



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
AND DECEMBER 31, 2015**

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 March 31, 2016, December 31, 2015 and March 31, 2015 (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 marketable gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, proved hydrocarbon reserves amounted to 34 billion boe per SEC classification and 43 billion per PRMS classification as of December 31, 2015.

In the first quarter of 2016 average hydrocarbon production of the Company amounts to 5.2 million boe per day. The production of natural and associated gas was 16.72 billion cubic meters in the first quarter of 2016.

Domestic crude oil processing amounted to 0.19 million tonnes per day (average for the first quarter of 2016) at Company's own refineries with current process utilisation rate. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries. Rosneft also holds a 50% stake in refineries in Germany whereon 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			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	1,048	1,196	(12.4)%	1,048	1,321	(20.7)%
EBITDA	273	278	(1.8)%	273	319	(14.4)%
Net income attributable to Rosneft	14	53*	(73.6)%	14	56	(75.0)%
Capital expenditures	154	186	(17.2)%	154	128	20.3%
Free cash flow**	80	140	(42.9)%	80	130	(38.5)%
Net Debt	1,611	1,694	(4.9)%	1,611	2,529	(36.3)%
Operational results						
Hydrocarbon production (th. boe per day)	5,208	5,207	0.0%	5,208	5,200	0.2%
Crude oil and NGL production (th. barrels per day)	4,089	4,107	(0.4)%	4,089	4,131	(1.0)%
Gas production (th. boe per day)	1,119	1,100	1.7%	1,119	1,069	4.7%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	19.01	20.08	(5.3)%	19.01	21.03	(9.6)%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	3.27	3.15	3.8%	3.27	2.60	25.8%

*In the fourth quarter of 2015 the net income included the amount of RUB 38 billion from one-off recognition of other income from the insurance indemnity and effect from disposal of investments.

**Excluding the effect of operations with trading securities and the effect of offsetting of prepayments: RUB 25 billion, RUB 25 billion and RUB 21 billion in the first quarter of 2016, in the fourth and first quarters of 2015 respectively.

For reference only: Financial highlights in USD terms*

	For 3 months ended			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	14.5	18.6	(22.0)%	14.5	21.5	(32.6)%
EBITDA	3.7	4.3	(14.0)%	3.7	5.0	(26.0)%
Net income attributable to Rosneft	0.2	0.8	(75.0)%	0.2	1.0	(80.0)%
Capital expenditures	2.1	2.8	(25.0)%	2.1	2.0	5.0%
Free cash flow	1.5	2.5	(40.0)%	1.5	2.5	(40.0)%
Net Debt	23.9	23.2	3.0%	23.9	43.3	(44.8)%

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

Significant events in the first quarter of 2016

Rosneft attracts a Consortium of strategic investors to participate in the Taas-Yuryakh Neftegasodobycha project

In March 2016, the Company and Oil India, Indian Oil and Bharat Petroresources entered into a legally binding share sale agreement of a 29.9% interest in LLC Taas-Yuryakh Neftegasodobycha. The document provides for the entry of the Indian companies' consortium into the joint venture established by the Company and BP on the basis of LLC Taas-Yuryakh Neftegasodobycha. The Company will retain a controlling share in the joint venture. The transaction will be closed after the set of condition precedents.

Rosneft increases stake in Petromonagas JV with PDVSA

In February of 2016 Rosneft and RDVSA signed Key terms of 23.33% equity acquisition in Petromonagas JV, producing extra heavy oil in Venezuela. The document reflects indicative terms and conditions in relation to the equity acquisition. Currently Rosneft owns 16.67% in this joint venture, after the transaction is completed Rosneft will increase its stake to 40% of JV and PDVSA participation will be reduced to 60%.

Rosneft Increases Supplies to Lotos

In January of 2016 Rosneft and Grupa Lotos S.A. agreed to extend the contract for oil supplies to Poland signed in December 20, 2013. The updated commercial terms and conditions envisage a year extension of the contract (till December 31, 2017) and increase in supplies by 300 thousand tons to reach 2.7 million tons of oil per year.

Macroeconomic factors affecting results of operations

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

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

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

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
World market	(USD per barrel)			(USD per barrel)		
Brent (dated)	33.9	43.7	(22.3)%	33.9	53.8	(37.0)%
Urals (average Med and NWE)	32.2	41.9	(23.3)%	32.2	52.8	(39.1)%
Urals (FOB Primorsk)	29.9	39.5	(24.4)%	29.9	50.5	(40.9)%
Urals (FOB Novorossysk)	30.8	41.2	(25.3)%	30.8	51.6	(40.3)%
Dubai	30.4	40.7	(25.2)%	30.4	51.8	(41.2)%
	(USD per tonne)			(USD per tonne)		
Naphtha (av. FOB/CIF Med)	306	395	(22.5)%	306	443	(30.9)%
Naphtha (av. FOB Rotterdam/CIF NWE)	319	410	(22.2)%	319	465	(31.4)%
Naphtha (CFR Japan)	345	439	(21.4)%	345	493	(30.1)%
Fuel oil (av. FOB/CIF Med)	139	189	(26.6)%	139	281	(50.7)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	132	181	(26.9)%	132	272	(51.5)%
High sulphur fuel oil 180 cst (FOB Singapore)	160	217	(26.1)%	160	317	(49.4)%
Gasoil (av. FOB/CIF Med)	307	397	(22.6)%	307	508	(39.6)%
Gasoil (av. FOB/Rotterdam/CIF NWE)	306	400	(23.5)%	306	516	(40.7)%
Gasoil (FOB Singapore)	295	399	(26.1)%	295	501	(41.0)%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent (dated)	2.53	2.88	(12.1)%	2.53	3.35	(24.4)%
Urals (average Med and NWE)	2.40	2.76	(13.2)%	2.40	3.28	(26.9)%
Urals (FOB Primorsk)	2.23	2.61	(14.5)%	2.23	3.14	(29.0)%
Urals (FOB Novorossysk)	2.30	2.72	(15.4)%	2.30	3.21	(28.4)%
Dubai	2.27	2.68	(15.3)%	2.27	3.22	(29.4)%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	22.8	26.1	(12.3)%	22.8	27.6	(17.1)%
Naphtha (av. FOB Rotterdam/CIF NWE)	23.8	27.1	(12.0)%	23.8	28.9	(17.6)%
Naphtha (CFR Japan)	25.7	28.9	(11.1)%	25.7	30.6	(16.1)%
Fuel oil (av. FOB/CIF Med)	10.3	12.5	(17.0)%	10.3	17.5	(40.8)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	9.9	11.9	(17.3)%	9.9	16.9	(41.8)%
High sulphur fuel oil 180 cst (FOB Singapore)	12.0	14.3	(16.3)%	12.0	19.7	(39.3)%
Gasoil (av. FOB/CIF Med)	22.9	26.1	(12.4)%	22.9	31.6	(27.5)%
Gasoil (av. FOB Rotterdam/CIF NWE)	22.8	26.4	(13.4)%	22.8	32.1	(28.8)%
Gasoil (FOB Singapore)	22.0	26.3	(16.4)%	22.0	31.1	(29.2)%
Russian market						
(net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)		
Crude oil	9.3	12.0	(22.5)%	9.3	12.9	(27.4)%
Fuel oil	3.7	5.5	(33.0)%	3.7	7.6	(51.7)%
Summer diesel	25.6	28.0	(8.5)%	25.6	26.7	(4.0)%
Winter diesel	26.8	31.0	(13.5)%	26.8	28.3	(5.5)%
Jet fuel	24.0	28.2	(15.0)%	24.0	24.5	(2.3)%
High octane gasoline	30.2	30.6	(1.3)%	30.2	28.2	7.1%
Low octane gasoline	26.6	28.9	(7.9)%	26.6	26.4	1.0%

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 11.6% in the first quarter of 2016 compared to the fourth quarter of 2015 and RUB depreciation against USD in nominal terms by 16.7% in first quarter of 2016 compared with the first quarter of 2015.

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. 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 3.34 thousand per thousand cubic meters, RUB 3.33 thousand per thousand cubic meters and RUB 3.15 thousand per thousand cubic meters in the fourth and in the first quarters of 2015 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>		
	March 31, 2016	December 31, 2015	March 31, 2015
Consumer price index (CPI) for the period*	2.1%	2.3%	7.4%
Average RUB/USD exchange rate for the period**	74.63	65.94	62.19
RUB/USD exchange rate at the end of the period	67.61	72.88	58.46
Average RUB/EUR exchange rate for the period	82.34	72.27	70.43
RUB/EUR exchange rate at the end of the period	76.54	79.70	63.37

Source: Central Bank of Russian Federation.

* Producer price index amounted to 1.5% y-o-y at the end of March 2016.

**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 3 months ended</i>		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Mineral extraction tax *						
Crude oil (RUB per tonne)	4,080	5,099	(20.0)%	4,080	6,834	(40.3)%
Export customs duty for crude oil						
Crude oil (USD per tonne)	55.0	92.3	(40.4)%	55.0	130.2	(57.8)%
Crude oil (RUB per tonne)	4,104	6,085	(32.6)%	4,104	8,097	(49.3)%
Crude oil (RUB per barrel)	554	822	(32.6)%	554	1,094	(49.4)%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	2,500	4,743	(47.3)%	2,500	6,313	(60.4)%
Naphtha (RUB per tonne)	2,911	5,169	(43.7)%	2,911	6,879	(57.7)%
Light and middle distillates (RUB per tonne)	1,641	2,920	(43.8)%	1,641	3,881	(57.7)%
Diesel (RUB per tonne)	1,641	2,920	(43.8)%	1,641	3,881	(57.7)%
Liquid fuels (fuel oil) (RUB per tonne)	3,362	4,620	(27.2)%	3,362	6,152	(45.4)%

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	Since January 1 through March 31, 2016	Since April 1, through December 31, 2016	2017
	High octane gasoline (RUB per tonne)			
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	7,300	10,500	13,100	12,300
High octane gasoline euro-3 (RUB per tonne)	7,300	10,500	13,100	12,300
High octane gasoline euro-4 (RUB per tonne)	7,300	10,500	13,100	12,300
High octane gasoline euro-5 (RUB per tonne)	5,530	7,530	10,130	7,430
Naphtha (RUB per tonne)	11,300	10,500	13,100	12,300
Diesel (RUB per tonne)	3,450	4,150	5,293	5,093
Lubricants (RUB per tonne)	6,500	6,000	6,000	5,400
Benzol, paraxylene, ortoxylyene (RUB per tonne)	2,300	3,000	3,000	2,800
Middle distillates	-	4,150	5,293	5,093

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 certain type of the oil product subject to excise duty and deduction period).

Effective tax burden of the Company was 34.9% and 40.3% in the first quarter of 2016 and in the fourth quarter of 2015 respectively.

The mineral extraction tax and the export customs duty accounted for approximately 29.0% and 34.4% of Rosneft’s total revenues in the first quarter of 2016 and in the fourth quarter of 2015 respectively. Tax withdrawing share in the financial results excluding forex and one off effects was up to 89% in the first quarter of 2016.

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, 2016** the mineral extraction tax rate will be calculated by multiplying the tax rate of **RUB 857** (in 2015 – RUB 766, 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 (**starting 2016 – RUB 559**, in 2015 – RUB 530) 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 2016 the Company applied reduced and zero MET tax rates at certain fields:

Tax relives in 2016	Applicable in the Company
Reduced rates	Crude oil from deposits with permeability of less than 2×10^{-3} square micrometres and tyumen formation
Zero rates	Oil fields with hard to recover reserves, including bazhenov, abalak, khadum, domanic formations
Reduced MET by coefficient “Dm”, which characterizes crude oil production at a particular oil field	Oil fields located: <ul style="list-style-type: none"> • In Irkutsk region, the republic of Sakha (Yakutia) and Krasnoyarsk territory which is applicable for the first 25 million tonnes of production • On the territory of the Nenets Autonomous district, Yamalo-nenets Autonomous district – for the first 15 million tonnes of production • Okhotsk sea fields subject to zero mineral extraction tax rate which is applicable for the first 30 million tonnes of production Oil fields with reserve depletion rate of over 80%. Oil fields with the volume of initial recoverable reserves being less than 5 million tonnes. Oil fields with high-viscosity crude oil (in-situ viscosity more than 200 mPas and less than 10 000 mPas)
Special tax regime for offshore projects in the Russian Federation	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)
Special tax regime exempting the Company from paying mineral extraction tax.	Exploration projects in the Sakhalin-1 psa.

MET rate calculation for 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 reduced coefficient, that characterized the complexity level of natural gas and (or) gas condensate production.

Reduced coefficient in 2016	Applicable in the Company
0.5	License areas: Rospan and Russko-Rechenskoe licensed fields and also at fields of Krasnodar and Stavropol regions
0.64	License areas: Kynsko-Chaselskoye fields and at a number of fields of Sibneftegaz, and also at Nenets Autonomous District, the Chechen republic and Krasnodar region
0.1	License areas: Irkutsk region, in Krasnoyarsk region and in region of Far East or the sea of Okhotsk
0.21	License areas: Turon deposits reserves of the Kharampurskoye field
0.5-1	Fields with reserve depletion rate of over 70%.

In the first quarter of 2016, in the fourth and first quarters of 2015 average extraction tax for natural gas was RUB 530, RUB 535 and 498 per th. cubic meters respectively.

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 2,861 in the first quarter of 2016, RUB 2,287 and 2,273 per tonne in the fourth and first quarters of 2015.

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

Export Customs Duty on Crude Oil

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

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

<i>Urals price (USD per tonne)</i>	<i>Export customs duty (USD per tonne)</i>
Below and including 109.5 (15 USD per barrel)	Export customs duty is not levied
Above 109.5 to 146 including (15 to 20 USD per barrel)	35% of the difference between the average Urals price in USD per tonne and USD 109.5
Above 146 to 182.5 including (20 to 25 USD per barrel)	USD 12.78 <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, 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)

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.

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. At the same time quotes for tax-free sale of crude oil and petroleum products are set. In accordance with agreement with Armenia all supplies above the quotes are subject for the duties.

In accordance with agreement between Russian Federation government and Kazakhstan Republic government about trade and economic cooperation in crude oil and petroleum products supplies dated December 9, 2010 the export ban for the specified dark petroleum products list is set from Russian Federation to Kazakhstan Republic.

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 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
Naphtha	85	71	55
Gasoline	78	61	30
Fuel oil, bitumen oil, other dark oil products	76	82	100

In 2016 and 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.

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

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

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

Recent changes of Transneft transportation tariffs

Crude oil

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

Petroleum products

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

Recent changes in railroad transportation tariffs

Starting from January 1, 2016 indexation of railroad tariffs, fees and charges was 9% compared to 2015. Multiplying factor 1.074, which has been applied to domestic railroad tariffs for transportation of diesel from September 16, 2015, was cancelled from January 1, 2016.

¹ The FAS - the Federal Anti-Monopoly Service.

The table sets forth the Rosneft's average transportation tariffs applied to major transportation routes in the first quarter of 2016 and in the fourth quarter of 2015 excluding transshipment:

	<i>For 3 months ended</i>		<i>Changes%</i>
	March 31, 2016	December 31, 2015	
	th. RUB/tonne		
CRUDE OIL			
Domestic			
<i>Pipeline</i>			
Samotlorneftegaz – Omsk refinery	0.52	0.49	5.8%
Orenburgneft (Pokrovka) – Novokuybyshevsk refinery	0.14	0.13	6.3%
RN-Uvatneftegas (Demyanskoe) – Ryzan NPK	1.19	1.13	5.8%
RN-Nyaganneftegas (Krasnoleninsk) – Tuapse refinery	1.60	1.51	6.2%
Export			
<i>Pipeline</i>			
Vankorneft (Purpe) – China	2.47	2.35	5.5%
Yuganskneftegaz (Karkatevy) - Primorsk Port	1.81	1.70	6.6%
Verkhnechonskneftegaz (Talakan) – Kozmino	2.37	2.24	5.8%
Uvatneftegaz (Demyanskoe) – China via Kazakhstan ¹	2.08	1.39	49.6%
Yuganskneftegaz (Karkatevy) - Poland	1.85	1.75	5.9%
Yuganskneftegaz (Yuzhny Balyk) – Mozyr refinery	1.62	1.53	5.7%
Samaraneftegaz (Kuleshovka) – Novorossiysk Port	0.95	0.90	5.5%
PETROLIUM PRODUCTS (EXPORT)			
<i>Railroad</i>			
Angarsk refinery – Nakhodka Port	5.95	5.46	9.0%
Komsomolsk refinery – Nakhodka Port	2.32	2.14	8.7%
Saratov refinery – Tuapse Port	2.32	2.13	9.0%
Samara refineries – Novorossiysk Port	2.65	2.43	9.0%
Achinsk refinery – Taman Port	6.34	5.82	9.0%
Ryazan refinery – Ust-Luga Port	2.24	2.05	9.0%
YANOS – Ust-Luga Port	1.82	1.67	9.0%
Nizhnevartovsk refinery– Tuapse Port	3.48	3.19	9.0%

Source: Transneft, RZD, Rosneft. % of change was calculated based on unrounded numbers.

¹ Increase in tariff is driven by changes in transportation routes set by the Order of the Ministry of Energy (including oil delivery points from the resources of Western Siberia).

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").

Business Segments and Intersegment sales

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

Operating Segments

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

- *Exploration and production (Upstream)*. Geological exploration and development of fields and crude oil and gas production both on the onshore and offshore in the territory of Russia and abroad and internal oilfield service companies;
- *Refining and distribution (Downstream)*. Refining of crude oil, as well as the purchase, transportation, sale of crude oil and petroleum products to the third parties in Russia and abroad;
- Other activities form the “*Corporate*” segment and include banking, financial services and other corporate services.

Intersegment Sales

Rosneft's two main business segments are interconnected: the majority of the revenues of one main segment is included in the expenses of the other main segment. In particular, Upstream Group companies provide operator services for Downstream Group companies, which sell part of crude oil on the domestic market or outside of Russia, and processes the remaining part at own refineries or at the refineries of affiliates and third parties. Refined petroleum products are then either sold by the Company through wholesale in international or domestic markets or sold to the Company's sale subsidiaries for subsequent 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. The price is established at oil gathering facility (point of sales) where Upstream dispatches the oil to Downstream. All intercompany operations, including transactions from internal oilfield service companies and corporate service companies, are eliminated on the consolidation level.

Financial performance for the three months ended March 31, 2016, December 31, 2015 and March 31, 2015 (Consolidated statement of profit or loss)

in RUB billions

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Revenues and equity share in profits of associates and joint ventures						
Oil, gas, petroleum products and petrochemicals sales	1,026	1,180	(13.1)%	1,026	1,300	(21.1)%
Support services and other revenues	19	15	26.7%	19	19	–
Equity share in profits of associates and joint ventures	3	1	>100%	3	2	50.0%
Total revenues and equity share in profits of associates and joint ventures	1,048	1,196	(12.4)%	1,048	1,321	(20.7)%
Costs and expenses						
Production and operating expenses	137	186	(26.3)%	137	126	8.7%
Cost of purchased oil, gas, petroleum products and refining costs	130	123	5.7%	130	123	5.7%
General and administrative expenses	30	44	(31.8)%	30	27	11.1%
Pipeline tariffs and transportation costs	147	134	9.7%	147	144	2.1%
Exploration expenses	3	4	(25.0)%	3	2	50.0%
Depreciation, depletion and amortization	116	85	36.5%	116	121	(4.1)%
Taxes other than income tax	231	268	(13.8)%	231	338	(31.7)%
Export customs duty	132	187	(29.4)%	132	263	(49.8)%
Total costs and expenses	926	1,031	(10.2)%	926	1,144	(19.1)%
Operating income	122	165	(26.1)%	122	177	(31.1)%
Finance income	18	16	12.5%	18	15	20.0%
Finance expenses	(52)	(68)	(23.5)%	(52)	(103)	(49.5)%
Other income	–	38	–	–	9	–
Other expenses	(9)	(28)	(67.9)%	(9)	(11)	(18.2)%
Foreign exchange differences	(25)	(9)	>100%	(25)	17	–
Cash flow hedges reclassified to profit or loss	(37)	(35)	5.7%	(37)	(33)	12.1%
Income before income tax	17	79	(78.5)%	17	71	(76.1)%
Income tax expense	(3)	(26)	(88.5)%	(3)	(15)	(80.0)%
Net income	14	53	(73.6)%	14	56	(75.0)%
Net income attributable to Rosneft shareholders	14	53	(73.6)%	14	56	(75.0)%

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, oil service companies. 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, and also revenue and costs of oil service companies that provide services to the Group companies.

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Operational results						
Hydrocarbon production (th. boe per day)	5,208	5,207	0.0%	5,208	5,200	0.2%
Crude oil and NGL production (th. barrels per day)	4,089	4,107	(0.4)%	4,089	4,131	(1.0)%
Gas production (th. boe per day)	1,119	1,100	1.7%	1,119	1,069	4.7%
Hydrocarbon production (mln boe) ¹	440.1	443.8	(0.8)%	440.1	432.4	1.8%
Financial results, RUB billion						
EBITDA	256	240	6.7%	256	274	(6.6)%
Capital expenditures ²	135	140	(3.6)%	135	96	40.6%
Upstream operating expenses ³	68.3	73.4	(6.9)%	68.3	68.0	0.4%
Indicators per boe						
EBITDA, RUB/boe	582	541	7.6%	582	634	(8.2)%
Capital expenditures, RUB/boe	307	315	(2.5)%	307	222	38.3%
Upstream operating expenses, RUB/boe	155	165	(6.1)%	155	157	(1.3)%
Upstream operating expenses, USD/boe ⁴	2.1	2.5	(16.0)%	2.1	2.5	(16.0)%

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 first quarter of 2016, RUB 0.0 billion in the fourth quarter of 2015, RUB 0.2 billion in the first quarter of 2015.

⁴Calculated for the first quarter of 2016, fourth and first quarters of 2015 using monthly RUB/USD exchange rates for the reporting periods.

Upstream EBITDA

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Revenues and equity share in profits of associates and joint ventures						
	515	554	(7.0)%	515	651	(20.9)%
<i>Including equity share in profits of associates and joint ventures</i>	<i>1</i>	<i>–</i>	<i>–</i>	<i>1</i>	<i>2</i>	<i>(50.0)%</i>
Expenses net of depreciation						
	294	342	(14.0)%	294	398	(26.1)%
<i>including</i>						
Upstream operating expenses ¹	68	73	(6.8)%	68	68	–
General and administrative expenses	14	14	–	14	12	16.7%
Hydrocarbon procurement costs ²	12	5	>100%	12	5	>100%
Pipeline tariffs and transportation costs and other costs	11	10	10.0%	11	9	22.2%
Exploration expenses	3	4	(25.0)%	3	2	50.0%
Taxes other than income tax	186	236	(21.2)%	186	302	(38.4)%
Effect of prepayments offsetting	35	28	25.0%	35	21	66.7%
EBITDA	256	240	6.7%	256	274	(6.6)%

¹Percentage is calculated from unrounded data.

²See section "Cost of Purchased Oil, Gas and Petroleum Products and Refining Costs and others".

Operating indicators

Production of Crude Oil and NGL

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

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

	For 3 months ended			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
	<i>million of barrels</i>			<i>million of barrels</i>		
Yuganskneftegaz (Western Siberia)	115.0	116.7	(1.5)%	115.0	114.8	0.2%
Vankorneft (Eastern Siberia)	39.7	40.9	(2.9)%	39.7	40.2	(1.2)%
Samotlorneftegaz (Western Siberia)	37.4	38.4	(2.6)%	37.4	39.0	(4.1)%
Orenburgneft (Central Russia)	30.9	32.8	(5.8)%	30.9	33.9	(8.8)%
Samaraneftegaz (Central Russia)	22.8	23.0	(0.9)%	22.8	21.5	6.0%
RN-Uvatneftegaz (Western Siberia)	21.4	21.1	1.4%	21.4	18.9	13.2%
Verkhnechonskneftegaz (Eastern Siberia)	16.1	16.0	0.6%	16.1	15.9	1.3%
Varyeganneftegaz (Western Siberia)	11.4	11.5	(0.9)%	11.4	11.5	(0.9)%
RN-Nyaganneftegaz (Western Siberia)	10.8	11.1	(2.7)%	10.8	11.2	(3.6)%
Purneftegaz (Western Siberia)	9.8	10.1	(3.0)%	9.8	10.2	(3.9)%
Tomskneft (Western Siberia)	8.8	9.1	(3.3)%	8.8	9.2	(4.3)%
Severnaya Neft (Timan Pechora)	6.0	5.7	5.3%	6.0	5.1	17.6%
RN-Shelf Far East (Far East)	4.6	4.4	4.5%	4.6	3.3	39.4%
Sakhalin-1 (Far East) (net of royalty and government share)	3.2	3.0	6.7%	3.2	2.6	23.1%
Taas-Yuryakh (Eastern Siberia)	2.0	1.9	5.3%	2.0	1.6	25.0%
Other	9.0	8.2	9.8%	9.0	9.0	–
Crude oil and NGL production by fully and proportionately consolidated enterprises	348.9	353.9	(1.4)%	348.9	347.9	0.3%
Slavneft	14.0	14.2	(1.4)%	14.0	14.3	(2.1)%
Udmurtneft (Central Russia)	5.8	6.0	(3.3)%	5.8	5.8	–
Polar Lights (Timan Pechora) ¹	–	0.3	(100)%	–	0.4	(100)%
Other	3.4	3.4	–	3.4	3.4	–
Total share in production of associates and JV	23.2	23.9	(2.9)%	23.2	23.9	(2.9)%
Total crude oil and NGL production	372.1	377.8	(1.5)%	372.1	371.8	0.1%
Daily crude oil and NGL production (th. barrels per day)	4,089	4,107	(0.4)%	4,089	4,131	(1.0)%

¹The share was sold in December 2015.

In the first quarter of 2016 crude oil and NGL production was 372.1 mln barrels compared to 371.8 mln barrels in the first quarter of 2015 and 377.8 mln barrels in the fourth quarter of 2015. Positive production dynamics was attributable to the production at RN-Uvatneftegaz, Verkhnechonskneftegaz, RN-Severnaya Neft, Sakhalin-1 and the Northern tip of the Chayvo field.

The Company continues the implementation of program of geological measures aimed at restraining of natural production decline at Brownfields.

In the first quarter of 2016 the Company increased its production drilling by 52% compared with the first quarter of 2015. The share of in-house services in the total drilling footage consistently exceeds 50%. New wells put into operation grew by 59% compared with the first quarter of 2015.

The Company started production drilling at the Tagul field, which is part of the Vankor cluster. During 2016, it is planned to complete drilling about 9 wells and continue with field infrastructure development.

Production of Gas

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

	For 3 months ended			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
	bcm			bcm		
NGK ITERA (Western Siberia)	3.06	3.16	(3.2)%	3.06	2.90	5.5%
Vankorneft (Eastern Siberia) ²	2.14	2.27	(5.7)%	2.14	2.24	(4.5)%
Purneftegaz (Western Siberia)	1.56	1.47	6.1%	1.56	1.30	20.0%
Samotlorneftegaz (Western Siberia)	1.53	1.49	2.7%	1.53	1.44	6.3%
Rospan International (Western Siberia)	1.44	1.22	18.0%	1.44	1.01	42.6%
Yuganskneftegaz (Western Siberia)	1.15	1.18	(2.5)%	1.15	1.12	2.7%
Varyeganneftegaz (Western Siberia)	0.82	0.82	–	0.82	0.78	5.1%
Krasnodarneftegaz (Southern Russia)	0.79	0.74	6.8%	0.79	0.82	(3.7)%
Orenburgneft (Central Russia)	0.64	0.69	(7.2)%	0.64	0.69	(7.2)%
RN Shelf Far East (Far East)	0.44	0.31	41.9%	0.44	0.10	>100%
RN-Nyaganneftegaz (Western Siberia)	0.38	0.39	(2.6)%	0.38	0.39	(2.6)%
Tomskneft (Western Siberia)	0.21	0.25	(16.0)%	0.21	0.25	(16.0)%
Sakhalin-1 (Far East) (net of royalty and government share)	0.14	0.13	7.7%	0.14	0.14	–
Samaraneftegaz (Central Russia)	0.12	0.11	9.1%	0.12	0.10	20.0%
Severnaya Neft (Timan Pechora)	0.06	0.06	–	0.06	0.06	–
Other	0.49	0.48	2.1%	0.49	0.54	(9.3)%
Total gas production by fully and proportionately consolidated enterprises	14.97	14.77	1.4%	14.97	13.88	7.9%
Purgaz (NGK ITERA)	1.56	1.66	(6.0)%	1.56	1.73	(9.8)%
Slavneft	0.12	0.12	–	0.12	0.11	9.1%
Other	0.07	0.07	–	0.07	0.08	(12.5)%
Total share in production of associates and JV	1.75	1.85	(5.4)%	1.75	1.92	(8.9)%
Total gas production	16.72	16.62	0.6%	16.72	15.80	5.8%
Natural gas	7.87	7.84	0.4%	7.87	7.78	1.2%
Associated gas	8.85	8.78	0.8%	8.85	8.02	10.3%
Daily gas production (mcm per day)	183.7	180.7	1.7%	183.7	175.6	4.7%

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 first quarter of 2016 gas production amounted to 16.72 bcm, which is 0.6% above the level of the fourth quarter of 2015 and 5.8% above the first quarter of 2015. One of the key factors in gas production growth for the periods indicated is the startup of the second stage of Rospan's Novo-Urengoi comprehensive gas and gas condensate processing plant in a comprehensive testing mode in the fourth quarter of 2015. This facility will enable to increase the actual performance of the GPP to 11 million cubic meters of gas per day and 1,700 tons of condensate per day. Another significant factors of the gas production growth are the start of the third and fourth wells at the Northern tip of the Chayvo field and commissioning of the gas processing plant at Purneftegaz's Barsukovsky field in December 2015.

The level of utilization of associated petroleum gas ("APG") increased up to 91% in the first quarter of 2016 compared with 87% in the first quarter of 2015.

Financial indicators

Equity share in profits of upstream associates and joint ventures

The equity share in financial results of upstream associates and joint ventures was RUB 1 billion profit in the first quarter of 2016 and related to recognition of profit from operating activity of some JV in the first quarter of 2016.

The equity share in financial results of upstream associates and joint ventures was RUB 2 billion profit in the first quarter of 2015.

Upstream production and operating expenses

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 consolidated exploration and production units.

Upstream production and operating expenses amounted to RUB 68.3 billion (or 155 RUB/boe) and decreased by 6.9% (or 6.1% per boe) in the first quarter of 2016 compared with the fourth quarter of 2015. The decline was due to seasonal decrease in wellworks and maintenance of the infrastructure.

In the first quarter of 2016 upstream production and operating expenses changed insignificantly by 0.4% (or (1.3)% per boe) compared with RUB 68.0 billion (157 RUB/boe) in the first quarter of 2015, that is mainly due to electricity costs growth compensated by the decrease in wellwork expenses, repairs and maintenance costs with simultaneous extension of drilling program.

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 first quarter of 2016 exploration expenses amounted to RUB 3 billion and decreased by RUB 1 billion in the fourth quarter of 2015 that mainly due to seasonality factor.

Mineral extraction tax

The amount of mineral extraction tax was RUB 172 billion in the first quarter of 2016 compared with RUB 224 billion in the fourth quarter of 2015. The decrease in mineral extraction tax was mainly due to decreased monthly tax rate caused by significant decline in “Urals” price partially offset by rouble depreciation.

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
	thousand RUB, except %					
Average enacted oil mineral extraction tax rate (per tonne)	4.08	5.10	(20.0)%	4.08	6.83	(40.3)%
Actual mineral extraction tax expense per tonne of oil equivalent produced (per tonne oil equivalent) [*]	2.98	3.68	(19.0)%	2.98	4.97	(40.0)%
	RUB per thousand cubic metres, except %					
Average actual gas extraction tax rate	530	535	(0.9)%	530	498	6.4%

**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.

	For 3 months ended			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Operational results, mln tonne						
Crude oil processing at refineries	22.61	23.59	(4.2)%	22.61	24.34	(7.1)%
<i>Processing at Company's own refineries in Russia</i>	<i>17.57</i>	<i>18.53</i>	<i>(5.2)%</i>	<i>17.57</i>	<i>19.77</i>	<i>(11.1)%</i>
<i>Processing at Company's own refineries outside Russia</i>	<i>3.13</i>	<i>2.88</i>	<i>8.7%</i>	<i>3.13</i>	<i>2.64</i>	<i>18.6%</i>
<i>Processing at Associates' refineries</i>	<i>1.91</i>	<i>2.18</i>	<i>(12.4)%</i>	<i>1.91</i>	<i>1.93</i>	<i>(1.0)%</i>
Financial results, RUB billion						
EBITDA	27	52	(48.1)%	27	61	(55.7)%
Capital expenditures*	11	32	(65.6)%	11	28	(60.7)%
Operating expenses of processing in Russia	19.49	21.03	(7.3)%	19.49	17.77	9.7%
Operating expenses of processing outside Russia	9.19	8.24	11.5%	9.19	6.27	46.6%
Indicators per tonne of the output**						
EBITDA, RUB per tonne	1,304	2,429	(46.3)%	1,304	2,722	(52.1)%
Capital expenditure, RUB per tonne	520	1,495	(65.2)%	520	1,249	(58.4)%
Operating expenses for processing in Russia, RUB per tonne	1,109	1,135	(2.3)%	1,109	899	23.4%
Operating expenses for processing outside Russia, RUB per tonne	2,932	2,863	2.4%	2,932	2,371	23.7%

*Refer to "Capital expenditures".

**Calculated from unrounded data.

Downstream EBITDA

	For 3 months ended			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
	RUB billion			RUB billion		
Revenues and equity share in profits/(losses) of associates and joint ventures	1,053	1,201	(12.3)%	1,053	1,315	(19.9)%
<i>Including equity share in profits/(losses) of associates and joint ventures</i>	<i>2</i>	<i>1</i>	<i>–</i>	<i>2</i>	<i>(1)</i>	<i>–</i>
Expenses net of depreciation	1,026	1,149	(10.7)%	1,026	1,254	(18.2)%
<i>including</i>						
Operating expenses at refineries, cost of additives and materials procured for processing	41	47	(12.8)%	41	33	24.2%
Operating expenses of retail companies	10	11	(9.1)%	10	9	11.1%
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	641	676	(5.2)%	641	760	(15.7)%
Administrative expenses including doubtful debts allowances	8	20	(60.0)%	8	8	–
Pipeline tariffs and transportation costs and other costs	140	128	9.4%	140	138	1.4%
Taxes other than income tax	43	30	43.3%	43	33	30.3%
Export customs duty	132	187	(29.4)%	132	263	(49.8)%
Effect from intragroup balance change and others	11	21	(47.6)%	11	10	10.0%
Cost assessment adjustment for 2014–2015	–	29	–	–	–	–
EBITDA*	27	52	(48.1)%	27	61	(55.7)%

*Calculated from unrounded data.

Operating indicators

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: the Tuapse refinery on the Black Sea 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. Starting from March 2015 the Novokuibyshevsk petrochemical refinery results include in petroleum product output volumes as well as acquired additional share in PCK Raffinerie GmbH starting from December 2015.

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 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
	mln of tonnes			mln of tonnes		
Crude oil processing at s refineries in Russia*	19.48	20.52	(5.1)%	19.48	21.67	(10.1)%
Crude oil processing at refineries outside Russia <i>including crude oil processing at Ruhr Oel GmbH (ROG)**</i>	3.13	3.07	2.0%	3.13	2.67	17.2%
<i>including crude oil processing in Belarus</i>	3.13	2.88***	8.7%	3.13	2.64	18.6%
	0.00	0.19	(100.0)%	0.00	0.03	(100.0)%
Total Group crude oil processing	22.61	23.59	(4.2)%	22.61	24.34	(7.1)%
Petroleum product output:						
High octane gasoline	2.87	2.74	4.7%	2.87	2.90	(1.0)%
Low octane gasoline	0.03	0.05	(40.0)%	0.03	0.03	–
Naphtha	1.25	1.37	(8.8)%	1.25	1.36	(8.1)%
Diesel	6.04	6.32	(4.4)%	6.04	6.99	(13.6)%
Fuel oil	5.59	6.35	(12.0)%	5.59	7.05	(20.7)%
Jet fuel	0.63	0.72	(12.5)%	0.63	0.65	(3.1)%
Petrochemicals	0.16	0.27	(40.7)%	0.16	0.20	(20.0)%
Other****	2.44	2.26	8.0%	2.44	1.85	31.9%
Product output at Rosneft's own refineries in Russia	19.01	20.08	(5.3)%	19.01	21.03	(9.6)%
Product output at refineries outside Russia <i>including crude oil output at Ruhr Oel GmbH (ROG)</i>	3.27	3.15	3.8%	3.27	2.60	25.8%
<i>including product output in Belarus</i>	3.27	2.97***	10.1%	3.27	2.57	27.2%
	0.00	0.18	(100.0)%	0.00	0.03	(100.0)%
Total Group product output	22.28	23.23	(4.1)%	22.28	23.63	(5.7)%

*Including processing at YaNOS refinery

**Excluding additives obtained for processing.

***Including share in PCK Raffinerie GmbH.

****Including production of petroleum products at gas refineries and 0.13 mln t of liquid gas produced at SANORS in the first quarter of 2016 and 0.03 mln t in the first quarter of 2015.

In the first quarter of 2016 crude oil processing volume was 22.61 mln tonnes lower by 4.2% compared to the fourth quarter of 2015 and was driven by the negative macro environment which resulted in the decrease in total refinery throughput in Russia.

In the first quarter of 2016 processing volume at German refineries increased by 8.7% compared to the fourth quarter of 2015 mainly due to the acquisition of additional share in PCK Raffinerie GmbH in November 2015.

Financial indicators

Revenues and equity share in profits of associates and joint ventures*

In the first quarter of 2016 revenues and equity share in profits of associates and joint ventures amounted to RUB 1,048 billion in comparison with RUB 1,196 billion in the fourth quarter of 2015. The revenue decrease was mostly caused by drop in crude oil prices.

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2016		December 31, 2015		% change	March 31, 2016		March 31, 2015		% change
	% of revenue	% of revenue	% of revenue	% of revenue		% of revenue	% of revenue			
	billion RUB except %									
Crude oil										
International Sales to non-CIS	401	38.2%	475	39.6%	(15.6)%	401	38.2%	535	40.4%	(25.0)%
Europe and other directions	215	20.5%	259	21.5%	(17.0)%	215	20.5%	313	23.6%	(31.3)%
Asia	186	17.7%	216	18.1%	(13.9)%	186	17.7%	222	16.8%	(16.2)%
International sales to CIS	32	3.1%	36	3.0%	(11.1)%	32	3.1%	38	2.9%	(15.8)%
Domestic sales	18	1.7%	14	1.2%	28.6%	18	1.7%	24	1.8%	(25.0)%
Total crude oil	451	43.0%	525	43.8%	(14.1)%	451	43.0%	597	45.1%	(24.5)%
Gas	61	5.8%	54	4.5%	13.0%	61	5.8%	51	3.9%	19.6%
Petroleum products										
International Sales to non-CIS	276	26.3%	298	24.9%	(7.4)%	276	26.3%	419	31.7%	(34.1)%
Europe and other directions	206	19.6%	228	19.0%	(9.6)%	206	19.6%	321	24.3%	(35.8)%
Asia	70	6.7%	70	5.9%	–	70	6.7%	98	7.4%	(28.6)%
International Sales to CIS	7	0.7%	13	1.1%	(46.2)%	7	0.7%	11	0.8%	(36.4)%
Domestic sales	198	18.9%	222	18.6%	(10.8)%	198	18.9%	191	14.5%	3.7%
Wholesale	108	10.3%	118	9.9%	(8.5)%	108	10.3%	104	7.9%	3.8%
Retail	90	8.6%	104	8.7%	(13.5)%	90	8.6%	87	6.6%	3.4%
Sales of bunker fuel to end-users	5	0.5%	12	1.0%	(58.3)%	5	0.5%	6	0.5%	(16.7)%
Total petroleum products	486	46.4%	545	45.6%	(10.8)%	486	46.4%	627	47.5%	(22.5)%
Petrochemical products	28	2.7%	30	2.5%	(6.7)%	28	2.7%	25	1.9%	12.0%
International sales	24	2.3%	24	2.0%	–	24	2.3%	20	1.5%	20.0%
Domestic sales	4	0.4%	6	0.5%	(33.3)%	4	0.4%	5	0.4%	(20.0)%
<i>Amendments to sales 2015-2014***</i>	–	–	26	2.2%	(100)%	–	–	–	–	–
Sales of petroleum products and petrochemicals	514	49.1%	601	50.3%	(14.5)%	514	49.1%	652	49.4%	(21.2)%
Support services and other revenues	19	1.8%	15	1.3%	26.7%	19	1.8%	19	1.4%	–
Equity share in profits of associates and joint ventures	3	0.3%	1	0.1%	>100.0%	3	0.3%	2	0.2%	50.0%
Total revenues and equity share in profits of associates and joint ventures	1,048	100.0%	1,196	100.0%	(12.4)%	1,048	100.0%	1,321	100.0%	(20.7)%

* Under IFRS consolidated financial statements.

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

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

Sales Volumes

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2016		December 31, 2015		<i>% change</i>	March 31, 2016		March 31, 2015		<i>% change</i>
	<i>% of total volume</i>	<i>% of total volume</i>	<i>% of total volume</i>	<i>% of total volume</i>		<i>% of total volume</i>	<i>% of total volume</i>			
Crude oil	mln bbl		mln bbl			mln bbl		mln bbl		
International Sales to non-CIS	193.2	48.6%	188.0	48.5%	2.8%	193.2	48.6%	177.7	45.5%	8.7%
Europe and other directions	112.5	28.3%	108.8	28.1%	3.4%	112.5	28.3%	107.4	27.5%	4.7%
Asia	80.7	20.3%	79.2	20.4%	1.9%	80.7	20.3%	70.3	18.0%	14.8%
International Sales to CIS	18.5	4.7%	19.2	5.0%	(3.6)%	18.5	4.7%	18.5	4.7%	–
Domestic	11.1	2.8%	8.2	2.1%	35.4%	11.1	2.8%	11.8	3.0%	(5.9)%
Total crude oil	222.8	56.1%	215.4	55.6%	3.4%	222.8	56.1%	208.0	53.2%	7.1%
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	26.1	48.6%	25.4	48.5%	2.8%	26.1	48.6%	24.0	45.5%	8.7%
Europe and other directions	15.2	28.3%	14.7	28.1%	3.4%	15.2	28.3%	14.5	27.5%	4.7%
Asia	10.9	20.3%	10.7	20.4%	1.9%	10.9	20.3%	9.5	18.0%	14.8%
International Sales to CIS	2.5	4.7%	2.6	5.0%	(3.6)%	2.5	4.7%	2.5	4.7%	–
Domestic sales	1.5	2.8%	1.1	2.1%	35.4%	1.5	2.8%	1.6	3.0%	(5.9)%
Total crude oil	30.1	56.1%	29.1	55.6%	3.4%	30.1	56.1%	28.1	53.2%	7.1%
Petroleum products										
International Sales to non-CIS	14.9	27.8%	13.9	26.5%	7.2%	14.9	27.8%	16.3	30.8%	(8.6)%
Europe and other directions	11.4	21.3%	10.7	20.4%	6.5%	11.4	21.3%	12.6	23.8%	(9.5)%
Asia	3.5	6.5%	3.2	6.1%	9.4%	3.5	6.5%	3.7	7.0%	(5.4)%
International Sales to CIS	0.3	0.6%	0.5	1.0%	(40.0)%	0.3	0.6%	0.3	0.6%	–
Domestic sales	7.2	13.4%	7.4	14.1%	(2.7)%	7.2	13.4%	7.0	13.3%	2.9%
Wholesale	4.8	8.9%	4.6	8.8%	4.3%	4.8	8.9%	4.5	8.6%	6.7%
Retail	2.4	4.5%	2.8	5.3%	(14.3)%	2.4	4.5%	2.5	4.7%	(4.0)%
Sales of bunker fuel to end-users	0.3	0.6%	0.7	1.3%	(57.1)%	0.3	0.6%	0.3	0.6%	–
Total petroleum products	22.7	42.4%	22.5	42.9%	0.9%	22.7	42.4%	23.9	45.3%	(5.0)%
Petrochemical products	0.8	1.5%	0.8	1.5%	–	0.8	1.5%	0.8	1.5%	–
International sales	0.6	1.1%	0.6	1.1%	–	0.6	1.1%	0.5	0.9%	20.0%
Domestic sales	0.2	0.4%	0.2	0.4%	–	0.2	0.4%	0.3	0.6%	(33.3)%
Total crude oil and products	53.6	100.0%	52.4	100.0%	2.3%	53.6	100.0%	52.8	100.0%	1.5%
Gas	bcm		bcm			bcm		bcm		
Sales Volumes	17.80		15.97		11.5%	17.80		15.93		11.7%

Average Crude Oil, Gas and Petroleum Product Sales Prices

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

	<i>For 3 months ended</i>				<i>% change</i>	<i>For 3 months ended</i>				<i>% change</i>
	<i>March 31, 2016</i>		<i>December 31, 2015</i>			<i>March 31, 2016</i>		<i>March 31, 2015</i>		
	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>		<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	
Average prices on foreign markets*										
Crude oil, non-CIS	2.28	16.9	2.70	20.0	(15.5)%	2.28	16.9	3.20	23.7	(28.7)%
Europe and other directions**	2.20	16.3	2.62	19.4	(16.0)%	2.20	16.3	3.12	23.1	(29.4)%
Asia**	2.42	17.9	2.84	21.0	(14.8)%	2.42	17.9	3.33	24.7	(27.5)%
Crude oil, CIS	1.72	12.7	1.85	13.7	(7.3)%	1.72	12.7	2.05	15.2	(16.4)%
Petroleum products, non- CIS		18.4		21.5	(14.4)%		18.4		25.7	(28.4)%
Europe and other directions		18.0		21.3	(15.5)%		18.0		25.6	(29.7)%
Asia		20.0		22.0	(9.1)%		20.0		26.1	(23.4)%
Petroleum products, CIS		25.0		30.4	(17.8)%		25.0		38.5	(35.1)%
Average domestic prices										
Crude oil	1.67	12.3	1.88	13.9	(11.5)%	1.67	12.3	2.04	15.1	(18.5)%
Petroleum products		27.7		30.1	(8.0)%		27.7		27.4	1.1%
Wholesale		22.6		25.7	(12.1)%		22.6		22.9	(1.3)%
Retail		37.9		37.4	1.3%		37.9		35.6	6.5%
Gas (th.RUB. /th. cubic meter)***		3.34		3.33	0.3%		3.34		3.15	6.0%
Sales of bunker fuel to end-users		16.2		15.7	3.2%		16.2		17.8	(9.0)%
Petrochemical products		33.8		35.2	(4.0)%		33.8		32.3	4.6%
International sales		40.3		41.7	(3.4)%		40.3		44.0	(8.4)%
Domestic sales		17.0		20.8	(18.3)%		17.0		14.8	14.9%

*Average price is calculated from unrounded figures.

**Price excludes revenues under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 22 billion, RUB 25 billion and RUB 25 billion in the first quarter of 2016, in the fourth and in the first quarters of 2015 respectively).

***Including gas sales outside Russian Federation average gas prices were 3.40 th.RUB./th. cubic meter in the first quarter of 2016 and 3.35 th.RUB./th. cubic meter in the fourth quarter of 2015, 3.18 th.RUB./th. cubic meter in the first quarter of 2015.

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the first quarter of 2016 amounted to RUB 401 billion compared to RUB 475 billion in the fourth quarter of 2015. Revenue decrease by RUB 78 billion was due to reduction of average sales price by 15.5% in rouble terms and was partially offset by increase in sales volumes by 2.8% (positive impact on revenue of RUB 11 billion).

In the first quarter of 2016 revenues from international crude oil sales to non-CIS countries decreased by 25.0% or RUB 134 billion compared to the same period of 2015. Sales volume increase by 8.7% (favourable impact on revenue of RUB 48 billion) was offset by average sales price downturn by 28.7% (negative impact on revenue of RUB 168 billion).

The deviation between crude oil sales prices on the Asian markets and average world market prices in the region (Dubai) in the first quarter of 2016 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 25 billion in the first quarter of 2016.

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS in the first quarter of 2016 decreased by 11.1% compared to the fourth quarter of 2015 and amounted to RUB 32 billion. Minor change in crude oil sales volumes by 3.6% (negative effect of RUB 1 billion) was accompanied by average sales price downturn of 7.3% (unfavourable impact on revenues of RUB 3 billion).

In the first quarter of 2016 revenues from international crude oil sales to CIS countries decreased by 15.8% in comparison with the same period of 2015, which was attributable to average sales price downturn of 16.4% (negative impact on revenues of RUB 6 billion).

Domestic Sales of Crude Oil

Revenue from domestic sales of crude oil in the first quarter of 2016 amounted RUB 18 billion which is 28.6% higher than in the fourth quarter of 2015, mainly due to sales volumes increase by 35.4% (favourable impact on revenues of RUB 6 billion) that was partially compensated by average sales price downturn of 11.5% or RUB 2 billion.

In the first quarter of 2016 revenues from domestic crude oil sales dropped by RUB 6 billion or by 25.0% in comparison with the same period of 2015, which was mainly attributable to downturn of crude oil sales volumes due to reallocation of resources to the more efficient distribution channels (unfavorable effect on revenues RUB 2 billion) and was accompanied by average sales price downturn by 18.5% (negative impact on revenue RUB 4 billion).

International Petroleum Product Sales to Non-CIS

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in the first quarter of 2016 and in the fourth quarter of 2015*:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2016			December 31, 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	3	0.1	32.2	4	0.1	34.7	(25.0)%	0.0%	(7.2)%
Naphtha	16	0.7	24.2	33	1.2	27.4	(51.5)%	(41.7)%	(11.7)%
Diesel (Gasoil)	42	2.0	21.2	83	3.3	25.5	(49.4)%	(39.4)%	(16.9)%
Fuel oil	48	3.8	12.3	91	6.2	14.6	(47.3)%	(38.7)%	(15.8)%
Jet fuel	0	0.0	34.2	0	0.0	38.3	–	–	(10.7)%
Other	6	0.2	22.3	7	0.3	26.2	(14.3)%	(33.3)%	(14.9)%
Petroleum products exported to non-CIS	115	6.8	16.7	218	11.1	19.7	(47.2)%	(38.7)%	(15.2)%
Petroleum products sold from ROG refineries	149	7.6	19.8	72	2.5	29.0	>100%	>100%	(31.7)%
Petroleum products bought and sold outside Russia	12	0.5	21.7	8	0.3	26.7	50.0%	66.7%	(18.7)%
Total petroleum products exported including sales outside Russia	161	8.1	20.0	80	2.8	28.8	>100%	>100%	(30.6)%
Total	276	14.9	18.4	298	13.9	21.5	(7.4)%	7.2%	(14.4)%

*average price is calculated from unrounded figures.

Revenues from the international sales of petroleum products to non-CIS countries were RUB 276 billion in the first quarter of 2016, which is 7.4% lower compared to the fourth quarter of 2015. Downturn of average price by 14.4% (negative impact on revenues of RUB 44 billion) was partially offset by increase in sales volumes by 7.2% (favourable impact on revenues of RUB 22 billion). Average price downturn for petroleum products sold outside Russia was mainly due to changes in the structure of sold petroleum products.

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in the first quarter of 2016 and 2015*:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2016			March 31, 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	3	0.1	32.2	4	0.1	36.2	(25.0)%	0.0%	(11.0)%
Naphtha	16	0.7	24.2	40	1.4	28.1	(60.0)%	(50.0)%	(13.9)%
Diesel (Gasoil)	42	2.0	21.2	142	4.5	31.7	(70.4)%	(55.6)%	(33.1)%
Fuel oil	48	3.8	12.3	148	7.7	19.2	(67.6)%	(50.6)%	(35.9)%
Jet fuel	0	0.0	34.2	0	0.0	32.7	–	–	4.6%
Other	6	0.2	22.3	5	0.2	24.2	20.0%	0.0%	(7.9)%
Petroleum products exported to non-CIS	115	6.8	16.7	339	13.9	24.3	(66.1)%	(51.1)%	(31.3)%
Petroleum products sold from ROG refineries	149	7.6	19.8	70	2.1	33.5	>100%	>100%	(40.9)%
Petroleum products bought and sold outside Russia	12	0.5	21.7	10	0.3	34.5	20.0%	66.7%	(37.1)%
Total petroleum products exported including sales outside Russia	161	8.1	20.0	80	2.4	33.7	>100%	>100%	(40.7)%
Total	276	14.9	18.4	419	16.3	25.7	(34.1)%	(8.6)%	(28.4)%

*Average price is calculated from unrounded figures.

In the first quarter of 2016 revenues from sales of petroleum products to non-CIS countries were 34.1% lower compared to the same period of 2015. Decrease in average price by 28.4% (negative impact on revenues of RUB 107 billion) was accompanied by decrease in sales volumes by 8.6% (unfavourable impact on revenues of RUB 36 billion).

International Petroleum Product Sales to CIS

Revenues from sales of petroleum products to CIS countries were RUB 7 billion in the first quarter of 2016, which is 46.2% lower compared to the fourth quarter of 2015. A 40.0% decrease in petroleum products sales volumes (unfavourable impact on revenues of RUB 5 billion.), was accompanied by downturn of average price by 17.8% or RUB 1 billion.

Revenues from sales of petroleum products to CIS countries in first quarter of 2016 were 36.4% or RUB 4 billion lower than in the same period of 2015 due to average price downturn by 35.1%.

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 first quarter of 2016 and in the fourth quarter of 2015*:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2016			December 31, 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	99	2.9	35.9	112	3.0	37.1	(11.6)%	(3.3)%	(3.2)%
Diesel (Gasoil)	70	2.4	29.2	74	2.3	32.3	(5.4)%	4.3%	(9.6)%
Fuel oil	3	0.6	4.5	4	0.6	7.2	(25.0)%	0.0%	(37.5)%
Jet fuel	18	0.6	27.2	23	0.7	30.1	(21.7)%	(14.3)%	(9.6)%
Other	8	0.7	11.8	9	0.8	13.2	(11.1)%	(12.5)%	(10.6)%
Total	198	7.2	27.7	222	7.4	30.1	(10.8)%	(2.7)%	(8.0)%

*average price is calculated from unrounded figures.

Revenues from sales of petroleum products on the domestic market were RUB 198 billion in the first quarter of 2016, which is 10.8% lower compared to the fourth quarter of 2015. In the first quarter of 2016 decrease in petroleum products sales volume on the domestic market was 2.7% (unfavourable effect on revenue of RUB 6 billion) and was accompanied by 8.0% downturn of average sales price (unfavourable effect on revenue of RUB 18 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russia in first quarter of 2016 and 2015*:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2016			March 31, 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	99	2.9	35.9	93	2.7	33.9	6.5%	7.4%	5.9%
Diesel (Gasoil)	70	2.4	29.2	64	2.2	29.8	9.4%	9.1%	(2.0)%
Fuel oil	3	0.6	4.5	4	0.5	7.9	(25.0)%	20.0%	(43.0)%
Jet fuel	18	0.6	27.2	19	0.7	27.5	(5.3)%	(14.3)%	(1.1)%
Other	8	0.7	11.8	11	0.9	12.2	(27.3)%	(22.2)%	(3.3)%
Total	198	7.2	27.7	191	7.0	27.4	3.7%	2.9%	1.1%

*average price is calculated from unrounded figures.

Revenues from sales of petroleum products on the domestic market in the first quarter of 2016 were 3.7% higher than in the first quarter of 2015. The increase was due to sales volume growth by 2.9% (favourable effect on revenue of RUB 5 billion) and average sales price growth by 1.1% (favourable effect on revenue of RUB 2 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 first quarter of 2016 were RUB 5 billion, and decrease by 58.3% in comparison with the fourth quarter of 2015, which is mainly attributable to redirection of petroleum products in the fourth quarter of 2015 from export channel to bunkering.

Revenues from sales of bunker fuel in the first quarter of 2016 decreased by 16.7% or RUB 1 billion in comparison with the same period of 2015 due to average sales price downturn by 9.0%.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the first quarter of 2016 amounted to RUB 28 billion (0.8 mln tonnes).

Petrochemical product sales volumes from Ruhr Oel GmbH (ROG) amounted to 0.5 mln tonnes in the first quarter of 2016 that higher by 6% in comparison with the fourth quarter of 2015.

Petrochemical product sales volumes in the first quarter of 2016 from Ruhr Oel GmbH (ROG) increased by 22.2% (calculated from unrounded figures) compared to the first quarter of 2015 caused by acquisition of additional share in the PCK Raffinerie GmbH.

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 3 months ended</i>		
	March 31, 2016	December 31, 2015			March 31, 2016	March 31, 2015	<i>% change</i>
	(RUB billion)				(RUB billion)		
Revenue							
In the Russian Federation	58.7	52.7	11.4%	58.7	49.5	18.6%	
Outside the Russian Federation	1.9	0.8	>100%	1.9	1.2	58.3%	
Total	60.6	53.5	13.3%	60.6	50.7	19.5%	
Sales volumes							
	(bcm)			(bcm)			
In the Russian Federation	17.57	15.84	10.9%	17.57	15.74	11.6%	
Outside the Russian Federation	0.23	0.13	76.9%	0.23	0.19	21.1%	
Total	17.80	15.97	11.5%	17.80	15.93	11.7%	
Average price							
	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)			
In the Russian Federation	3.34	3.33	0.3%	3.34	3.15	6.0%	
Outside the Russian Federation	8.44	6.44	31.1%	8.44	5.98	41.1%	
Total	3.40	3.35	1.5%	3.40	3.18	6.9%	

*average price is calculated from unrounded figures.

In the first quarter of 2016 revenues from gas sales increased in comparison with the fourth quarter of 2015 and amounted to RUB 60.6 billion due to increased gas sales under long-term contracts.

Gas volumes growth by 11.7% (positive effect on revenue of RUB 6 billion) in the first quarter of 2016 compared to the same period 2015 and average price upturn by 6.9% (positive impact on revenues of RUB 4 billion) followed by gas price indexation by 7.5% from July 1, 2015 contributed to gas sales growth by 19.5% compared to the first quarter of 2015.

Starting from 2016 the major part of gas consumption of the Company is attributed to electricity generating plants of Inter RAO Group which is fulfilled by the Company under long-term supply contract.

In the first quarter of 2016 the volume of gas sales on the gas exchange amounted to 11% share in the total volume of gas sales on the gas exchange. Decrease in sales at commodity exchange resulted from the high seasonal gas consumption under current supply gas contracts.

Support Services and Other Revenues

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

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2016		December 31, 2015		% change	March 31, 2016		March 31, 2015		% change
	% of total revenue	% of total revenue	% of total revenue	% of total revenue		% of total revenue	% of total revenue			
	billion RUB, except %									
Drilling services	0.6	3.2%	1.6	10.7%	(62.5)%	0.6	3.2%	3.0	15.7%	(80.0)%
Sales of materials	5.5	29.6%	4.2	28.0%	31.0%	5.5	29.6%	5.3	27.8%	3.8%
Repairs and maintenance services	0.7	3.8%	0.5	3.3%	40.0%	0.7	3.8%	0.8	4.2%	(12.5)%
Rent services	0.9	4.8%	0.8	5.3%	12.5%	0.9	4.8%	1.0	5.2%	(10.0)%
Construction services	0.0	0.0%	0.0	0.0%	–	0.0	0.0%	0.1	0.5%	(100.0)%
Transport services	4.5	24.2%	2.4	16.0%	87.5%	4.5	24.2%	3.9	20.5%	15.4%
Electric power sales and transmission	2.3	12.4%	1.6	10.7%	43.8%	2.3	12.4%	2.3	12.0%	–
Other revenues	4.1	22.0%	3.9	26.0%	5.1%	4.1	22.0%	2.7	14.1%	51.9%
Total	18.6	100.0%	15.0	100.0%	24.0%	18.6	100.0%	19.1	100.0%	(2.6)%

Support services and other revenues were 24.0% higher in the first quarter of 2016 compared to the fourth quarter of 2015 due to the seasonal factor and partially due to the effect of dollar component of foreign earnings provided outside the Russian Federation resulting from RUB depreciation.

Support services and other revenues in the first quarter of 2016 decreased slightly by 2.6% compared with the same period of 2015.

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 in the first quarter of 2016 and RUB 1 billion in the fourth quarter of 2015¹. The equity share in net financial results of downstream associates and joint ventures was RUB 1 billion of loss in the first quarter of 2015.

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

Downstream production and operating cost

Downstream operating expenses include*:

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
						billion RUB, except %
Operating expenses at refineries in Russia	19.5	21.0	(7.1)%	19.5	17.8	9.6%
Operating expenses at refineries and cost of additives and materials procured for processing outside Russia	21.2	26.2	(19.1)%	21.2	14.9	42.3%
Operating expenses of retail companies	10.2	10.7	(4.7)%	10.2	9.5	7.4%
Downstream operating expenses	50.9	57.9	(12.1)%	50.9	42.2	20.6%
<i>Intragroup inventory effect and others</i>	<i>11.1</i>	<i>21.4</i>	<i>(48.1)%</i>	<i>11.1</i>	<i>9.8</i>	<i>13.3%</i>
<i>Amendments to costs 2015–2014</i>	<i>–</i>	<i>28.7</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
Total Downstream Operating expenses**	62	108	(42.6)%	62	52	19.2%

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

** Cost of materials for blending of retailing companies was presented in the section “Cost of Purchased Oil, Gas and Petroleum Products and Refining Costs”. The comparative periods were adjusted respectively.

Downstream operating expenses decreased by 42.6% in the first quarter of 2016 compared with the fourth quarter of 2015 and amounted to RUB 62 billion. Excluding effect from the amendments to costs in the fourth quarter of 2015 the decrease is mainly due to effect from sales of accumulated 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 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
Operating expenses at refineries in Russia (RUB billion)	19.49	21.03	(7.3)%	19.49	17.77	9.7%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,132	1,156	(2.1)%	1,132	923	22.6%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,109	1,135	(2.3)%	1,109	899	23.4%
Operating expenses at refineries outside Russia (RUB billion)*	9.19	8.24	11.5%	9.19	6.27	46.6%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,809	2,771	1.4%	2,809	2,437	15.3%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,932	2,863	2.4%	2,932	2,371	23.7%
Total operating expenses at Rosneft’s refineries (RUB billion)	28.68	29.27	(2.0)%	28.68	24.04	19.3%

*Refineries outside Russia also procured the additives and materials for processing: in the first quarter of 2016 – RUB 12.0 billion, in the fourth quarter of 2015 – RUB 17.9 billion, in the first quarter of 2015 – RUB 8.6 billion.

Operating expenses of Rosneft’s refineries in Russia were RUB 19.49 billion in the first quarter of 2016, a decrease by 7.3% compared with the fourth quarter of 2015. The decrease resulted from seasonal decrease in material costs and turnaround expenses.

In the first quarter of 2016 operating expenses of Rosneft’s refineries in Russia increased by 9.7% compared with the same period of 2015 mainly due to growth of material costs driven by change of output structure, increased electricity tariffs and indexation of wages.

Operating expenses of Rosneft’s refineries outside of Russia increased in the first quarter of 2016 by 11.5% in comparison with the fourth quarter of 2015 due to EUR /RUB depreciation in the current period by 12% partially compensated by decrease in turnaround expenses.

In the first quarter of 2016 operating costs per tonne of crude oil throughput of Rosneft’s refineries in Russia decreased by 2.3% compared with the fourth quarter of 2015 and amounted to RUB 1,109 per tonne. The decrease was mostly due to seasonal decrease in turnaround expenses.

The increase of 23.4% in operating costs per tonne in the first quarter of 2016 compared to the first quarter of 2015 was due to increased cost of raw and other materials.

Operating expenses per tonne of crude oil throughput of Rosneft's refineries outside Russia were RUB 2,932 per tonne in the first quarter of 2016 which is an increase of 2.4% compared with the fourth 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.

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

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

	For 3 months ended			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
Crude oil and gas procurement						
Cost of crude oil and gas procured (RUB billion)**	103	94	9.6%	103	102	1.0%
including Domestic market	49	39	25.6%	49	47	4.3%
International market	54	55	(1.8)%	54	55	(1.8)%
Volume of crude oil procured (million of barrels)	48.0	41.8	14.8%	48.0	40.6	18.2%
including Domestic market	25.7	23.1	11.3%	25.7	23.5	9.4%
International market	22.3	18.7	19.3%	22.3	17.1	30.4%
Volume of gas procured (bcm)	5.53	3.38	63.6%	5.53	3.81	45.1%
Petroleum products procurement						
Cost of petroleum products procured (RUB billion)***	20	20	–	20	14	42.9%
Volume of petroleum products procured (million of tonnes)	0.83	0.54	53.7%	0.83	0.42	97.6%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil under processing agreements (RUB billion)	6.9	8.6	(19.8)%	6.9	7.4	(6.8)%
Volumes of crude oil and petroleum products, refined under processing agreements (million of tonnes)	2.5	2.5	–	2.5	2.2	13.6%
Volumes of refining of gas under processing agreements (bcm)	2.6	2.9	(10.3)%	2.6	2.9	(10.3)%
Petroleum products for blending procurement****						
Cost of petroleum products procured for blending (RUB billion)	6.1	7.9	(22.8)%	6.1	5.8	5.2%
Including intercompany purchases	6.0	7.7	(22.1)%	6.0	5.8	3.4%
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	130	123	5.7%	130	123	5.7%

*Cost of purchases under IFRS consolidated financial statements (net of intercompany turnover).

**Including cost of Upstream segment in the amount of RUB 12 billion, RUB 5 billion and RUB 5 billion, in the first quarter of 2016, in the fourth and first quarters of 2015 respectively.

***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.

****Cost of materials for blending at retailing companies was reclassified from the "Operating expenses of retail companies". The comparative periods were adjusted respectively.

Crude oil and Gas procurement

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

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

	For 3 months ended			For 3 months ended		
	March 31, 2016	December 31, 2015	% change	March 31, 2016	March 31, 2015	% change
	mln barrels			mln barrels		
International market	22.3	18.7	19.3%	22.3	17.1	30.4%
Udmurtneft	6.2	5.6	10.7%	6.2	6.4	(3.1)%
Slavneft	13.3	15.2	(12.5)%	13.3	14.3	(7.0)%
Others	6.2	2.3	>100%	6.2	2.8	>100%
Total	48.0	41.8	14.8%	48.0	40.6	18.2%

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 9.1 mln barrels, 6.8 mln barrels and 1.8 mln barrels in the first quarter of 2016, in the fourth and the first quarter of 2015 respectively.

Gas procurement increased up to 5.5 bcm (by 2.1 bcm compared to the fourth quarter of 2015). Increased gas purchases were mainly driven by growing stake of energy companies- consumers of gas in contract portfolio. The fluctuation of their demand highly depends on the seasonal consumption which could be satisfied either by the Company's own resources or by the additional purchases from third parties.

Petroleum products procurement

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

Petroleum products outside Russia were purchased primarily for sale on the international markets.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the first quarter of 2016 and in the fourth quarter of 2015:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2016			December 31, 2015			RUB billion	million of tonnes	th. RUB/ tonne
	RUB billion	million of tonnes	th. RUB/ tonne*	RUB billion	million of tonnes	th. RUB/ tonne*			
<i>Petroleum products procurement in Russia</i>	6	0.21	–	9	0.21	–	(33.3)%	–	–
High octane gasoline	2	0.05	33.7	2	0.06	33.9	–	(16.7)%	(0.6)%
Diesel	2	0.07	34.2	4	0.11	33.6	(50.0)%	(36.4)%	1.8%
Jet fuel	0	0.00	28.0	1	0.01	28.3	(100.0)%	(100.0)%	(1.1)%
Other	2	0.09	20.4	2	0.03	22.2	–	>100%	(8.1)%
<i>Petroleum products and petrochemicals procured outside Russia</i>	14	0.62	22.2**	11	0.33	31.3	27.3%	87.9%	(29.1)%
Total	20	0.83	23.7	20	0.54	32.0	–	53.7%	(25.9)%

*Calculated based on unrounded numbers.

**Decrease in oil price is mainly referred to change in structure of oil products purchases.

The volume of petroleum product procured in the first quarter of 2016 remained the same as in the fourth quarter of 2015. Procurement of petroleum products outside Russia meets the contractual obligation under long-term agreements for sales of petroleum products.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the first quarters of 2016 and 2015:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2016			March 31, 2015			RUB billion	million of tonnes	th. RUB/ tonne
	RUB billion	million of tonnes	th. RUB/ tonne*	RUB billion	million of tonnes	th. RUB/ tonne*			
<i>Petroleum products procurement in Russia</i>	6	0.21	–	4	0.12	–	50%	75.0%	–
High octane gasoline	2	0.05	33.7	1	0.04	34.5	100%	25.0%	(2.3)%
Diesel	2	0.07	34.2	2	0.06	30.3	–	16.7%	12.9%
Jet fuel	0	0.00	28.0	0	0.00	25.2	–	–	11.1%
Other	2	0.09	20.4	1	0.02	23.5	100%	>100%	(13.2)%
<i>Petroleum products and petrochemicals procured outside Russia</i>	14	0.62	22.2	10	0.30	33.9	40.0%	>100%	(34.5)%
Total	20	0.83	23.7	14	0.42	34.5	42.9%	97.6%	(31.3)%

*Calculated based on unrounded numbers.

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

Volume of petroleum products procured in Russia increased in the first quarter of 2016 compared to the first quarter of 2015 due to increased supply volume under new contracts.

Petroleum products and petrochemicals procurement outside Russia

Petroleum products and petrochemicals procured outside Russia amounted to RUB 14 billion in the first quarter of 2016. Procurement of petroleum products outside Russia meets the contractual obligation under long-term agreements for sales of petroleum products. Decrease in oil price of petroleum products and petrochemicals procured outside Russia is mainly referred to change in structure of oil products purchases.

Petroleum products procured outside Russia in the first quarter of 2016 was RUB 14 billion (0.62 mln tonnes) in comparison with RUB 10 billion (0.30 mln tonnes) in the first quarter of 2015 which was caused by increase in sales under long-term contracts.

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 3.41 billion, RUB 4.24 billion and RUB 3.63 billion in the first quarter of 2016, in the fourth and the first quarter of 2015 respectively.

Crude oil and gas processing expenses decreased in the first quarter of 2016 in comparison with the fourth quarter of 2015 due to decrease in processing volume at Mozyr refinery in the first quarter of 2016 caused by negative macroeconomics.

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 first quarter of 2016 Rosneft’s transportation costs increased by 9.7% and amounted to RUB 147 billion compared to the fourth quarter of 2015. The increase was mainly due to the tariff growth and crude oil export volume increase.

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 in the first quarter of 2016 and in the fourth quarter of 2015:

	For 3 months ended								% change		
	March 31, 2016				December 31, 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*	Volume			
CRUDE OIL											
International sales											
Pipeline	27.5	96.2%	53.1	1.93	26.5	94.6%	48.1	1.82	3.8%	10.4%	6.0%
Railroad and mixed	1.1	3.8%	4.1	3.64	1.5	5.4%	4.9	3.30	(26.7)%	(16.3)%	10.3%
Transportation to refineries											
Pipeline**	20.9		15.8	0.76	22.1		17.3	0.79	(5.4)%	(8.7)%	(3.8)%
Railroad and mixed	1.7		6.2	3.76	1.5		6.0	4.07	13.3%	3.3%	(7.6)%
PETROLEUM PRODUCTS											
International sales											
Pipeline	1.0	6.2%	3.4	3.27	0.9	5.8%	2.7	2.94	11.1%	25.9%	11.2%
Railroad and mixed	13.4	83.8%	41.2	3.08	12.3	79.4%	32.2	2.62	8.9%	28.0%	17.6%
Pipeline and FCA***	1.6	10.0%			2.3	14.8%			(30.4)%		
GAS											
Pipeline****	bcm		RUB/bcm		bcm		RUB/bcm				
Pipeline****	11.8		13.0	1.10	11.1		11.9	1.07	6.3%	9.2%	2.8%
Other transportation expenses*****											
			10				11		(9.1)%		
Total	67.2		147		67.1		134		0.1%	9.7%	

* Calculated based on unrounded data.

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

*** Rosneft exported part of petroleum products in the first quarter of 2016 and in the fourth 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.

**** Part of gas volumes was dispatched on terms under which Rosneft does not bear transportation expenses. In the first quarter of 2016 and fourth quarter of 2015 these volumes amounted to 6.0 bcm and 4.9 bcm respectively.

***** 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 first quarter of 2016 amounted to RUB 1.93 thousand per tonne. The increase of 6.0% in comparison with the fourth quarter of 2015 was due to tariff indexation and increased share of more expensive route agreed by the Ministry of Energy.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 10.3% due to mix change and the tariff growth in 2016.

Crude oil pipeline transportation cost per tonne of supplies to refineries decreased by 3.8% in the first quarter of 2016 compared to the fourth quarter of 2015 due to change in transportation routes structure.

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries in the first quarter of 2016 decreased by 7.6% compared to the fourth quarter of 2015 due to the logistic optimization.

The increase in pipeline cost per tonne of petroleum product international sales by 11.2% in the first quarter of 2016 compared to the previous quarter was mainly due to increased tariff.

Railroad and mixed transportation cost per tonne of petroleum product international sales in the first quarter of 2016 increased up to RUB 3.08 thousand due to increased share of more expensive routes.

Gas transportation costs increase by 2.8% in the first quarter of 2016 compared to the fourth quarter of 2015 resulted from increase in average transportation distance to final consumers. In the first quarter of 2016 indexation of gas transportation tariffs was not carried out.

The table below sets forth comparison for costs per tonne of crude oil and petroleum products transported by pipeline, railway and mixed transportation and gas transportation costs via gas pipeline system in the first quarters of 2016 and 2015:

	For 3 months ended								% change		
	March 31, 2016				March 31, 2015						
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t*	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t*	Volume	Cost	Cost per tonne
CRUDE OIL											
<u>International sales</u>											
Pipeline	27.5	96.2%	53.1	1.93	25.0	94.3%	44.2	1.78	10.0%	20.1%	8.4%
Railroad and mixed	1.1	3.8%	4.1	3.64	1.5	5.7%	5.5	3.46	(26.7)%	(25.5)%	5.2%
<u>Transportation to refineries</u>											
Pipeline **	20.9		15.8	0.76	22.5		18.8	0.84	(7.1)%	(16.0)%	(9.5)%
Railroad and mixed	1.7		6.2	3.76	1.5		6.8	4.43	13.3%	(8.8)%	(15.1)%
PETROLEUM PRODUCTS											
<u>International sales</u>											
Pipeline	1.0	6.2%	3.4	3.27	1.4	8.1%	3.6	2.64	(28.6)%	(5.6)%	23.9%
Railroad and mixed	13.4	83.8%	41.2	3.08	13.5	78.0%	42.1	3.11	(0.7)%	(2.1)%	(1.0)%
Pipeline and FCA ***	1.6	10.0%			2.4	13.9%			(33.3)%		
GAS											
Pipeline ****	bcm			RUB/cm	bcm			RUB/cm			
	11.8		13.0	1.10	11.1		11.2	1.01	6.3%	16.1%	8.9%
Other transportation expenses *****											
			10				12			(16.7)%	
Total	67.2		147		67.8		144		(0.9)%	2.1%	

* Calculated based on unrounded data.

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

*** Rosneft exported part of petroleum products in the first quarters of 2016 and 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.

**** Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses. In the first quarters of 2016 and 2015 these volumes amounted to 6.0 bcm, 4.9bcm respectively.

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

The increase in transportation costs per tonne of products sold (for crude oil and petroleum products) almost for each type of transport in the first quarter of 2016 compared to 2015 mainly resulted from tariffs indexation and change in transportation structure.

Excise tax

In the first quarter of 2016 excise tax was RUB 37 billion, including additional costs related to processing outside Russian Federation in the amount of RUB 7 billion, in comparison with RUB 25 billion in the fourth quarter of 2015.

Excises amount in the first quarter of 2016 increased in comparison with RUB 27 billion the first quarter of 2015 mainly due to increased excise tax rate for petroleum products.

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>For 3 months ended</i>		
	<i>March 31, 2016</i>	<i>December 31, 2015</i>	<i>% change</i>	<i>March 31, 2016</i>	<i>March 31, 2015</i>	<i>% change</i>
	RUB billion, except %					
Export customs duty for crude oil	99	145	(31.7)%	99	185	(46.5)%
Export customs duty for petroleum products	33	42	(21.4)%	33	78	(57.7)%
Total export customs duty	132	187	(29.4)%	132	263	(49.8)%

Export customs duty decrease of 29.4% in the first quarter of 2016 in comparison with the fourth quarter of 2015 was mostly due to decreased export duty rate in RUB terms (the decrease in average export customs duty rate on crude oil of 33% in RUB terms).

Decrease in export customs duty in the first quarter of 2016 compared to the same period of 2015 mainly resulted from lower export duty rates due to the decrease in oil prices.

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	<i>March 31, 2016</i>	<i>December 31, 2015</i>	<i>% change</i>	<i>March 31, 2016</i>	<i>March 31, 2015</i>	<i>% change</i>
Urals (average Med and NWE) (USD/bbl)	32.2	41.9	(23.2)%	32.2	52.8	(39.0)%
Average enacted export customs duty on crude oil (th. RUB/tonne)	4.10	6.08	(32.6)%	4.10	8.10	(49.4)%
Hypothetical export customs duty on crude oil* (th. RUB/tonne)	3.79	5.31	(28.6)%	3.79	7.13	(46.8)%
Average customs duty on crude oil exports subject to regular rate (th. RUB/tonne)	4.10	6.04	(32.1)%	4.10	8.23	(50.2)%

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

The actual average customs duty on exports subject to regular duty deviates from the enacted export customs duty due to different monthly export volumes.

Operating results of segment "Corporate and others"

Segment includes the Group companies that provide corporate services and holdings' expenses.

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	<i>March 31, 2016</i>	<i>December 31, 2015</i>	<i>% change</i>	<i>March 31, 2016</i>	<i>March 31, 2015</i>	<i>% change</i>
Financial results, RUB billion						
EBITDA	(10)	(14)	28.6%	(10)	(16)	37.5%
Capital expenditures*	6	7	(14.3)%	6	2	>100%

*Refer to "Capital expenditures".

Separate indicators of the consolidated financial statements

Costs and Expenses

General and Administrative Expenses

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

General and administrative expenses in the first quarter of 2016 were RUB 30 billion (incl. RUB 2 billion of accrued non-cash provision) compared with RUB 33 billion (excluding accrued one off non-cash provision in the amount of RUB 11 billion) in the fourth quarter of 2015. Company keeps constant monitoring of administrative expenses. General and administrative expenses amounted to RUB 27 billion in the first quarter of 2015.

Depreciation, Depletion and Amortization

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

Depreciation, depletion and amortization was RUB 116 billion in the first quarter of 2016 compared to RUB 85 billion in the previous quarter. In the fourth quarter of 2015 there was one-off adjustment of depletion rate of certain oil infrastructure assets.

Depreciation, depletion and amortization in the first quarter of 2015 was RUB 121 billion.

Taxes Other than Income Tax

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

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
Mineral extraction tax	172	224	(23.2)%	172	289	(40.5)%
Excise tax	37	25	48.0%	37	27	37.0%
Social security tax	13	11	18.2%	13	12	8.3%
Property tax	8	8	–	8	8	–
Other taxes, interest, penalties and other payments to budget	1	–	100.0%	1	2	(50.0)%
Total taxes other than income tax	231	268	(13.8)%	231	338	(31.7)%

Taxes other than income tax were RUB 231 billion and decreased by 13.8% in the first quarter of 2016, compared with RUB 268 billion in the fourth quarter of 2015. The decrease was mainly due to decline in mineral extraction tax rate (by 20% in rouble term). In the first quarter of 2016 excise tax of RUB 37 billion included additional costs related to processing outside Russian Federation in the amount of RUB 7 billion. The increase in the excise tax was mainly due to excise tax rate growth for petroleum products.

In the first quarter of 2016 taxes other than income tax decreased by 31.7% in comparison with the same period of 2015 mainly due to decrease in extraction tax base rate (by 40% in rouble terms).

Finance Income and Expenses

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

In the first quarter of 2016 net finance expenses decreased to RUB 34 billion compared to RUB 52 billion in the fourth quarter of 2015 due to the decrease in expenses related to fair value measurement of derivative financial instruments. However interest expenses on prepayment on long-term oil and petroleum products supply agreements slightly increased in the period.

In the first quarter of 2016 net finance expenses decreased by 61% compared to RUB 88 billion in the first quarter of 2015 mainly due to the settlement of derivative financial instruments in the first quarter of 2015 that were opened during 2012-2014.

Other income and other expenses

In the first quarter of 2016 other income was RUB 0.1 billion compared with RUB 38.4 billion in the fourth quarter of 2015. In the first quarter of 2015 other income was RUB 9 billion and includes written off of liabilities referred to legal proceeding which was settled out completely.

In the first quarter of 2016 other expenses amounted to RUB 9 billion compared with RUB 28 billion in the previous quarter. Other expenses include effect of fixed assets disposal in the course of operating activities and other expenses. In the first quarter of 2015 other expenses were RUB 11 billion.

Foreign Exchange Differences

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

In the first quarter of 2016 foreign exchange loss recognized in profit and loss statement was RUB 25 billion.

The effect from capitalization of the foreign exchange differences on capital loans to fund capital expenditures amounted to RUB 0 billion in the first quarter of 2016, RUB 18 billion in the fourth quarter of 2015 and RUB 17 billion in the first quarter of 2015.

Cash flow hedges reclassified to profit or loss

Upon the completion of the hedged transaction the related exchange differences temporarily held within equity are recognized in the consolidated statement of profit or loss for the period separately in line “Cash flow hedges reclassified to profit or loss”. The amount recognized in the consolidated statement of profit or loss was a loss of RUB 37 billion, RUB 35 billion and RUB 33 billion in the first quarter of 2016, in the fourth and first quarters of 2015 respectively.

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>		
	March 31, 2016	December 31, 2015	March 31, 2015
Effective rate of income tax	17.6%	24.4%*	21.1%

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

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

In accordance with Statement of comprehensive income, income tax expense was RUB 3 billion, RUB 26 billion (including effect from deferred tax assets write-off in the amount of RUB 6.7 billion), RUB 15 billion in the first quarter of 2016, in the fourth and the first quarters of 2015 respectively.

Net Income

Net income amounted to RUB 14 billion in the first quarter of 2016 compared to the net income of RUB 53 billion in the fourth quarter of 2015.

Net income amounted to RUB 56 billion in the first quarter of 2015.

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 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
	RUB billion			RUB billion		
Net cash provided by operating activities	210	303	(30.7)%	210	238	(11.8)%
Net cash provided by/(used in) investing activities	129	(339)	–	129	12	>100%
Net cash provided by/(used in) financing activities	55	(95)	–	55	(349)	–

Net cash provided by operating activities

Net cash provided by operating activities amounted to RUB 210 billion in the first quarter of 2016 compared to RUB 303 billion in the fourth quarter of 2015 and RUB 238 billion in the first 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 first quarter of 2016, RUB 2 billion in the fourth quarter of 2015, RUB 1 billion in the first quarter of 2015).

Net cash provided by operating activity adjusted for the above mentioned operations amounted to RUB 209 billion in the first quarter of 2016 (adjusted for operations with trading securities in the amount of RUB 1 billion), RUB 301 billion in the fourth quarter of 2015 (adjusted for operations with trading securities in the amount of RUB 2 billion), RUB 237 billion in the first quarter of 2015 (adjusted for operations with trading securities in the amount of RUB 1 billion).

Net cash provided by operating activity for the periods analysed is given in the table below:

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
	RUB billion			RUB billion		
Net cash provided by operating activity	210	303	(30.7)%	210	238	(11.8)%
<i>Effect from operations with trading securities</i>	(1)	(2)	(50.0)%	(1)	(1)	–
Adjusted net cash provided by operating activity	209	301	(30.6)%	209	237	(11.8)%
<i>Offsetting of prepayments received under long term supply contracts*</i>	25	25	–	25	21	19.0%
Adjusted net cash provided by operating activity	234	326	(28.2)%	234	258	(9.3)%

*Adjustment for prepayments received under long term supply contracts related to set-off advances to earlier prepayments of prior periods.

In the first quarter of 2016 operating cash flow was RUB 234 billion compared to RUB 326 billion in the fourth quarter of 2015 and RUB 258 billion in the first quarter of 2015. The decrease in operating cash flow was mainly caused by drop in oil prices in rouble terms.

Net cash provided by/ (used in) investing activities

Net cash provided by investing activities was RUB 129 billion in the first quarter of 2016 compared to RUB 339 billion used in investing activities in the fourth quarter of 2015. The decrease in cash used in investing activities was mostly due repayment of short-term deposits in the first quarter compared with the previous quarter also due to seasonal decrease in capital expenditure and acquisitions of new assets.

Net cash provided by investing activities was RUB 12 billion in the first quarter of 2015.

Net cash provided by/(used in) financing activities

Net cash provided by financing activities was RUB 55 billion in the first quarter of 2016 compared to RUB 95 billion used in financing activities in the fourth quarter of 2015. The decrease in cash used in financing activities in the first quarter of 2016 was mainly due to receiving of the long-term loans.

Net cash used in financing activities was RUB 349 billion in the first quarter of 2015.

Capital Expenditures

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

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	<i>March 31, 2016</i>	<i>December 31, 2015</i>		<i>March 31, 2016</i>	<i>March 31, 2015</i>	
	RUB billion, except %					
Yuganskneftegaz	34	40	(15.0)%	34	23	47.8%
Vankorneft	8	7	14.3%	8	7	14.3%
Orenburgneft	6	9	(33.3)%	6	8	(25.0)%
Samotlorneftegaz	10	9	11.1%	10	9	11.1%
Projects on Sakhalin	12	11	9.1%	12	5	>100%
Uvatneftegaz	6	8	(25.0)%	6	4	50.0%
Verkhnechonskneftegaz	4	4	–	4	5	(20.0)%
Purneftegaz	3	4	(25.0)%	3	3	–
Rospan International	7	9	(22.2)%	7	5	40.0%
Samaraneftegaz	5	6	(16.7)%	5	4	25.0%
Varyoganneftegaz	4	3	33.3%	4	3	33.3%
VSNGK	6	8	(25.0)%	6	4	50.0%
Tomskneft VNK	2	1	100.0%	2	2	–
Nyaganneftegaz	2	2	–	2	2	–
Severnaya Neft	3	4	(25.0)%	3	1	>100%
Suzun	7	7	–	7	2	>100%
Taas-Uryakh Neftegazdobycha	3	3	–	3	2	50.0%
Sibneftegaz	1	2	(50.0)%	1	1	–
Other	12	10	20.0%	12	7	71.4%
Government grants	–	(7)	(100.0)%	–	(1)	(100.0)%
Total upstream segment	135	140	(3.6)%	135	96	40.6%
Tuapse refinery	1	2	(50.0)%	1	8	(87.5)%
Kuibyshev refinery	1	5	(80.0)%	1	1	–
Novokuibyshevsk refinery	1	4	(75.0)%	1	3	(66.7)%
Syzran refinery	2	5	(60.0)%	2	3	(33.3)%
Angarsk refinery	1	4	(75.0)%	1	2	(50.0)%
Achinsk refinery	1	2	(50.0)%	1	4	(75.0)%
Ryazan refinery	1	1	–	1	2	(50.0)%
Komsomolsk refinery	1	1	–	1	2	(50.0)%
Saratov refinery	–	1	(100.0)%	–	–	–
Other refineries	2	7	(71.4)%	2	3	(33.3)%
Marketing Business Units and others	2	7	(71.4)%	2	2	–
Total downstream segment	13	39	(66.7)%	13	30	(56.7)%
Other activities	6	7	(14.3)%	6	2	>100%
Total capital expenditures	154	186	(17.2)%	154	128	20.3%
Acquisition of licenses	6	7	(14.3)%	6	5	20.0%
Return of auction advances	(4)	–	>100%	(4)	(8)	(50.0)%

In the first quarter of 2016 total capital expenditures amounted to RUB 154 billion which is 17.2% lower than in the fourth quarter of 2015 caused by seasonal factor. The growth of capital expenditures compared to the first quarter of 2015 was caused by extension of drilling program.

In the first quarter of 2016 upstream capital expenditures decreased by RUB 5 billion which is 3.6% lower than in the fourth quarter of 2015 (period of high activity). Upstream capital expenditures in the first quarter of 2015 were RUB 96 billion. The growth of the upstream capital expenditures by 40.6% compared to the same period of 2015 was due to increased volume of production drilling (+52% to the first quarter of 2015) and infrastructure development of new fields.

In the first quarter of 2016 downstream capital expenditures decreased in comparison with the fourth quarter of 2015 and amounted to RUB 13 billion. Downstream capital expenditures in the first quarter of 2015 were RUB 30 billion.

In the first quarter of 2016 capital expenditures of refineries decreased by 65.6% to RUB 11 billion compared with RUB 32 billion in the fourth quarter of 2015. In the first quarter of 2015 capital expenditures of refineries amounted to RUB 28 billion. Capital expenditures funding of downstream in 2016 refers mostly to launch of catalyst cracker and MTBE production unit at the Kuibyshev refinery; launch of alkylation unit at the Angarsk refinery; completion of the project for catalyst recovery at the Novokuibyshevsk refinery.

Capital expenditures of other activities related to scheduled purchases of transport and other equipment were RUB 6 billion, RUB 7 billion and RUB 2 billion in the first quarter of 2016, in the fourth and in the first quarters of 2015 respectively.

The license acquisition costs in the first quarter of 2016 amounted to RUB 6 billion and referred to acquisition of new licenses for research, exploration and production at sites in the Sakha Republic (Yakutia), Krasnoyarsk region, Samara region and the Yamal-Nenets Autonomous district.

In the first quarter of 2016 the Company returned the advance in the amount of RUB 4 billion issued in the previous quarter for the participation in the auction.

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

The license acquisition costs in the first quarter of 2015 in the amount of RUB 5 billion refer to advances issued for the participation in the auction aimed to acquiring licenses for research, exploration and production at Ai-Yaunsky block located in Western-Siberian region.

In the first quarter of 2015 the Company received cash from the repayment of advances issued in the fourth quarter of 2014 in the amount of RUB 8 billion for the participation in the auction aimed to acquiring new licenses for research, exploration and production at blocks located in Western-Siberian region¹.

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

Debt Obligations

Rosneft net debt amounts to RUB 1,611 billion as of March 31, 2016 compared to RUB 1,694 billion as of December 31, 2015.

Rosneft's total loans and borrowings and other financial liabilities was RUB 3,208 billion as of March 31, 2016 compared to RUB 3,323 billion as of December 31, 2015. The decrease was mainly attributable to the scheduled repayment of loans and 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 March 31, 2016, December 31, 2015 and March 31, 2015: 33.1%, 34.8% and 29.4% respectively of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of March 31, 2016, December 31, 2015 and March 31, 2015 pledged oil exports constituted 4.5%, 4.8% and 5.0% respectively of the total crude oil export sales for the analyzed period (excluding exports to the CIS).

The net debt calculation is disclosed in the following table:

As of the date	March 31, 2016	December 31, 2015	March 31, 2015
	RUB billion		
Short-term loans and borrowings and other financial liabilities	986	1,040	1,119
Long-term loans and borrowings and other financial liabilities	2,222	2,283	2,153
Total debt	3,208	3,323	3,272
Cash and cash equivalents	882	559	126
Other short-term financial assets and part of long-term deposits	715	1,070	617
Net debt	1,611	1,694	2,529

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:

	For 3 months ended		
	March 31, 2016	December 31, 2015	March 31, 2015
EBITDA margin	26.0%	23.2%	24.1%
Net income attributable to Rosneft shareholders margin	1.3%	4.4%	4.2%
Net debt to annualised EBITDA	1.34	1.36	2.33
Current ratio	1.30	1.32	1.00
	RUB / bbl		
EBITDA/bbl	782	786	917
Upstream capital expenditures/bbl	387	396	276
Upstream operating expenses/bbl	196	207	195
Free cash flow before interest/bbl	229	396	374
	RUB / boe		
EBITDA/boe	620	626	738
Upstream capital expenditures/boe	307	315	222
Upstream operating expenses/boe	155	165	157
Free cash flow before interest/boe	182	315	301

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 *

	For 3 months ended		
	March 31, 2016	December 31, 2015	March 31, 2015
Crude oil and NGL production (mln bbl)	348.9	353.9	347.9
Crude oil, NGL and gas production (mln boe)	440.1	443.8	432.4

*Excluding share in production of associates and joint ventures.

Calculation of Free Cash Flow

	For 3 months ended		For 3 months ended	
	March 31, 2016	December 31, 2015	March 31, 2016	March 31, 2015
	RUB billion			
Net cash provided by operating activities	210	303	210	238
Capital expenditures	(154)	(186)	(154)	(128)
Trading securities operations*	(1)	(2)	(1)	(1)
Offsetting of prepayments under long term supply contracts	25	25	25	21
Free cash flow	80	140	80	130

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

Calculation of EBITDA

	For 3 months ended		For 3 months ended	
	March 31, 2016	December 31, 2015	March 31, 2016	March 31, 2015
	RUB billion			
Revenue and equity share in profits/(losses) of associates and joint ventures	1,048	1,196	1,048	1,321
Expenses	(926)	(1,031)	(926)	(1,144)
Depreciation, depletion and amortization	116	85	116	121
Effect of prepayments offsetting	35	28	35	21
EBITDA	273	278	273	319

Calculation of EBITDA Margin

	For 3 months ended		For 3 months ended	
	March 31, 2016	December 31, 2015	March 31, 2016	March 31, 2015
	RUB billion (except %)			
EBITDA	273	278	273	319
Revenue and equity share in profits/(losses) of associates and joint ventures	1,048	1,196	1,048	1,321
EBITDA margin	26.0%	23.2%	26.0%	24.1%

Calculation of Net Income Margin attributable to Rosneft shareholders

	For 3 months ended		For 3 months ended	
	March 31, 2016	December 31, 2015	March 31, 2016	March 31, 2015
	RUB billion (except %)			
Net income attributable to Rosneft shareholders	14	53	14	56
Revenues and equity share in profits/(losses) of associates and joint ventures	1,048	1,196	1,048	1,321
Net income margin attributable to Rosneft shareholders	1.3%	4.4%	1.3%	4.2%

Calculation of Current ratio

As of the date	March 31, 2016	December 31, 2015	March 31, 2015
	RUB billion (except coefficients)		
Current assets	2,298	2,404	1,849
Current liabilities	1,763	1,817	1,873
Current ratio	1.30	1.32	1.00

Consolidated financial highlights (in USD terms)

Consolidated statement of profit or loss*

	For 3 months ended		For 3 months ended	
	March 31, 2016	December, 31 2015	March 31, 2016	March 31, 2015
	USD billion			
Total revenues and equity share in profits/(losses) of associates and joint ventures	14.5	18.6	14.5	21.5
Costs and expenses				
Production and operating expenses	1.8	2.8	1.8	2.0
Cost of purchased oil, gas and petroleum products and refining costs	1.7	1.9	1.7	2.0
General and administrative expenses	0.4	0.6	0.4	0.4
Pipeline tariffs and transportation costs	2.0	2.0	2.0	2.3
Exploration expenses	–	–	–	0.1
Depreciation, depletion and amortization	1.6	1.3	1.6	1.9
Taxes other than income tax	3.1	4.2	3.1	5.5
Export customs duty	1.8	2.8	1.8	4.2
Total costs and expenses	12.4	15.6	12.4	18.4
Operating income	2.1	3.0	2.1	3.1
Finance income	0.2	0.2	0.2	0.2
Finance expenses	(0.7)	(1.1)	(0.7)	(1.7)
Other income	–	0.5	–	0.2
Other expenses	(0.1)	(0.5)	(0.1)	(0.2)
Foreign exchange differences	(0.8)	(0.4)	(0.8)	0.1
Cash flow hedges reclassified to profit or loss	(0.5)	(0.5)	(0.5)	(0.5)
Income before income tax	0.2	1.2	0.2	1.2
Income tax	–	(0.4)	–	(0.2)
Net income	0.2	0.8	0.2	1.0
Net income attributable to Rosneft shareholders	0.2	0.8	0.2	1.0

*Calculated using average monthly exchange rates on the basis of Bank of Russia data 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:

	For 3 months ended		For 3 months ended	
	March 31, 2016	December, 31 2015	March 31, 2016	March 31, 2015
EBITDA margin	25.5%	23.1%	25.5%	23.3%
Net income margin	1.4%	4.3%	1.4%	4.7%
Net debt to annualised EBITDA	1.23	1.12	1.23	1.68
Current ratio	1.30	1.33	1.30	1.00
	USD/bbl*			
EBITDA/bbl	10.6	12.2	10.6	14.4
Upstream capital expenditures/bbl	5.2	6.0	5.2	4.4
Upstream operating expenses/bbl	2.6	3.1	2.6	3.1
Free cash flow/bbl	4.2	7.3	4.2	7.0
	USD/boe*			
EBITDA/boe	8.4	9.7	8.4	11.6
Upstream capital expenditures/boe	4.1	4.8	4.1	3.5
Upstream operating expenses/boe	2.1	2.5	2.1	2.5
Free cash flow/boe	3.3	5.8	3.3	5.7

*Calculated from unrounded data.

Calculation of Free Cash Flow

	For 3 months ended		For 3 months ended	
	March 31, 2016	December, 31 2015	March 31, 2016	March 31, 2015
	USD billion			
Net cash provided by operating activities	2.8	4.5	2.8	3.8
Capital expenditures	(2.1)	(2.8)	(2.1)	(2.0)
Trading securities operations*	(0.0)	0.0	(0.0)	(0.0)
Prepayments under long term supply contracts(offset)	0.8	0.8	0.8	0.7
Free cash flow	1.5	2.5	1.5	2.5

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

Calculation of EBITDA Margin

	For 3 months ended		For 3 months ended	
	March 31, 2016	December, 31 2015	March 31, 2016	March 31, 2015
	USD billion (except %)			
Revenues and equity share in profits/(losses) of associates and joint ventures*	14.5	18.6	14.5	21.5
Operating income	(12.4)	(15.6)	(12.4)	(18.4)
Depreciation, depletion and amortization	1.6	1.3	1.6	1.9
EBITDA	3.7	4.3	3.7	5.0
Revenues and equity share in profits/(losses) of associates and joint ventures	14.5	18.6	14.5	21.5
EBITDA margin	25.5%	23.1%	25.5%	23.3%

*Including effect from offsetting of prepayments under long-term contracts in the amount of 0.8 billion USD, 0.8 billion USD and 0.7 billion USD in the first quarter of 2016, in the fourth and in the first quarters of 2015 respectively.

Calculation of Net Income Margin

	For 3 months ended		For 3 months ended	
	March 31, 2016	December, 31 2015	March 31, 2016	March 31, 2015
	USD billion (except %)			
Net income	0.2	0.8	0.2	1.0
Revenues and equity share in profits/(losses) of associates and joint ventures*	14.5	18.6	14.5	21.5
Net income margin	1.4%	4.3%	1.4%	4.7%

*Including effect from offsetting of prepayments under long-term contracts in the amount of 0,8 billion USD, 0.8 billion USD and 0.7 billion USD in the first quarter of 2016, in the fourth and in the first quarters of 2015 respectively.

Calculation of Current ratio

As of the date	March 31, 2016	December, 31 2015	March 31, 2015
		USD billion (except coefficients)	
Current assets		34.0	33.0
Current liabilities		26.1	24.9
Current ratio		1.30	1.33

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

2016	RUB/USD	2015	RUB/USD
January	76.31	January	61.88
February	77.23	February	64.68
March	70.51	March	60.26
		October	63.09
		November	65.03
		December	69.68