	687	687	161	214	(28)	(32)	820	869

*revised data for the 9 months of 2014

Upstream Operating Results

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2015	June 30, 2015	<i>% change</i>	September 30, 2015	September 30, 2014	<i>% change</i>
<u>Operating results</u>						
Hydrocarbon production (th. boe per day)	5,081	5,149	(1.3)%	5,143	5,074	1.4%
Crude oil and NGL production (th. barrels per day)	4,099	4,126	(0.7)%	4,119	4,162	(1.0)%
Gas production (th. boe per day)	982	1,023	(4.0)%	1,024	912	12.3%
Hydrocarbon production (mln boe) ¹	433.9	434.8	(0.2)%	1,301.1	1,279.8	1.7%
<u>Financial results, RUB billion</u>						
EBITDA	188	270	(30.4)%	687	687	–
Capital expenditures ²	110	110	–	316	251	25.9%
Upstream operating expenses ³	67.7	68.5	(1.2)%	204.2	181.9	12.3%
<u>Indicators per boe</u>						
EBITDA, RUB/boe	433	621	(30.3)%	528	537	(1.7)%
Capital expenditures, RUB/boe	254	253	0.4%	243	196	24.0%
Upstream operating expenses, RUB/boe	156	158	(1.3)%	157	142	10.6%
Upstream operating expenses, USD/boe ⁴	2.5	3.0	(16.7)%	2.7	4.0	(32.5)%

¹Excluding associates and joint ventures

²Ref. to “Capital expenditures”

³Excluding the effect of ecological reserve estimation in the amount of RUB 0.2 billion in the third quarter of 2015, RUB 0.4 billion in the second quarter of 2015 and RUB 0.8 billion in the nine months of 2015.

⁴Estimation is made using monthly exchange rate for the reporting periods (Appendix)

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, Venezuela and Canada.

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
	<i>million of barrels</i>			<i>million of barrels</i>		
Yuganskneftegaz (Western Siberia)	115.3	115.3	–	345.4	358.3	(3.6)%
Vankorneft (Eastern Siberia)	41.1	40.7	1.0%	122.0	121.9	0.1%
Samotlorneftegas (Western Siberia)	39.0	38.7	0.8%	116.7	122.2	(4.5)%
Orenburgneft (Central Russia)	33.6	33.7	(0.3)%	101.2	109.5	(7.6)%
Samaraneftegaz (Central Russia)	22.9	22.2	3.2%	66.6	63.4	5.0%
RN-Uvatneftegaz (Western Siberia)	21.1	20.8	1.4%	60.8	55.1	10.3%
Verkhnechonskneftegaz (Eastern Siberia)	16.2	15.9	1.9%	48.0	44.7	7.4%
Varyeganneftegaz (Western Siberia)	11.7	11.8	(0.8)%	35.0	37.2	(5.9)%
RN-Nyaganneftegaz (Western Siberia)	11.2	11.3	(0.9)%	33.7	35.0	(3.7)%
Purneftegaz (Western Siberia)	10.5	10.3	1.9%	31.0	33.7	(8.0)%
Tomskneft (Western Siberia)	9.3	9.1	2.2%	27.6	27.3	1.1%
Severnaya Neft (Timan-Pechora)	5.4	5.0	8.0%	15.5	15.7	(1.3)%
RN-Shelf Dalniy Vostok (Far East)	2.9	3.7	(21.6)%	9.9	–	–
Sakhalin-1 (Far East) (net of royalty and government share)	2.6	2.8	(7.1)%	8.0	7.1	12.7%
Taas-Yuryakh (Eastern Siberia)	1.7	1.6	6.3%	4.9	5.0	(2.0)%
Other	8.5	8.7	(2.3)%	26.2	26.2	–
Crude oil and NGL production by fully and proportionately consolidated enterprises	353.0	351.6	0.4%	1,052.5	1,062.3	(0.9)%
Slavneft	14.4	14.3	0.7%	43.0	45.0	(4.4)%
Udmurtneft (Central Russia)	5.9	5.9	–	17.6	17.6	–
Polar Lights (Timan Pechora)	0.3	0.3	–	1.0	1.2	(16.7)%
Other	3.5	3.4	2.9%	10.3	10.2	1.0%
Total share in production of associates and JV	24.1	23.9	0.8%	71.9	74.0	(2.8)%
Total crude oil and NGL production	377.1	375.5	0.4%	1,124.4	1,136.3	(1.0)%
Daily crude oil production (th. barrels per day)	4,099	4,126	(0.7)%	4,119	4,162	(1.0)%

In the third quarter of 2015 crude oil and NGL production increased by 0.4% up to 377.1 mln barrels compared to the second quarter of 2015. As a result of successful wellwork program and optimization of well operations a number of assets achieved a steady growth and increased contribution to total production of the Company in 9M 2015 compared with 9M 2014: average daily production growth in JSC “Samaraneftegaz” was + 5%, in JSC “Verkhnechonskneftegaz” + 7.4%, in LLC “Uvatneftegaz” + 10.3%.

In Q3 2015 the Company started exploitation at Labaganskoe field in Nenets Autonomous district with increased production plan of up to 1 mmtoe in 2016. Launch of third well NC-3 at the Northern Chaivo field lead to increase in average daily production up to 7 th. tons per day. Scheduled maintenance of onshore treatment facilities at Chaivo field carried out in the third quarter of 2015 will not have significant impact on prospects for future production growth.

The Company constantly accelerates production drilling meterage. Production drilling meterage increased by one third in 9M 2015 compared with 9M 2014 and over 1,300 new wells were put into use that is a new historic record for the Company. The number of horizontal wells exceeded 30% of total wells put into use in 9M 2015 and composed over 390 new wells, which by 25% exceeds the performance of 9M 2014.

The drilling program implemented by the Company ensures sustainable production level of 1.3 mln barrels per day at fields of Yuganskneftegaz.

Drilling and wellwork programs with confirmed investment efficiency were also implemented in Group companies, located in Western Siberia and Orenburg region, which partially restrain natural production decline at Brownfields. Stabilization of daily production remains the key task of the Company.

Production of Gas

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	September 30, 2015	June 30, 2015		September 30, 2015	September 30, 2014	
	<i>bcm</i>			<i>bcm</i>		
NGK ITERA (Western Siberia)	2.78	2.97	(6.4)%	8.65	8.17	5.9%
Vankorneft (Eastern Siberia) ²	2.09	2.11	(0.9)%	6.44	3.19	101.9%
Samotlorneftegaz (Western Siberia)	1.45	1.44	0.7%	4.33	4.11	5.4%
Purneftegaz (Western Siberia)	1.41	1.35	4.4%	4.06	3.45	17.7%
Yuganskneftegaz (Western Siberia)	1.16	1.12	3.6%	3.40	3.30	3.0%
Rospan International (Western Siberia)	1.01	1.00	1.0%	3.02	2.95	2.4%
Varyeganneftegaz (Western Siberia)	0.71	0.79	(10.1)%	2.28	2.22	2.7%
Orenburgneft (Central Russia)	0.67	0.74	(9.5)%	2.10	2.14	(1.9)%
Krasnodarneftegaz (Southern Russia)	0.56	0.63	(11.1)%	2.01	2.20	(8.6)%
RN-Nyaganneftegaz (Western Siberia)	0.38	0.38	–	1.15	1.11	3.6%
Tomskneft (Western Siberia)	0.24	0.18	33.3%	0.67	0.63	6.3%
RN-Shelf Dalniy Vostok (Far East)	0.15	0.16	(6.3)%	0.41	–	–
Samaraneftegaz (Central Russia)	0.11	0.11	–	0.32	0.30	6.7%
Sakhalin-1 (Far East) (net of royalty and government share)	0.07	0.09	(22.2)%	0.30	0.29	3.4%
Severnaya Neft (Timan Pechora)	0.06	0.06	–	0.18	0.18	–
Other	0.44	0.52	(15.4)%	1.50	1.47	2.0%
Total gas production by fully and proportionately consolidated enterprises	13.29	13.65	(2.6)%	40.82	35.71	14.3%
Purgaz (NGK ITERA)	1.37	1.47	(6.8)%	4.57	4.69	(2.6)%
Slavneft	0.12	0.11	9.1%	0.34	0.31	9.7%
Other	0.05	0.06	(16.7)%	0.19	0.16	18.8%
Total share in production of associates and JV	1.54	1.64	(6.1)%	5.10	5.16	(1.2)%
Total gas production	14.83	15.29	(3.0)%	45.92	40.87	12.3%
Natural gas	6.76	7.29	(7.3)%	21.83	20.73	5.3%
Associated gas	8.07	8.00	0.9%	24.09	20.14	19.6%
Daily gas production (mcm per day)	161.2	168.0	(4.0)%	168.2	149.7	12.3%

¹ Production volume equals extracted volume minus flared volume and gas used for NGL production

² Including gas injection to maintain reservoir pressure

In the third quarter of 2015 gas production decreased by 3.0% compared to the second quarter of 2015 and amounted to 14.83 bcm, caused by seasonal factor, scheduled turnarounds, decrease in gas production at Purgaz due to some limitation of gas transferring through Gazprom facilities.

In nine months of 2015 production of gas reached 45.92 bcm, having increased by 12.3% compared to nine months of 2014. The growth of gas production was mainly provided by commissioning of gas wells at Tarasovskoe field of Purneftegaz in second half of 2014 and increased gas supply to the unified gas supply system from Vankor field, where pipeline Vankor – Khalmerpayutinskoe field was built in 2014, and also due to the start of production of natural gas at Khadyryakhinsky license block of Sibneftegaz in December 2014.

The level of utilization of associated petroleum gas (“APG”) reached 86.8% in nine months of 2015 compared to 78.6% in nine months of 2014. In the third quarter of 2015 as a result of implementation of Company's gas program aimed to increase the effectiveness of APG usage the level of APG usage at fields of Purneftegaz reached 97%. The strategic objective of the Company is to reach APG flaring level not higher than 5%.

Financial indicators

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

The equity share in financial results of upstream associates¹ and joint ventures was RUB 1 billion losses in the third quarter of 2015 compared with the profit in the amount of RUB 1 billion in the second quarter of 2015. The decrease in equity profits is mainly due to the effect of loss recognition from the operating activity of the upstream associate in the third quarter of 2015.

In the nine months of 2015 the equity share in financial results remain at the same level with the nine months of 2014 and amounted RUB 3 billion of profit.

¹ See the equity share in net financial results of downstream associates and joint ventures in the section “Downstream operating results”.

Upstream production and operating cost

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

Upstream production and operating expenses amounted to RUB 67.7 billion (or 156 RUB/boe) and decreased by 1.2% (or 1.3% per boe) in the third quarter of 2015 compared with the second quarter of 2015 due to seasonal factor accompanied by practically unchanged workovers and electricity expenses.

Upstream production and operating expenses increased by 12.3% (or 10.6% per boe) in the nine months of 2015 compared with RUB 181.9 billion (142 RUB/boe) in the nine months of 2014 mainly due to increased volume of wellworks, natural growth of water cut of Brownfields and growth of electricity tariffs.

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 nine months of 2015 exploration expenses amounted to RUB 9 billion in comparison with RUB 13 billion in the nine months of 2014. The decreasing dynamic of exploration expenses is mainly explained by the capitalization of 3D geological and seismic works starting from 2015.

In Q3 2015 the Company considerably increased completion rate of 2D seismic works due to works in Arctic region (over 9.6 thousand km in the Laptev, Kara, Chuckchee Sea), and also increased rates of 3D seismic works by 2.2% compared to Q2 2015.

Mineral extraction tax

The amount of mineral extraction tax was RUB 276 billion in the third quarter of 2015 compared with RUB 302 billion in the second quarter of 2015. The decrease in mineral extraction tax was mainly due to decreased monthly rate followed by decrease in “Urals” price partially offset by rouble depreciation.

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
	<i>(thousand RUB per tonne, except %)</i>					
Average enacted oil mineral extraction tax rate	6.26	7.07	(11.5)%	6.72	6.02	11.6%
Actual mineral extraction tax expense per tonne of oil equivalent produced*	4.63	5.17	(10.4)%	4.94	4.43	11.5%
	<i>(RUB per thousand cubic metres, except %)</i>					
Average actual extraction gas tax rate	536	510	5.1%	514	484	6.2%

*Including consolidated oil and gas volumes.

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

Downstream Operating Results

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	September 30, 2015	June 30, 2015		September 30, 2015	September 30, 2014	
Operational results						
Crude oil processing at refineries, mln t	25.21	23.75	6.1%	73.31	73.59	(0.4%)
<i>Processing at Company's own refineries in Russia, mln t</i>	19.96	18.80	6.2%	58.54	58.19	0.6%
<i>Processing at Company's own refineries outside Russia, mln t</i>	2.59	2.68	(3.4)%	7.92	7.75	2.2%
<i>Processing at Associate's refineries</i>	2.66	2.27	17.2%	6.85	7.65	(10.5)%
Financial results, RUB billion						
EBITDA	63	54	16.7%	161	214	(24.8)%
Capital expenditures ¹	22	26	(15.4)%	76	105	(27.6)%
Operating expenses for processing in Russia	19.65	18.63	5.5%	56.05	47.67	17.6%
Operating expenses for processing outside Russia	7.72	5.14	50.2%	19.13	13.02	46.9%
Indicators per tonne of the output²						
EBITDA ³ , RUB per tonne	2,705	2,328	16.2%	2,347	3,276	(28.4)%
Capital expenditure, RUB per tonne	976	1,210	(19.3)%	1,144	1,592	(28.1)%
Operating expenses for processing in Russia, RUB per tonne	984	991	(0.7)%	957	808	18.4%
Operating expenses for processing outside Russia, RUB per tonne	2,981	1,917	55.5%	2,417	1,680	43.9%

¹ Refer to "Capital expenditures".

² Calculated from unrounded data.

³ Estimated as ratio of EBITDA (excluding equity income/(losses) of associates) to the Company's own refining volumes for the period.

Operating indicators

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: the Tuapse refinery on the Black Sea coast in the South of Russia, the Komsomolsk refinery in the Russian Far East, the Achinsk and Angarsk refineries in Eastern Siberia, the Kuibyshev, Novokuibyshevsk and Syzran refineries in the Samara region, the Saratov refinery and the Ryazan refinery (the European part of Russia) and others. Rosneft also owns production capacity at four Ruhr Oel GmbH (ROG) refineries in Germany and processes crude oil in Belarus. In the first quarter of 2015 the Company acquired the Novokuibyshevsk petrochemical refinery (the Company of “Sanors” group located in the Samara region). The refinery production capacity enables processing of 1.7 mln tonnes of hydrocarbon crude p.a. to produce competitive petrochemical products in terms of quality and technology concept on the Russian market.

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
	mln of tonnes			mln of tonnes		
Crude oil processing at Rosneft’s refineries in Russia ¹	21.96	20.55	6.9%	64.18	63.82	0.6%
Crude oil processing at refineries outside Russia	3.25	3.20	1.6%	9.13	9.77	(6.6)%
<i>including crude oil processing at Ruhr Oel GmbH (ROG)</i> ²	2.59	2.68	(3.4)%	7.92	7.75	2.2%
<i>including crude oil processing in Belarus</i>	0.66	0.52	26.9%	1.21	2.02	(40.1)%
Total Group crude oil processing	25.21	23.75	6.1%	73.31	73.59	(0.4)%
Petroleum product output:						
High octane gasoline	2.85	2.61	9.2%	8.36	7.70	8.6%
Low octane gasoline	0.05	0.03	66.7%	0.11	0.13	(15.4)%
Naphtha	1.52	1.33	14.3%	4.21	4.24	(0.7)%
Diesel	6.81	6.14	10.9%	19.94	19.90	0.2%
Fuel oil	6.68	6.55	2.0%	20.27	20.65	(1.8)%
Jet fuel	0.94	0.81	16.0%	2.40	2.60	(7.7)%
Petrochemicals	0.19	0.29	(34.5)%	0.68	0.56	21.4%
Other ³	2.43	2.60	(6.5)%	6.87	5.88	16.8%
Product output at Rosneft’s own refineries in Russia	21.47	20.36	5.5%	62.84	61.66	1.9%
Product output at refineries outside Russia	3.40	3.29	3.3%	9.29	9.76	(4.8)%
<i>including crude oil output at Ruhr Oel GmbH (ROG)</i>	2.78	2.82 ⁴	(1.4)%	8.17	7.90	3.4%
<i>including product output in Belarus</i>	0.62	0.47	31.9%	1.12	1.86	(39.8)%
Total Group product output	24.87	23.65	5.2%	72.13	71.42	1.0%

¹Including processing at YANOS refinery.

²Excluding additive obtained for processing.

³Including production of petroleum products at gas refineries.

⁴Revised data of additives output

In the third quarter of 2015 Rosneft’s total refinery throughput amounts to 21.96 mln tonnes, higher by 6.9% compared to the second quarter of 2015. The increase in the refinery throughput inside Russia was due to scheduled decrease in turnarounds at refineries and increased utilization rate at refineries due to refining margin growth in the third quarter of 2015.

Refinery throughput inside Russia increased slightly (+0.6%) in the nine months 2015 compared to 63.82 mln tonnes in the nine months of 2014 due to decrease in refining margins caused by the change in tax legislation in oil sector, which was partially offset by increased utilization rate at the Tuapse and Achinsk refineries compared to 2014.

In the third quarter of 2015 processing volume at German refineries decreased by 3.4% compared to the second quarter of 2015 due to scheduled turnarounds in summer season. Processing volume at German refineries in the nine months of 2015 increased by 2.2% compared with the nine months of 2014 due to reduction of scheduled turnarounds duration.

Financial indicators

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

In the third quarter of 2015 revenues and equity share in profits/(losses) of associates and joint ventures amounted to RUB 1,266 billion in comparison with RUB 1,312 billion in the second quarter of 2015. The revenue decrease was caused by drop in worldwide price compensated by increased crude oil export sales volumes and increased petroleum products sales volumes on domestic market.

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

	<i>For 3 months ended</i>					<i>For 9 months ended</i>				
	September 30, 2015		June 30, 2015		% change	September 30, 2015		September 30, 2014		% change
	% of revenue		% of revenue			% of revenue		% of revenue		
	billion RUB except %									
Crude oil										
International Sales to non-CIS	540	42.7%	561	42.7%	(3.7)%	1,636	42.3%	1,918	45.8%	(14.7)%
Europe and other directions	325	25.7%	335	25.5%	(3.0)%	973	25.2%	1,277	30.5%	(23.8)%
Asia	215	17.0%	226	17.2%	(4.9)%	663	17.1%	641	15.3%	3.4%
International sales to CIS	26	2.1%	35	2.7%	(25.7)%	99	2.6%	80	1.9%	23.8%
Domestic sales	17	1.3%	24	1.8%	(29.2)%	65	1.7%	87	2.1%	(25.3)%
Total crude oil	583	46.1%	620	47.2%	(6.0)%	1,800	46.6%	2,085	49.8%	(13.7)%
Gas	43	3.4%	40	3.0%	7.5%	134	3.5%	118	2.8%	13.6%
Petroleum products										
International Sales to non-CIS	331	26.1%	378	28.8%	(12.4)%	1,128	29.2%	1,115	26.5%	1.2%
Europe and other directions	257	20.3%	293	22.3%	(12.3)%	871	22.6%	860	20.4%	1.3%
Asia	74	5.8%	85	6.5%	(12.9)%	257	6.6%	255	6.1%	0.8%
International Sales to CIS	24	1.9%	16	1.2%	50.0%	51	1.3%	49	1.2%	4.1%
Domestic sales	247	19.5%	215	16.4%	14.9%	653	16.9%	628	15.0%	4.0%
Wholesale	136	10.7%	117	8.9%	16.2%	357	9.2%	342	8.2%	4.4%
Retail	111	8.8%	98	7.5%	13.3%	296	7.7%	286	6.8%	3.5%
Sales of bunker fuel to end-users	20	1.6%	14	1.1%	42.9%	40	1.0%	57	1.4%	(29.8)%
Total petroleum products	622	49.1%	623	47.5%	(0.2)%	1,872	48.4%	1,849	44.1%	1.2%
Petrochemical products	29	2.3%	31	2.4%	(6.5)%	85	2.2%	84	2.0%	1.2%
International sales	25	2.0%	26	2.0%	(3.8)%	71	1.8%	71	1.7%	0.0%
Domestic sales	4	0.3%	5	0.4%	(20.0)%	14	0.4%	13	0.3%	7.7%
Support services and other revenues	18	1.4%	18	1.4%	0.0%	55	1.4%	55	1.3%	0.0%
Equity share in profits/(losses) of associates and joint ventures	1	0.1%	5	0.4%	(80.0)%	8	0.2%	1	0.0%	>100.0%
Effect from hedge operations	(30)	(2.4)%	(25)	(1.9)%	20.0%	(88)	(2.3)%	–	–	–
Total revenues and equity share in profits/(losses) of associates and joint ventures	1,266	100.0%	1,312	100.0%	(3.5)%	3,866	100.0%	4,192	100.0%	(7.8)%

¹ Under IFRS consolidated financial statements.

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

Sales Volumes

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

	<i>For 3 months ended</i>				<i>% change</i>	<i>For 9 months ended</i>				<i>% change</i>
	September 30, 2015		June 30, 2015			September 30, 2015		September 30, 2014		
	<i>mln bbl</i>	<i>% of total volume</i>	<i>mln bbl</i>	<i>% of total volume</i>		<i>mln bbl</i>	<i>% of total volume</i>	<i>mln bbl</i>	<i>% of total volume</i>	
Crude oil										
International Sales to non-CIS	189.6	48.0%	185.8	47.0%	2.0%	553.1	46.8%	539.0	46.5%	2.6%
Europe and other directions	116.3	29.4%	114.7	29.0%	1.4%	338.4	28.6%	353.9	30.5%	(4.4)%
Asia	73.3	18.6%	71.1	18.0%	3.1%	214.7	18.2%	185.1	16.0%	16.0%
International Sales to CIS	13.3	3.4%	15.6	3.9%	(14.7)%	47.4	4.0%	42.9	3.7%	10.5%
Domestic	8.8	2.3%	11.2	2.8%	(21.4)%	31.8	2.7%	48.1	4.2%	(33.9)%
Total crude oil	211.7	53.7%	212.6	53.7%	(0.4)%	632.3	53.5%	630.0	54.4%	0.4%
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	25.6	48.0%	25.1	47.0%	2.0%	74.7	46.8%	72.8	46.5%	2.6%
Europe and other directions	15.7	29.4%	15.5	29.0%	1.4%	45.7	28.6%	47.8	30.5%	(4.4)%
Asia	9.9	18.6%	9.6	18.0%	3.1%	29.0	18.2%	25.0	16.0%	16.0%
International Sales to CIS	1.8	3.4%	2.1	3.9%	(14.7)%	6.4	4.0%	5.8	3.7%	10.5%
Domestic sales	1.2	2.3%	1.5	2.8%	(21.4)%	4.3	2.7%	6.5	4.2%	(33.9)%
Total crude oil	28.6	53.7%	28.7	53.7%	(0.4)%	85.4	53.5%	85.1	54.4%	0.4%
Petroleum products										
International Sales to non-CIS	14.1	26.4%	15.2	28.5%	(7.2)%	45.6	28.7%	40.8	26.1%	11.8%
Europe and other directions	11.1	20.8%	11.9	22.3%	(6.7)%	35.6	22.4%	32.0	20.5%	11.3%
Asia	3.0	5.6%	3.3	6.2%	(9.1)%	10.0	6.3%	8.8	5.6%	13.6%
International Sales to CIS	0.7	1.3%	0.5	0.9%	40.0%	1.5	0.9%	1.7	1.1%	(11.8)%
Domestic sales	8.0	15.0%	7.3	13.7%	9.6%	22.3	14.0%	23.3	14.9%	(4.3)%
Wholesale	5.1	9.6%	4.6	8.6%	10.9%	14.2	8.9%	15.0	9.6%	(5.3)%
Retail	2.9	5.4%	2.7	5.1%	7.4%	8.1	5.1%	8.3	5.3%	(2.4)%
Sales of bunker fuel to end-users	1.2	2.3%	0.8	1.5%	50.0%	2.3	1.4%	3.0	1.9%	(23.3)%
Total petroleum products	24.0	45.0%	23.8	44.6%	0.8%	71.7	45.0%	68.8	44.0%	4.2%
Petrochemical products	0.7	1.3%	0.9	1.7%	(22.2)%	2.4	1.5%	2.5	1.6%	(4.0)%
International sales	0.5	0.9%	0.6	1.1%	(16.7)%	1.6	1.0%	1.7	1.1%	(5.9)%
Domestic sales	0.2	0.4%	0.3	0.6%	(33.3)%	0.8	0.5%	0.8	0.5%	0.0%
Total crude oil and products	53.3	100.0%	53.4	100.0%	(0.2)%	159.5	100.0%	156.4	100.0%	2.0%
Gas	bcm		bcm			bcm		bcm		
Sales Volumes	13.51		13.27		1.8%	42.71		40.46		5.6%

Crude oil and petroleum products sales

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 9 months ended</i>				
	September 30, 2015		June 30, 2015		% change	September 30, 2015		September 30, 2014		% change
	(th.RUB/ barrel)	(th.RUB/ tonne)	(th.RUB/ barrel)	(th.RUB/ tonne)		(th.RUB/ barrel)	(th.RUB/ tonne)	(th.RUB/ barrel)	(th.RUB/ tonne)	
Average prices on foreign markets*										
Crude oil, non-CIS	2.85	21.1	3.02	22.3	(5.4)%	2.96	21.9	3.56	26.4	(17.0)%
Europe and other directions**	2.78	20.6	2.93	21.7	(5.1)%	2.88	21.3	3.62	26.8	(20.5)%
Asia**	2.96	21.9	3.15	23.3	(6.0)%	3.09	22.9	3.46	25.6	(10.5)%
Crude oil, CIS	1.91	14.2	2.25	16.7	(15.0)%	2.08	15.4	1.86	13.8	11.6%
Petroleum products, non- CIS		23.6		24.8	(4.8)%		24.7		27.3	(9.5)%
Europe and other directions		23.2		24.5	(5.3)%		24.5		26.9	(8.9)%
Asia		24.8		25.8	(3.9)%		25.6		28.9	(11.4)%
Petroleum products, CIS		31.5		32.4	(2.8)%		33.0		28.3	16.6%
Average domestic prices										
Crude oil	1.87	13.8	2.14	15.8	(12.7)%	2.03	15.0	1.81	13.4	11.9%
Petroleum products		30.8		29.4	4.8%		29.3		27.0	8.5%
Wholesale		26.8		25.5	5.1%		25.2		22.8	10.5%
Retail		37.8		36.0	5.0%		36.5		34.6	5.5%
Gas (th.RUB. /th. cubic meter)***		3.16		3.03	4.4%		3.11		2.90	7.3%
Sales of bunker fuel to end-users		16.8		18.9	(11.1)%		17.6		18.7	(5.9)%
Petrochemical products		39.9		34.4	16.0%		35.4		33.9	4.4%
International sales		47.5		39.1	21.5%		43.1		41.3	4.4%
Domestic sales		20.2		22.3	(9.4)%		18.7		17.4	7.5%

*Average price is calculated from unrounded figures.

**Price includes the effect of offsetting of prepayments under long-term agreements received in prior periods. (Historical exchange rate at the date of prepayments is used for offsetting of prepayments). Excluding revenues under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 23 billion and RUB 26 billion in the third and in the second quarters of 2015, respectively) the average sales price on the Asian markets was RUB 3.15 thousand per barrel in the third quarter of 2015 compared to RUB 3.28 thousand per barrel in the second quarter of 2015. Average price on European markets was RUB 2.96 thousand per barrel in the third quarter of 2015 and RUB 3.06 thousand per barrel in the second quarter of 2015.

*** Including gas sales outside Russian Federation average gas prices were 3.19 th.RUB./th. cubic meter in the third quarter of 2015 and 3.06 th.RUB./th. cubic meter in the second quarter of 2015, 3.14 th.RUB./th. cubic meter and 2.91 th.RUB./th. cubic meter in the nine months of 2015 and 2014, respectively.

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the third quarter of 2015 amounted to RUB 540 billion compared to RUB 561 billion in the second quarter of 2015. Revenue decrease by RUB 32 billion was due to reduction of average sales price by 5.4% in rouble terms and was partially offset by an increase in sales volumes by 2.0% (positive impact on revenue of RUB 11 billion). The increase in export sales volumes was due to re-allocation of resources resulting from the monitoring of economic efficiency of trading channels.

In the nine months of 2015 revenues from international crude oil sales to non-CIS countries decreased by 14.7% or RUB 282 billion compared to the nine months of 2014 due to significant decrease in worldwide crude oil prices.

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

Scheduled settlement of prepayments under long-term supply agreements started in 2015. Offsetting of prepayments on the above mentioned contracts was RUB 64 billion in the nine months of 2015.

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS in the third quarter of 2015 decreased by 25.7% compared to the second quarter of 2015 and amounted to RUB 26 billion. The decrease in crude oil sales volumes by 14.7% (negative effect of RUB 5 billion) was accompanied by average sales price downturn of 15.0% in rouble terms (unfavourable impact on revenues of RUB 4 billion).

In the nine months of 2015 revenues from international crude oil sales to CIS countries increased by 23.8% in comparison with the nine months of 2014, which was mainly attributable to increased crude oil sales volumes (favorable effect on revenue of RUB 8 billion) due to additional supply schedule of crude oil exports to Belarus in the first quarter of 2015 accompanied by average sales price upturn of 11.6% (positive effect on revenue of RUB 11 billion).

Domestic Sales of Crude Oil

Revenue from domestic sales of crude oil in the third quarter of 2015 amounted RUB 17 billion which is 29.2% lower than in the second quarter of 2015. Sales volumes decrease by 21.4% (or RUB 5 billion) was accompanied by downturn of average price by 12.7% or RUB 2 billion.

In the nine months of 2015 revenues from domestic crude oil sales dropped by 25.3% in comparison with the nine months of 2014, which was mainly attributable to downturn of crude oil sales volumes.

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 third and second quarters of 2015*:

	<i>For 3 months ended</i>						<i>% change</i>		
	September 30, 2015			June 30, 2015			RUB billion	mln of tonnes	Average price th. RUB/tonne
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne			
High octane gasoline	4	0.1	41.9	5	0.2	34.7	(20.0)%	(50.0)%	20.7%
Low octane gasoline	1	0.1	40.7	0	0.0	35.6	–	–	14.3%
Naphtha	24	0.9	27.2	23	0.8	28.3	4.3%	12.5%	(3.9)%
Diesel (Gasoil)	98	3.4	28.1	120	4.1	29.2	(18.3)%	(17.1)%	(3.8)%
Fuel oil	106	6.2	17.0	121	6.3	18.9	(12.4)%	(1.6)%	(10.1)%
Jet fuel	1	0.0	39.8	0	0.0	34.9	–	–	14.0%
Other	23	0.9	26.8	17	0.7	25.4	35.3%	28.6%	5.5%
Total petroleum products exported to non-CIS	257	11.6	22.1	286	12.1	23.6	(10.1)%	(4.1)%	(6.4)%
<i>Petroleum products sold from ROG refineries</i>	61	2.1	29.7	75	2.4	30.7	(18.7)%	(12.5)%	(3.3)%
<i>Petroleum products bought and sold outside Russia</i>	13	0.4	33.2	17	0.7	25.0	(23.5)%	(42.9)%	32.8%
Total	331	14.1	23.6	378	15.2	24.8	(12.4)%	(7.2)%	(4.8)%

*average price is calculated from unrounded figures.

Revenues from the international sales of petroleum products to non-CIS countries were RUB 331 billion in the third quarter of 2015, which is 12.4% lower compared to the second quarter of 2015. Decrease in sales volumes by 7.2% (unfavourable impact on revenues of RUB 27 billion) was accompanied by downturn of average price by 4.8% (negative impact on revenues of RUB 20 billion). Average price downturn for petroleum products sold outside Russia was mainly due to the worldwide decline in prices.

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

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2015			September 30, 2014			RUB billion	mln of tonnes	Average price th. RUB/tonne
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne			
High octane gasoline	13	0.4	37.1	16	0.5	33.8	(18.8)%	(20.0)%	9.8%
Low octane gasoline	2	0.1	36.8	3	0.0	35.3	(33.3)%	–	4.2%
Naphtha	73	2.6	28.2	89	2.8	32.4	(18.0)%	(7.1)%	(13.0)%
Diesel (Gasoil)	360	12.0	29.8	365	11.6	31.5	(1.4)%	3.4%	(5.4)%
Fuel oil	374	20.2	18.4	383	17.6	21.7	(2.3)%	14.8%	(15.2)%
Jet fuel	1	0.0	35.9	0	0.0	38.9	–	–	(7.7)%
Other	59	2.3	25.9	51	1.7	0.0	15.7%	35.3%	–
Total petroleum products exported to non-CIS	882	37.6	23.4	907	34.2	26.6	(2.8)%	9.9%	(12.0)%
<i>Petroleum products sold from ROG refineries</i>	206	6.6	31.3	201	6.4	31.3	2.5%	3.1%	0.0%
<i>Petroleum products bought and sold outside Russia</i>	40	1.4	29.4	7	0.2	31.9	471.4%	600.0%	(7.8)%
Total	1,128	45.6	24.7	1,115	40.8	27.3	1.2%	11.8%	(9.5)%

*average price is calculated from unrounded figures.

In the nine months of 2015 revenues from sales of petroleum products to non-CIS countries were 1.2% higher compared to the nine months of 2014. Increase in sales volumes by 11.8% (favourable impact on revenues of RUB 131 billion) was partially offset by downturn of average price by 9.5% (negative impact on revenues of RUB 118 billion).

International Petroleum Product Sales to CIS

Revenues from sales of petroleum products to CIS countries were RUB 24 billion in the third quarter of 2015, which is 50.0% higher compared to the second quarter of 2015. A 40.0% growth of petroleum products sales volumes (favourable impact on revenues of RUB 8 billion.)

Revenues from sales of petroleum products to CIS countries in the nine months of 2015 were 4.1% or RUB 2 billion higher than in the nine months of 2014 due to growth of average price by 16.6% (positive effect on revenue of RUB 8 billion) which was partially offset by petroleum product sales volume decrease by 11.8% (negative effect on revenue of RUB 6 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 second and third quarters of 2015*:

	<i>For 3 months ended</i>						<i>% change</i>		
	September 30, 2015			June 30, 2015			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	116	3.0	39.0	102	2.9	35.3	13.7%	3.4%	10.5%
Low octane gasoline	1	0.1	37.5	0	0.0	31.8	–	–	17.9%
Diesel (Gasoil)	83	2.6	31.2	76	2.5	30.8	9.2%	4.0%	1.3%
Fuel oil	3	0.3	8.5	3	0.3	9.1	0.0%	0.0%	(6.6)%
Jet fuel	30	1.0	30.1	22	0.8	28.9	36.4%	25.0%	4.2%
Other	14	1.0	13.9	12	0.8	13.3	16.7%	25.0%	4.5%
Total	247	8.0	30.8	215	7.3	29.4	14.9%	9.6%	4.8%

*average price is calculated from unrounded figures.

Revenues from sales of petroleum products on the domestic market were RUB 247 billion in the third quarter of 2015, which is 14.9% higher compared to the second quarter of 2015. The increase in sales volume is mostly attributable to seasonal increase in sales of jet fuel and motor fuel. A 4.8% growth of average sales price (favourable effect on revenue of RUB 11 billion) was accompanied by increased sales volumes in the third quarter 2015 by 9.6% (positive effect RUB of 21 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russia in the nine months ended September 30, 2015 and 2014, respectively*:

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2015			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	311	8.6	36.2	288	8.3	34.5	8.0%	3.6%	4.9%
Low octane gasoline	2	0.1	33.7	2	0.0	29.7	0.0%	–	13.5%
Diesel (Gasoil)	223	7.3	30.6	204	6.9	30.0	9.3%	5.8%	2.0%
Fuel oil	10	1.1	8.4	18	1.7	10.4	(44.4)%	(35.3)%	(19.2)%
Jet fuel	71	2.5	29.0	70	2.5	28.0	1.4%	0.0%	3.6%
Other	36	2.7	13.1	46	3.9	12.1	(21.7)%	(30.8)%	8.3%
Total	653	22.3	29.3	628	23.3	27.0	4.0%	(4.3)%	8.5%

*average price is calculated from unrounded figures.

Revenues from sales of petroleum products on the domestic market in the nine months of 2015 were 4.0% higher than in the nine months of 2014 and amounted to RUB 653 billion. The increase was due to average sales price upturn by 8.5% (favourable effect on revenue of RUB 52 billion) partially offset by decrease in sales volume by 4.3% (negative impact on revenue of RUB 27 billion).

Sales of bunker fuel

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

Revenues from sales of bunker fuel in the third quarter of 2015 were RUB 20 billion, an increase by 42.9% in comparison with the second quarter of 2015, which is mainly attributable to navigation period and reallocation of resources to the more efficient distribution channels.

Revenues from sales of bunker fuel in the nine months of 2015 decreased by 29.8% in comparison with the nine months of 2014 and amounted to RUB 40 billion. The main reason for the change was the redirection of fuel oil volumes to export in 2015 due to changes of pricing condition.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the third quarter of 2015 were RUB 29 billion. The decrease by 6.5% or RUB 2 billion compared to the second quarter of 2015 was mainly due to export and domestic sales volumes reduce by 16.7% and 33.3% respectively (unfavorable impact on revenues of RUB 4 billion and RUB 1 billion), which partially offset by growth of average price outside of Russia by 21.5% or RUB 3 billion.

Petrochemical product sales volumes from Ruhr Oel GmbH (ROG) decreased by 15.4% in the third quarter of 2015 in comparison to the second quarter of 2015 and amounted to 0.5 mln tonnes.

Petrochemical product sales volumes from Ruhr Oel GmbH (ROG) remain practically unchanged in the nine months of 2015 compared to the nine months of 2014 and amounted 1.5 mln tonnes.

Gas Sales

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

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	September 30, 2015	June 30, 2015		September 30, 2015	September 30, 2014	
	(RUB billion)			(RUB billion)		
Revenue						
Western Siberia and Ural region	17.5	17.8	(1.7)%	62.0	61.0	(4.6)%
South Russia	2.1	2.2	(4.5)%	7.2	7.6	(5.3)%
Far East	0.5	0.4	25.0%	1.8	1.1	63.6%
European part of Russia and others	22.1	19.2	15.1%	60.3	46.4	42.2%
Outside Russian Federation	0.9	0.9	0.0%	3.0	1.7	76.5%
Total	43.1	40.5	6.4%	134.3	117.8	14.0%
Sales volumes	(bcm)			(bcm)		
Western Siberia and Ural region	6.38	6.55	(2.6)%	22.09	23.32	(10.5)%
South Russia	0.54	0.63	(14.3)%	2.02	2.24	(9.8)%
Far East	0.16	0.18	(11.1)%	0.55	0.41	31.0%
European part of Russia and others	6.29	5.72	10.0%	17.53	13.97	39.2%
Outside Russian Federation	0.14	0.19	(26.3)%	0.52	0.52	0.0%
Total	13.51	13.27	1.8%	42.71	40.46	5.6%
Average price	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)		
Western Siberia and Ural region	2.74	2.71	1.1%	2.81	2.61	6.8%
South Russia	3.83	3.50	9.4%	3.56	3.41	4.4%
Far East	3.40	2.45 ¹	38.8%	3.38	2.54	33.1%
European part of Russia and others	3.52	3.35	5.1%	3.44	3.31	2.4%
Outside Russian Federation	6.21	5.15	20.6%	5.74	3.42	67.8%
Total	3.19	3.06	4.2%	3.14	2.91	7.9%

*average price is calculated from unrounded figures.

¹Price of previous period was revised due to the high volatility of the rouble. Excluding effect from price downturn of prior periods the price to Far East direction amounts to 2.85 th. RUB/th. of cubic metres in the second quarter of 2015.

In the third quarter of 2015 revenues from gas sales increased in comparison with the second quarter of 2015 and amounted to RUB 43.1 billion. Growth of sales volume by 5.6% (positive effect on revenue of RUB 7 billion) in the nine months of 2015 compared to the nine months of 2014 was due to increased sales under new contracts concluded in 2014 and extension of contracts' portfolio, which was accompanied by average price upturn by 7.9% followed by gas price indexation by 7.5% from July 2015, (positive impact on revenues of RUB 9 billion).

Since October 2014 the Company participates in the natural gas exchange trading at the St. Petersburg international commodity exchange. At the closing of trading sessions the Company supplied 1,214 mln cubic metres in the third quarter of 2015 and 464.1 mln cubic metres of gas to end-customers in the second quarter of 2015, respectively. For nine months of 2015 the volume of gas sales on the gas exchange amounted to 56% share in the total volume of gas sales on the gas exchange.

Support Services and Other Revenues

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

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

	<i>For 3 months ended</i>					<i>For 9 months ended</i>				
	September 30, 2015		June 30, 2015		Change %	September 30, 2015		September 30, 2014		Change %
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
	billion RUB ,except %									
Drilling services	2.9	15.8%	2.0	11.4%	45.0%	7.9	14.4%	8.0	14.6%	(1.3)%
Sales of materials	6.2	33.6%	6.1	34.9%	1.6%	17.6	32.0%	17.9	32.8%	(1.1)%
Repairs and maintenance services	0.7	3.8%	0.7	4.0%	0.0%	2.2	4.0%	2.5	4.6%	(12.0)%
Rent services	1.0	5.4%	0.9	5.1%	11.1%	2.9	5.3%	2.7	4.9%	7.4%
Construction services	0.2	1.1%	–	–	–	0.3	0.5%	0.4	0.7%	(40.0)%
Transport services	3.0	16.3%	3.5	20.0%	(14.3)%	10.4	18.9%	7.3	13.3%	42.5%
Electric power sales and transmission	1.5	8.2%	1.9	10.9%	(21.1)%	5.7	10.4%	6.7	12.2%	(14.9)%
Other revenues	2.9	15.8%	2.4	13.7%	20.8%	8.0	14.5%	9.2	16.9%	(13.0)%
Total	18.4	100.0%	17.5	100.0%	5.1%	55.0	100.0%	54.7	100.0%	0.5%

Support services and other revenues were 5.1% higher in the third quarter of 2015 compared to the second quarter of 2015 due to the seasonal factor: increasing volume of drilling operations and sales of related products in the Company's filling stations. Support Services and other revenues for the 9 months of 2015 remained practically unchanged compared to 9 months of 2014.

Adjustment of revenue hedging

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, 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. 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.

The deferred effect of hedged operations was recognized in the amount of RUB 30 billion and RUB 25 billion in the revenues in the third and second quarters of 2015, respectively.

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

The equity share in net financial results (profits) of downstream associates and joint ventures amounted to RUB 2 billion.² The equity share in net financial results of downstream associates and joint ventures was RUB 5 billion in the nine months of 2015.

¹ Refer to "Management of foreign exchange risk in terms of high Russian rouble fluctuation" section on page 6.

² The equity share in net financial results of Upstream associates and joint ventures see in the section "Upstream operating results".

Downstream production and operating cost

Downstream operating expenses include:

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
Operating expenses at refineries in Russia	19.7	18.6	5.5%	56.1	47.7	17.6%
Operating expenses at refineries outside Russia	7.7	5.1	50.2%	19.1	13.0	46.9%
Cost of additives and materials procured for ROG processing	13.0	15.4	(15.6)%	37.0	25.9	42.9%
Operating expenses of sales companies	19.6	16.8 ¹	16.7%	51.4	48.9	5.1%
<i>including materials for blending</i>	8.3	6.7	23.9%	20.4	20.7	(1.4)%
Intragroup inventory effect and others	(4.0)	(4.9)	18.4%	(8.6)	(6.5)	(32.3)%
Total Downstream Operating expenses	56.0	51.0	9.8%	155.0	129.0	20.2%

¹Excluding intragroup turnover effect

Downstream operating expenses increased by 9.8% in the third quarter of 2015 compared with the second quarter of 2015 and amounted to RUB 56 billion. The increase is attributable mainly to production of Euro 4-5 at refineries in Russia, increase in expenses nominated in Euro (outside Russia) due to rouble depreciation partially compensated by slight change of sales of intragroup inventories.

Operating expenses at Company's refineries

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
Operating expenses at refineries in Russia (RUB billion)	19.65	18.63	5.5%	56.06	47.67	17.6%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,003	996	0.7%	974	835	16.6%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	984	991	(0.7)%	957	808	18.4%
Operating expenses at refineries outside Russia (RUB billion)*	7.72	5.14	50.2%	19.13	13.02	46.9%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,967	1,717	72.8%	2,392	1,648	45.1%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,981	1,917	55.5%	2,417	1,680	43.9%
Total operating expenses at Rosneft's refineries (RUB billion)	27.37	23.77	15.1%	75.18	60.69	23.9%

*Refineries outside Russia also procured the additives and materials for processing: in the third quarter of 2015 – RUB 13.0 billion, in the second quarter of 2015 – RUB 15.4 billion, in the nine months of 2015 – RUB 37.0 billion, in the nine months of 2014 – RUB 25.9 billion.

Operating expenses of Rosneft's refineries were RUB 27.37 billion in the third quarter of 2015, which is an increase by 15.1% compared with the second quarter of 2015. In the nine months of 2015 operating expenses were RUB 75.18 billion, compared with RUB 60.69 billion in the nine months of 2014.

Operating expenses of Rosneft's refineries in Russia were RUB 19.65 billion in the third quarter of 2015, an increase by 5.5% compared with the second quarter of 2015. The increase resulted from increased volumes of materials for the production of Euro 4/5 fuel. In the nine months of 2015 operating expenses of Rosneft's refineries in Russia increased by 17.6% compared with the nine months of 2014 due to growth of raw materials costs resulted from an increase in production of ecological fuel of level Euro 4/5.

Operating expenses of Rosneft's refineries outside of Russia increased in the third quarter of 2015 by 50.2% in comparison with the second quarter of 2015 due to RUB depreciation by 16.4% which had negative impact on operating expenses denominated in EUR currency and increased volumes of turnarounds. The increase in operating expenses of Rosneft's refineries outside of Russia in the nine months of 2015 was 46.9% in comparison with the nine months of 2014 due to RUB depreciation which had negative impact on operating expenses denominated in EUR currency at Rosneft's units outside Russia.

In the third quarter of 2015 operating costs per tonne of crude oil throughput of Rosneft's refineries in Russia decreased by 0.7% compared with the second quarter of 2015 and amounted to RUB 984 per tonne.

The decrease was mainly due to optimization of material expenses. The increase in operating costs per tonne in the nine months of 2015 compared to the nine months of 2014 of 18.4% was due to increased material supply and electricity tariffs. Operating expenses per tonne of crude oil throughput of Rosneft's refineries outside Russia were 2,981 RUB per tonne in the third quarter of 2015 which is an increase of 55.5% compared with the second quarter of 2015. The increase in operating expenses per tonne of crude oil throughput was mainly due to RUB depreciation which had negative impact on operating expenses denominated in EUR currency at Rosneft's units outside Russia and increased volumes of turnarounds.

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

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	September 30, 2015	June 30, 2015		September 30, 2015	September 30, 2014	
Crude oil procurement						
Cost of crude oil procured (RUB billion)	109	103	5.8%	307	297	3.4%
including Domestic market	44	49	(10.2)%	133	109	22.0%
International market	65	54	20.4%	174	188	(7.4)%
Volume of crude oil procured (million of barrels)	44.5	42.9	3.7%	128.0	118.0	8.5%
including Domestic market	26.1	25.5	2.4%	75.1	68.3	10.0%
International market	18.4	17.4	5.7%	52.9	49.7	6.4%
Gas procurement²						
Cost of gas procured (RUB billion)	3.9	3.8	2.6%	14.2	16.9	(16.0)%
Volume of gas procured (bcm)	2.10	2.15	(2.3)%	8.07	9.41	(14.2)%
Petroleum products procurement						
Cost of petroleum product procured (RUB billion)*	23	23	–	60	29	>100%
Volume of petroleum product procured (million of tonnes)	0.69	0.87	(20.7)%	1.98	1.06	86.8%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil under processing agreements (RUB billion)	10.2	8.0	27.5%	25.6	20.1	27.4%
Volumes of crude oil and petroleum products, refined under processing agreements (million of tonnes)	3.0	2.7	11.1%	7.9	8.5	(7.1)%
Volumes of refining of gas under processing agreements (bcm)	2.9	2.5	16.0%	8.3	6.2	33.9%
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	146	138	5.8%	407	363	12.1%

*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.

²Including cost of Upstream segment in the amount of RUB 3 billion, RUB 3 billion, RUB 12 billion and RUB 12 billion in the third quarter of 2015, in the second quarter of 2015, in the nine months of 2015 and in the nine months of 2014, respectively, and cost of Downstream segment in the amount of RUB 0.9 billion, RUB 0.8 billion, RUB 2.2 billion and RUB 4.9 billion in the third quarter of 2015, in the second quarter of 2015, in the nine months of 2015 and in the nine months of 2014, respectively.

Crude oil procurement

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

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	September 30, 2015	June 30, 2015		September 30, 2015	September 30, 2014	
	mln barrels			mln barrels		
International market	18.4	17.4	5.7%	52.9	49.7	6.4%
Udmurtneft	6.8	7.0	(2.9)%	20.2	18.5	9.2%
Slavneft	14.5	14.1	2.8%	42.8	39.7	7.8%
Others	4.8	4.4	9.1%	12.1	10.1	19.8%
Total	44.5	42.9	3.7%	128.0	118.0	8.5%

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the “Pipeline tariffs and Transportation costs” line of the consolidated statement of profit and loss. The volume of swap was 2.3 mln barrels and 1.9 mln barrels in the third quarter of 2015 and in the second quarter of 2015, 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>		
	September 30, 2015			June 30, 2015			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
<i>Petroleum products procurement in Russia</i>									
High octane gasoline	5	0.13	37.9	2	0.07	35.4	>100.0%	85.7%	6.9%
Diesel	3	0.08	33.6	2	0.06	31.4	50.0%	33.3%	(7.2)%
Fuel oil	0	0.00	0.00	0	0.00	13.0	–	–	–
Jet fuel	2	0.08	28.6	0	0.01	26.3	100.0%	>100%	8.5%
Other	0	0.02	25.1	2	0.04	26.0	(100.0)%	(50.8)%	(3.2)%
<i>Petroleum products procured outside Russia</i>									
	13	0.38	33.3	17	0.69	25.0	23.5%	(44.9)%	33.0%
Total	23	0.69	33.7	23	0.87	26.5	–	(20.7)%	27.2%

The volume of petroleum product procured in the third quarter of 2015 reduced by 20.7% compared to the second quarter of 2015. Procurement of petroleum products outside Russia meets the contractual obligation under long-term agreements for sales of petroleum products.

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2015			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			
<i>Petroleum products procurement in Russia</i>									
High octane gasoline	8	0.24	36.3	8	0.25	31.8	–	(4.0)%	14.1%
Diesel	7	0.20	31.9	8	0.29	28.4	(12.5)%	(31.0)%	12.3%
Fuel oil	0	0.00	12.4	2	0.17	13.6	(100)%	(100)%	(8.7)%
Jet fuel	2	0.09	28.4	1	0.02	25.7	100.0%	>100.0%	10.3%
Other	3	0.08	25.2	2	0.07	24.8	50.0%	14.3%	1.4%
<i>Petroleum products procured outside Russia</i>									
	40	1.37	29.3	8	0.26	31.9	>100.0%	>100.0%	(8.2)%
Total	60	1.98	30.7	29	1.06	27.4	106.9%	86.8%	12.0%

The petroleum products volume procured increased by 86.8% in the nine months of 2015 compared to the nine months of 2014. 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.

Petroleum products procurement outside Russia

Petroleum products procured outside Russia amounted to RUB 40 billion (1.37 million tonnes) in the third quarter of 2015. Procurement of petroleum products outside Russia meets the contractual obligation under long-term agreements for sales of petroleum products’.

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

Starting from April 2014, associated petroleum gas sales to Sibur Holding and purchases of dry stripped gas from “Sibur” are presented on a net basis in the Company’s financial statements in processing costs in the amount of RUB 4.53 billion in the third quarter of 2015 and RUB 3.58 billion in the second quarter of 2015.

Gas purchases amounted to RUB 3.9 billion in the third quarter of 2015, an increase of 2.6% compared with the second quarter of 2015 which was due to seasonal factor and due to gas price indexation from July 1, 2015.

Gas purchases in the nine months of 2015 decreased by 16% compared with the nine months of 2014 due to the fulfilment of market demand by own resources and due to implementation of new commercial working scheme with Sibur with simultaneous increase in processing of associate gas volumes.

Crude oil and gas processing expenses increased in the third quarter of 2015 in comparison with the second quarter of 2015 by 27.5% due to rising prices of processing at Mozyr refinery resulted from negative impact of RUB depreciation and due to increase in gas processing volumes in the third quarter of 2015.

Pipeline Tariffs and Transportation Costs

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

In the third quarter of 2015 Rosneft's transportation costs increased by 3.1% and amounted to RUB 134 billion compared to the second quarter of 2015. The growth in transportation costs was mainly due to an increased share of crude oil export.

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

	For 3 months ended								% change		
	September 30, 2015				June 30, 2015				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	26.3	96.0%	47.1	1.79	26.0	95.6%	46.0	1.77	1.2%	2.4%	1.1%
Railroad and mixed	1.1	4.0%	3.5	3.19	1.2	4.4%	3.8	3.13	(8.3)%	(7.9)%	1.9%
<u>Transportation to refineries</u>											
Pipeline ¹	23.2		19.1	0.83	22.2		18.1	0.82	4.5%	5.5%	1.2%
Railroad and mixed	1.9		7.2	3.78	1.6		6.3	3.94	18.8%	14.3%	(4.1)%
PETROLEUM PRODUCTS											
<u>International sales</u>											
Pipeline	0.6	3.7%	2.0	3.03	1.2	7.1%	3.1	2.71	(50.0)%	(35.5)%	11.8%
Railroad and mixed	13.1	81.4%	33.0	2.52	13.3	79.2%	33.3	2.50	(1.5)%	(0.9)%	0.8%
Pipeline and FCA ²	2.4	14.9%			2.3	13.7%			4.3%		
GAS	bcm			RUB/thcm	bcm			RUB/thcm			
Pipeline ³	9.4		9.6	1.022	9.5		9.5	1.001	(1.1)%	1.1%	2.1%
Other transportation expenses ⁴			12				10			20%	
Total	68.6		134		67.8		130		1.2%	3.1%	

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

³ Part of gas volumes was dispatched on terms under which Rosneft does not bear transportation expenses. In the third quarter of 2015 and second quarter of 2015 these volumes amounted to 4.1 bcm and 3.8 bcm respectively.

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

Crude oil pipeline transportation cost per tonne of international sales in the third quarter of 2015 remained practically unchanged and amounted to RUB 1.79 thousand.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 1.9% due to the change in transportation structure.

Crude oil pipeline transportation cost per tonne of supplies to refineries increased by 1.2% in the third quarter of 2015 compared to the second quarter of 2015 which was due to the change in transportation routes structure.

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries in the third quarter of 2015 decreased by 4.1% compared to the second quarter of 2015 due to logistic optimization (transportation via shorter routes).

The increase in pipeline cost per tonne of petroleum product international sales was 11.8% in the third quarter of 2015 compared to the previous quarter mainly due to increased export transportation tariffs for petroleum products in direction to Primorsk and due to negative impact of RUB depreciation on USD denominated component of tariff.

Railroad and mixed transportation cost per tonne of petroleum product international sales increased by 0.8% in the third quarter of 2015 compared to the second quarter of 2015 due to change in logistic structure.

Gas transportation costs increase by 1.1% in the third quarter of 2015 compared to the second quarter of 2015 was due to indexation of gas transportation tariffs.

The table below sets forth comparison for costs per tonne of crude oil and petroleum products transported by pipeline, railway and mixed transportation and gas transportation costs via gas pipeline system in the nine months ended September 30, 2015 and 2014:

	<i>For 9 months ended</i>								<i>% change</i>		
	September 30, 2015				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	77.3	95.3%	137.3	1.78	74.2	94.4%	118.9	1.60	4.2%	15.5%	11.3%
Railroad and mixed	3.8	4.7%	12.8	3.28	4.4	5.6%	11.0	2.60	(13.6)%	16.4%	26.2%
<u>Transportation to refineries</u>											
Pipeline ¹	67.9		56.0		67.6		55.9	0.83	0.4%	0.2%	0.0%
Railroad and mixed	5.0		20.3		5.1		20.6	3.97	(2.0)%	(1.5)%	1.5%
PETROLEUM PRODUCTS											
<u>International sales</u>											
Pipeline	3.2	6.4%	8.7	2.74	3.1	6.7%	6.8	2.22	3.2%	27.9%	23.4%
Railroad and mixed	39.9	79.5%	108.4	2.71	37.7	80.9%	82.1	2.17	5.8%	32.0%	24.9%
Pipeline and FCA ²	7.1	14.4%			5.8	12.4%			22.4%		
GAS											
Pipeline ³	30.0		30.3	1.011	24.4		23.4	0.959	23.2%	29.7%	5.4%
Other transportation expenses ⁴			36				29			17.2%	
Total	204.2		408		197.9		348		3.2%	17.2%	

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

² Rosneft exported part of petroleum products in the nine months of 2015 and 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 Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses. In the nine months of 2015 and 2014 these volumes amounted to 12.7 bcm and 16.1 bcm respectively.

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

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

Excise tax

In the third quarter of 2015 excise tax was RUB 27 billion in comparison with RUB 24 billion in the second quarter of 2015. In the nine months of 2015 and 2014 excise tax was RUB 78 billion and RUB 105 billion respectively.

Export Customs Duty

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

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
	RUB billion, except %					
Export customs duty for crude oil	192	161	19,3%	538	924	(41,8)%
Export customs duty for petroleum products	65	57	14,0%	200	334	(40,1)%
Total export customs duties	257	218	17,9%	738	1,258	(41,3)%

Export customs duty increase of 17.9% in the third quarter of 2015 in comparison with the second quarter of 2015 was mostly due to the negative time lag effect and the increased rate of export customs duties denominated in RUB, which was not sufficiently offset by decreased Urals oil prices. Decrease in export customs duty in the nine months of 2015 compared to the nine months of 2014 mainly resulted from the decreased export duty rates due to the latest amendments to the tax legislation and decrease in oil prices.

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
Urals (average Med and NWE) (USD/bbl)	49.4	61.8	(20.1)%	54.6	105.1	(48.0)%
Average enacted export customs duty (th. RUB/tonne)	8.10	6.87	18.0%	7.69	13.58	(43.4)%
Hypothetical export customs duty ¹ (th. RUB/tonne)	6.49	7.47	(13.1)%	7.03	13.25	(46.9)%
Average customs duty on crude oil exports to non-CIS countries subject to regular rate (th. RUB/tonne)	8.06	6.86	17.5%	7.71	13.59	(43.3)%

¹ 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 and due to part of oil exports being realized under FCA terms.

Operating results of segment "Corporate and others"

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2015</i>	<i>June 30, 2015</i>		<i>September 30, 2015</i>	<i>September 30, 2014</i>	
Financial results, RUB billion						
EBITDA	(7)	(13)	46.2%	(28)	(36)	22.2%
Operating cost ¹	10	9	5.4%	29	27	5.0%
Capital expenditures ²	4	2	100.0%	8	11	(27.3)%

¹ interest change is calculated from unrounded data

² Refer to "Capital expenditures".

Operating cost of the segment "Corporate"

Production and operating expenses related to the segment "Corporate" increased by 5.4% in the third quarter of 2015 compared to the second quarter of 2015 due to growth volumes of services provided to external customers.

Production and operating expenses related to the segment "Corporate" in the nine months of 2015 was RUB 29 billion.

Separate indicators of the consolidated financial statement

Costs and Expenses

General and Administrative Expenses

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

In the third quarter of 2015 other expenses did not change significantly and amounted to RUB 16 billion compared. Other expenses include effect of fixed assets disposal in the course of operating activities and other expenses. In the nine months of 2015 and 2014 other expenses were RUB 44 billion and RUB 36 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 USD.

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. 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 third quarter of 2015 foreign exchange loss recognized in profit and loss statement was RUB 83 billion.

The effect from capitalization of the foreign exchange differences on capital loans to fund capital expenditures amounted to RUB 34 billion in the nine months of 2015.

In the nine months of 2014 foreign exchange loss was RUB 150 billion. In the nine months of 2014 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 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
Effective income tax rate under IFRS	20.4%	20.5%	20.5%	19.9%

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

In accordance with Statement of comprehensive income, income tax expense was RUB 29 billion, RUB 34 billion, the third and the second quarters of 2015, respectively. In the nine months of 2015 income tax increased to RUB 78 billion compared to RUB 65 billion in the same period of 2014 due to increase in the tax base.

Net Income

Net income amounted to RUB 113 billion in the third quarter of 2015 compared to the net income of RUB 134 billion in the second quarter of 2015. In the third quarter of 2015 net income includes all operating and financial effects mentioned above including net effect of foreign exchange cash flow hedges in the amount of RUB 111 billion recognized in "Other comprehensive (loss)/income".

Net income amounted to RUB 303 billion and RUB 261 billion in the nine months of 2015 and 2014 respectively. Excluding gain from the sale of LLC "Yugragazpererabotka" of RUB 45 billion (net result) the net profit for the nine months of 2014 was RUB 216 billion. (In the nine months of 2015 net income includes all operating and financial effects mentioned above including net effect of foreign exchange cash flow hedges in the amount of RUB 81 billion recognized in "Other comprehensive (loss)/income").

¹ See p. 6 "Management on foreign exchange risk in terms of high Russian rouble fluctuation"

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</i>	<i>For 9 months ended</i>		<i>change</i>
	<u>September 30, 2015</u>	<u>June 30, 2015</u>		<u>September 30, 2015</u>	<u>September 30, 2014</u>	
	RUB billion		times	RUB billion		times
Net cash provided by operating activities	1,323	331	4.0	1,892	1,268	1.5
Net cash (used in)/provided by investing activities	(374)	(112)	3.3	(474)	(856)	(0.6)
Net cash used in financing activities	(518)	(129)	4.0	(996)	(589)	1.7

Net cash provided by operating activities

Net cash provided by operating activities amounted to RUB 1,323 billion in the third quarter of 2015 compared to RUB 331 billion in the second quarter of 2015.

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

Net cash provided by operating activity adjusted for the above operations amounted to RUB 1,322 billion in the third quarter of 2015 (adjusted for operations with trading securities in the amount of RUB 1 billion), RUB 330 billion in the second quarter of 2015 (adjusted for operations with trading securities in the amount of RUB 1 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</i>	<i>For 9 months ended</i>		<i>change</i>
	<u>September 30, 2015</u>	<u>June 30, 2015</u>		<u>September 30, 2015</u>	<u>September 30, 2014</u>	
	RUB billion		times	RUB billion		times
Net cash provided by operating activity	1,323	331	4.0	1,892	1,268	1.5
<i>Effect from operation with trading securities</i>	(1)	(1)	1.0	(3)	3	–
Adjusted net cash provided by operating activity	1,322	330	4.0	1,889	1,271	1.5
<i>Receipt of prepayments under long term supply contracts¹</i>	(1,027)	–	–	(1,027)	(497)	2.1
<i>Offsetting of prepayments under long term supply contracts¹</i>	22	21	1.0	64	–	–
Adjusted net cash provided by operating activity before change in working capital	317	351	(0.9)	926	774	1.2

¹Settlement of prepayments received in prior periods under long-term supply contracts started in 2015. In prior periods one off prepayments received under long-term contracts were adjusted with the purpose to estimate operating cash flow on a straight line basis.

In the third quarter of 2015 operating cash flow was RUB 317 billion compared to RUB 351 billion compared to the second quarter of 2015. The decrease in adjusted operating cash flow was caused mainly by decrease in worldwide prices for crude oil and petroleum products. In the nine months of 2015 and 2014 adjusted operating cash flow was RUB 926 billion and RUB 774 billion, respectively.

Despite unfavorable macroeconomic environment the Company continues to generate a positive cash flow in the nine months of 2015 through effective working capital management.

Net cash used in/(provided by) investing activities

Net cash used in investing activities was RUB 374 billion in the third quarter of 2015 compared to RUB 112 billion provided by investing activities in the second quarter of 2015. The increase in cash used in investing activities was mainly due to increased acquisition of short-term financial assets compared to the second quarter of 2015 and increase in acquisition of new assets

Net cash used in investing activities in the nine months of 2014 is significantly higher than the result of the current period due to acquisition of short-term financial assets.

In the third quarter of 2015 upstream capital expenditures amounted to RUB 110 billion. In the nine months of 2015 upstream capital expenditures amounted to RUB 316 billion. An increase in capital expenditures of 25.9% compared to the nine months of 2014 was due to increased volume of production drilling (over 1,300 new wells were put into use, that is 16% increase compared with the nine months of 2014) and reconstruction using side-tracking (over +50% vs. nine months of 2014) resulting from increased drilling supply and accelerated development of new wells.

In the third quarter of 2015 downstream capital expenditures slightly decreased and amounted to RUB 26 billion. In the nine months of 2015 downstream capital expenditures amounted to RUB 85 billion.

In the third quarter of 2015 capital expenditures of refineries decreased by 15% to RUB 22 billion compared with RUB 26 billion in the second quarter of 2015. In the nine months of 2015 capital expenditures of refineries amounted to RUB 76 billion.

Capital expenditures of other activities related to scheduled purchases of transport and other equipment were RUB 8 billion in the nine months of 2015.

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

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

¹ Starting from 2015 all cash receipts from the repayment of advances issued for the participation in the auctions which were called off or were won by other participants are recorded in line "Auction advances refund /(acquisition of licenses and auction advances)" of Consolidated Statement of cash flows.

Debt Obligations

Rosneft net debt amounts to RUB 1,622 billion as of September 30, 2015 compared to RUB 2,215 billion as of June 30, 2015.

Rosneft's total loans and borrowings and other financial liabilities was RUB 3,148 billion as of September 30, 2015 compared to RUB 3,013 billion as of June 30, 2015. The increase was mainly attributable to the effect of foreign currency debt revaluation.

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

As of September 30, 2015, June 30, 2015, and September 30, 2014: 33.8%, 29.8% and 26.1% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of September 30, 2015, June 30, 2015, and September 30, 2014 pledged oil exports constituted 4.8%, 4.9% and 4.2% respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

The net debt calculation is disclosed in the following table:

As of the date	September 30, 2015	June 30, 2015	September 30, 2014
	RUB billion		
Short-term loans and borrowings and other financial liabilities	980	1,031	1,114
Long-term loans and borrowings and other financial liabilities	2,168	1,982	1,468
Total debt	3,148	3,013	2,582
Cash and cash equivalents	657	213	139
Other short-term financial assets	869	585	671
Net debt	1,622	2,215	1,772

Key consolidated financial highlights (in RUB terms)

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
EBITDA margin	19.3%	23.7%	21.2%	20.7%
Net income margin	8.9%	10.2%	7.8%	6.2%
Net debt to annualised EBITDA	1.61	2.13	1.61	1.55
Current ratio	1.42	0.97	1.42	1.07
	RUB / bbl			
EBITDA/bbl	691	884	779	818
Upstream capital expenditures/bbl	312	313	300	236
Upstream operating expenses/bbl	192	195	194	171
Adjusted free cash flow /bbl	501	597	491	380
	RUB / boe			
EBITDA/boe	562	715	630	679
Upstream capital expenditures/boe	254	253	243	196
Upstream operating expenses/boe	156	158	157	142
Adjusted free cash flow /boe	408	483	397	315

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

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

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

*Upstream Measures*¹

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
Crude oil and NGL production (mln bbl)	353.0	351.6	1,052.5	1,062.3
Crude oil, NGL and gas production (mln boe)	433.9	434.8	1,301.1	1,279.8

¹ Excluding share in production of associates.

Calculation of Adjusted Free Cash Flow

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	RUB billion			
Net cash provided by operating activities	1,323	331	1,892	1,268
Capital expenditures	(140)	(141)	(409)	(370)
Trading securities operations*	(1)	(1)	(3)	3
Receipt of prepayments under long term supply contracts	(1,027)	–	(1,027)	(497)
Offsetting of prepayments under long term supply contracts	22	21	64	–
Adjusted free cash flow	177	210	517	404

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

Calculation of EBITDA Margin

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	RUB billion (except %)			
Operating income	123	188	455	539
Depreciation, depletion and amortization	121	123	365	330
EBITDA	244	311	820	869
Revenues and equity share in profits/(losses) of associates and joint ventures	1,266	1,312	3,866	4,192
EBITDA margin	19.3%	23.7%	21.2%	20.7%

Calculation of Adjusted EBITDA Margin

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	RUB billion (except %)			
Operating income	123	188	455	539
Depreciation, depletion and amortization	121	123	365	330
EBITDA	244	311	820	869
<i>Effect of prepayments offsetting and other</i>	23	15	59	1 ¹
Adjusted EBITDA	267	326	879	870
Revenues and equity share in profits/(losses) of associates and joint ventures	1,266	1,312	3,866	4,192
Adjusted EBITDA margin	21.1%	24.8%	22.7%	20.8%

¹ In 2014 one off effect from the recognition of commission expenses under long term oil contracts.

Calculation of Net Income Margin

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	RUB billion (except %)			
Net income	113	134	303	261
Revenues and equity share in profits/(losses) of associates and joint ventures	1,266	1,312	3,866	4,192
Net income margin	8.9%	10.2%	7.8%	6.2%

Current ratio

As of the date	September 30, 2015	June 30, 2015	September 30, 2014
		RUB billion (except %)	
Current assets	2,526	1,828	1,916
Current liabilities	1,775	1,893	1,789
Current ratio	1.42	0.97	1.07

Consolidated financial highlights (in USD terms)¹

Consolidated statement of profit or loss

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	USD billion			
Total revenues and equity share in profits/(losses) of associates and joint ventures	20.6	25.2	66.8	118.5
Costs and expenses				
Production and operating expenses	2.1	2.5	6.6	9.6
Cost of purchased oil, gas and petroleum products and refining costs	2.3	2.6	6.9	10.3
General and administrative expenses	0.5	0.6	1.5	2.3
Pipeline tariffs and transportation costs	2.2	2.4	6.9	9.7
Exploration expenses	0.1	–	0.2	0.4
Depreciation, depletion and amortization	1.9	2.4	6.2	9.3
Taxes other than income tax	5.1	6.6	17.2	25.9
Export customs duty	4.1	4.2	12.5	35.6
Total cost and expenses	18.3	21.3	58.0	103.1
Operating income	2.3	3.9	8.8	15.4
Finance income	0.2	0.3	0.7	0.5
Finance expenses	(0.9)	(0.7)	(3.3)	(3.2)
Other income	–	0.5	0.7	1.8
Other expenses	(0.2)	(0.3)	(0.7)	(1.1)
Foreign exchange differences	0.9	(0.5)	0.5	(4.3)
Income before income tax	2.3	3.2	6.7	9.1
Income tax	(0.5)	(0.7)	(1.4)	(1.8)
Net income	1.8	2.5	5.3	7.3

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

Key consolidated financial highlights (in USD terms)

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
EBITDA margin	20.4%	25.0%	22.5%	20.8%
Net income margin	8.7%	9.9%	7.9%	6.2%
Net debt to annualised EBITDA	1.27	1.76	1.27	1.36
Current ratio	1.42	0.96	1.42	1.07
	USD/bbl*			
EBITDA/bbl	11.9	17.9	14.3	23.2
Upstream capital expenditures/bbl	5.0	5.9	5.1	6.7
Upstream operating expenses/bbl	3.0	3.7	3.3	4.8
Adjusted free cash flow /bbl	8.2	11.9	9.2	10.9
	USD/boe*			
EBITDA/boe	9.7	14.5	11.5	19.2
Upstream capital expenditures/boe	4.0	4.8	4.1	5.5
Upstream operating expenses/boe	2.5	3.0	2.7	4.0
Adjusted free cash flow /boe	6.7	9.7	7.4	9.1

*Calculated from unrounded data

Calculation of Adjusted Free Cash Flow

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	USD billion			
Net cash provided by operating activities	20.3	6.3	30.4	36.7
Capital expenditures	(2.2)	(2.7)	(6.9)	(10.4)
Trading securities operations*	(0.1)	(0.0)	(0.1)	0.1
<i>Receipt of prepayments under long term supply contracts</i>	<i>(15.7)</i>	<i>0.6</i>	<i>(15.7)</i>	<i>(14.8)</i>
<i>Offsetting of prepayments under long term supply contracts</i>	<i>0.7</i>	<i>–</i>	<i>2.0</i>	<i>–</i>
Adjusted free cash flow	3.0	4.2	9.7	11.6

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

Calculation of EBITDA Margin

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	USD billion (except %)			
Operating income	2.3	3.9	8.8	15.4
Depreciation, depletion and amortization	1.9	2.4	6.2	9.3
EBITDA*	4.2	6.3	15.0	24.7
Revenues and equity share in profits/(losses) of associates and joint ventures	20.6	25.2	66.8	118.5
EBITDA margin	20.4%	25.0%	22.5%	20.8%

*Including effect from offsetting of prepayments under long-term contracts in the amount of 2.0 billion USD in the nine months of 2015.

Calculation of Net Income Margin

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2015	June 30, 2015	September 30, 2015	September 30, 2014
	USD billion (except %)			
Net income	1.8	2.5	5.3	7.3
Revenues and equity share in profits/(losses) of associates and joint ventures	20.6	25.2	66.8	118.5
Net income margin	8.7%	9.9%	7.9%	6.2%

Current ratio

As of the date	September 30, 2015	June 30, 2015	September 30, 2014
	USD billion (except %)		
Current assets	38.1	32.9	48.6
Current liabilities	26.8	34.1	45.4
Current ratio	1.42	0.96	1.07

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

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