



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED MARCH 31, 2014 AND 2013 AND
FOR THE QUARTER ENDED DECEMBER 31, 2013**

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended March 31, 2014 and 2013 and December 31, 2013 (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 and affiliated companies, including TNK-BP consolidated subsidiaries. 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 companies accounted for on an equity basis or under the proportionate consolidation method and 100% for fully consolidated companies.

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 7.362 ratio is used. To convert thousands of cubic meters of gas to barrels of oil equivalent a 5.883 ratio is used. "Rospan International" gas condensate and natural gas liquids (NGL) volumes are converted to barrels of oil equivalent at 8.3 and 10.6 barrels per ton, respectively.

Overview

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

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

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves and in terms of hydrocarbon production. According to oil and gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, as of December 31, 2013 proved hydrocarbon reserves amounted to 41.77 billion barrels of oil equivalent, including 30.78 billion barrels of crude oil and NGL and 1,867 billion cubic meters of marketable gas, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System ("PRMS").

Rosneft's crude oil and natural gas liquids (NGL) production amounts to 4.2 million barrels per day and output of natural and associated gas is 13.18 billion cubic meters in the first quarter of 2014.

Rosneft's domestic refinery throughput is 0.24 million tons per day (average for the first quarter of 2014). Current utilization of the refining capacities is close to maximum adjusted for planned turnarounds. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries. Rosneft also holds a 50% stake in Ruhr Oel GmbH (ROG) where the Company processes both own and procured crude oil. Rosneft also processes crude oil, gas and petroleum products at external refineries (which are outside the Group).

Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	<i>March 31, 2014</i>	<i>December 31, 2013</i>		<i>March 31, 2014</i>	<i>March 31, 2013</i>	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	1,375	1,350	1.9%	1,375	812	69.3%
EBITDA	289	273	5.9%	289	142	103.5%
Net income	88	134	(34.3)%	88	248 ¹	(64.5)%
Capital expenditures	104	182	(42.9)%	104	95	9.5%
Adjusted free cash flow*	121	49	146.9%	121	33	266.7%
Net Debt	1,586	1,860	(14.7)%	1,586	1,793	(11.5)%
Operational results						
Hydrocarbon production (th. boe per day)	5,051	4,989	1.2%	5,051	4,804	5.1%
Crude oil and NGL production (th. barrels per day)	4,189	4,217	(0.7)%	4,189	4,169	0.5%
Gas production (th. boe per day)	862	772	11.7%	862	635	35.7%
Production of petroleum products in Russia (mln tonnes)	20.80	20.57	1.1%	20.80	12.69	63.9%
Production of petroleum products outside Russia (mln tonnes)	3.21	3.22	(0.3)%	3.21	2.66	20.7%

*Excluding the effects of operations with trade securities and one-off effect from prepayments under long term oil contracts of RUB 431 billion in the first quarter of 2014, RUB 163 billion in the fourth quarter of 2013 and RUB 232 billion in the first quarter of 2013.

¹ Excluding one-off effect from the finalized estimation of the fair value of the acquired assets and liabilities, net income amounted to RUB 102 billion.

Significant events in the first quarter of 2014

Rosneft buys Orenburg Drilling Company

In February 2014 the Company obtained control over Orenburg Drilling Company. The acquisition of a 100% share in this company was completed in April 2014. The consideration payable amounted to US\$ 247 million (RUB 8.8 billion at the date of the transaction).

Rosneft has increased its share in the project Solimoes in Brazil to 51%

March 24, 2014 Rosneft signed the final agreements with HRT to acquire an additional 6% in the Solimoes project. This will lead to Rosneft receiving 51% control and taking over operatorship in the joint venture in the Solimoes basin.

Rosneft announces early repayment of the loans taken for the purchase of TNK-BP

In March 2014 Rosneft early repaid another part of the loans drawn down from the club of international banks to finance the purchase of TNK-BP. Source of early repayment, as planned, was optimization of the Company's assets portfolio. Taking into account the payments made by the Company in December 2013-March 2014, total amount of debt repaid in this period as part of the loans for the purchase of TNK-BP, reached approximately U.S. \$ 10.6 billion.

Rosneft is extending cooperation with Pirelli & C. S.p.A.

In March 2014 Rosneft has reached an agreement with international consortium composed of Unicredit Bank, Intesa Banking Group and Clessidra Fund for the purchase of a 50% share of the company holding 26.19% of Pirelli & C. S.p.A. stake.

Rosneft announced a mandatory redemption of shares of “RN-holding” at the offer price

March 7, 2014, Rosneft announced the redemption of shares of “RN holding” (formerly “TNK-BP Holding”) at the price of the voluntary offer – RUB 67 per ordinary share and RUB 55 per preferred share. Rosneft paid RUB 149 billion in cash to the former shareholders of RN Holding for the purchase of its shares. As a result of the voluntary offer, the Company became an owner of more than 95% of RN Holding shares and is planning to execute its statutory right to purchase the rest of RN Holding shares during the second quarter of 2014.

Rosneft has closed the sale of Ugra asset to SIBUR

March 6, 2014 Rosneft had closed a deal to sell 49% of the company “Yugragazpererabotka” to “SIBUR”, which has become a sole owner of the company.

Rosneft increases the supply of associated petroleum gas processing enterprises SIBUR

In March 2014 the Companies signed documents associated with the supply of the associated gas from Rosneft's fields to the Nizhnevartovsk and Belozerny processing plants and to Nyagangazpererabotka. In addition, Rosneft and Sibur signed the contract to sell the dry gas produced at the Nizhnevartovsk and Belozerny processing plants to Rosneft. New agreements will enter into force on 1 April 2014 and will be valid until 2032 inclusive.

Rosneft acquires 50% in Aircraft Fueling Facility at one of the Kyrgyz Major Airport

February 19, 2014 a framework agreement on acquisition of a 50% stake in INTEK LLC, the sole owner and the actual fuelling operator of the Osh City airport has been signed.

Rosneft acquires Bishkek Oil Company

February 19, 2014 the Company signed a framework agreement regarding purchase and sale of the Bishkek Oil Company Group, one of the leaders on Bishkek petroleum product market.

Rosneft received prepayments for long-term crude oil supply

In the first quarter of 2014 Rosneft received prepayments for long-term crude oil supply contracts in the amount of RUB 431 billion.

Macroeconomic factors affecting results of operations

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

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

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

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

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

	<i>For 3 months ended</i>			<i>% change</i>	<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013			March 31, 2014	March 31, 2013	
World market	(US\$ per barrel)			%	(US\$ per barrel)		
Brent (dated)	108.2	109.3	(1.0)%		108.2	112.6	(3.9)%
Urals (average Med and NWE)	106.5	108.5	(1.8)%		106.5	110.8	(3.8)%
Urals (FOB Primorsk)	105.2	106.4	(1.2)%		105.2	109.3	(3.8)%
Urals (FOB Novorossiysk)	105.7	107.7	(1.9)%		105.7	110.1	(4.0)%
Dubai	104.4	106.8	(2.2)%		104.4	108.2	(3.5)%
	(US\$ per tonne)				(US\$ per tonne)		
Naphtha (av. FOB/CIF Med)	893	912	(2.0)%		893	923	(3.2)%
Naphtha (av. FOB Rotterdam/CIF NWE)	913	927	(1.6)%		913	943	(3.2)%
Naphtha (CFR Japan)	935	934	0.1%		935	962	(2.8)%
Fuel oil (av. FOB/CIF Med)	579	582	(0.5)%		579	615	(5.8)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	569	575	(1.0)%		569	611	(6.8)%
High sulphur fuel oil 180 cst (FOB Singapore)	610	612	(0.4)%		610	641	(4.8)%
Gasoil (av. FOB/CIF Med)	909	930	(2.2)%		909	954	(4.7)%
Gasoil (av. FOB Rotterdam/CIF NWE)	914	930	(1.7)%		914	958	(4.6)%
Gasoil (FOB Singapore)	904	924	(2.2)%		904	941	(3.9)%
	(th. RUB per barrel)				(th. RUB per barrel)		
Brent (dated)	3.78	3.56	6.4%		3.78	3.42	10.5%
Urals (average Med and NWE)	3.72	3.53	5.5%		3.72	3.37	10.5%
Urals (FOB Primorsk)	3.68	3.46	6.2%		3.68	3.32	10.6%
Urals (FOB Novorossiysk)	3.70	3.50	5.5%		3.70	3.35	10.4%
Dubai	3.65	3.48	5.1%		3.65	3.29	11.0%
	(th. RUB per tonne)				(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	31.2	29.7	5.3%		31.2	28.1	11.2%
Naphtha (av. FOB Rotterdam/CIF NWE)	31.9	30.2	5.7%		31.9	28.7	11.2%
Naphtha (CFR Japan)	32.7	30.4	7.5%		32.7	29.2	11.7%
Fuel oil (av. FOB/CIF Med)	20.3	18.9	7.0%		20.3	18.7	8.3%
Fuel oil (av. FOB Rotterdam/CIF NWE)	19.9	18.7	6.4%		19.9	18.6	7.1%
High sulphur fuel oil 180 cst (FOB Singapore)	21.3	19.9	7.0%		21.3	19.5	9.4%
Gasoil (av. FOB/CIF Med)	31.8	30.2	5.1%		31.8	29.0	9.6%
Gasoil (av. FOB Rotterdam/CIF NWE)	32.0	30.3	5.6%		32.0	29.1	9.7%
Gasoil (FOB Singapore)	31.6	30.1	5.1%		31.6	28.6	10.4%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)				(th. RUB per tonne)		
Crude oil	11.7	10.7	9.0%		11.7	10.5	11.5%
Fuel oil	8.6	8.7	(1.7)%		8.6	8.3	4.2%
Summer diesel	26.0	25.9	0.1%		26.0	24.5	6.1%
Winter diesel	28.4	30.4	(6.7)%		28.4	27.7	2.7%
Jet fuel	25.3	25.7	(1.5)%		25.3	24.0	5.8%
High octane gasoline	28.4	28.4	0.2%		28.4	26.8	5.9%
Low octane gasoline	25.7	25.6	0.4%		25.7	24.5	4.9%

Sources: Platts (world market), Kortes/Argus (Russian market).

The difference between price movements denominated in US\$ and those denominated in RUB is explained by nominal RUB depreciation against US\$ by 7.5% in the first quarter of 2014 compared to the fourth quarter of 2013 and nominal RUB depreciation against US\$ by 14.9% in the first quarter of 2014 compared to the first quarter of 2013.

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

The regulated price has affected, and is likely to continue to affect, the pricing of Rosneft gas sales. Rosneft's average gas sales price (net of VAT) was RUB 2.86 thousand per thousand cubic meters and RUB 2.79 thousand per thousand cubic meters in the first quarter of 2014 and fourth quarter of 2013, respectively.

In the first quarter of 2013 the average gas sale price (net of VAT) was RUB 2.09 thousand per thousand cubic meters.

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

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

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

	For 3 months ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Rouble inflation (CPI) for the period	2.3%	1.7%	1.9%
Average RUB/US\$ exchange rate for the period	34.96	32.53	30.41
RUB/US\$ exchange rate at the end of the period	35.69	32.73	31.08
Average RUB/EUR exchange rate for the period	47.95	44.28	40.19
RUB/EUR exchange rate at the end of the period	49.05	44.97	39.80

Source: CBR.

Taxation

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

	For 3 months ended		% change	For 3 months ended		% change
	March 31, 2014	December 31, 2013		March 31, 2014	March 31, 2013	
Mineral extraction tax						
Crude oil (RUB per tonne)	6,078	5,472	11.1%	6,078	5,261	15.5%
Natural gas (RUB per th. cubic meters)*	471	402	17.2%	471	265	77.7%
Associated gas (RUB per th. cubic meters)	-	-	-	-	-	-
Export customs duty for crude oil						
Crude oil (US\$ per tonne)	390.7	399.4	(2.2)%	390.7	406.5	(3.9)%
Crude oil (RUB per tonne)	13,659	12,993	5.1%	13,659	12,363	10.5%
Crude oil (RUB per barrel)	1,855	1,765	5.1%	1,855	1,690	9.8%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	12,291	11,692	5.1%	12,291	11,128	10.5%
Naphtha (RUB per tonne)	12,291	11,692	5.1%	12,291	11,128	10.5%
Light and middle distillates (RUB per tonne)	9,013	8,574	5.1%	9,013	8,160	10.5%
Liquid fuels (fuel oil) (RUB per tonne)	9,013	8,574	5.1%	9,013	8,160	10.5%

* Starting from July 1, 2013 mineral extraction tax on natural gas was increased. Starting from July 1, 2014 mineral extraction tax on natural gas will be revised according to the Tax Code.

According to the legislation the excise tax rates on the petroleum products are linked to the environmental characteristics of the products.

Excise on petroleum products	From January 1 until June 30, 2013	From July 1 until December 31, 2013	2014	2015
	High octane gasoline (RUB per tonne)			
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	10,100	10,100	11,110	13,332
High octane gasoline euro-3 (RUB per tonne)	9,750	9,750	10,725	12,879
High octane gasoline euro-4 (RUB per tonne)	8,560	8,960	9,916	10,858
High octane gasoline euro-5 (RUB per tonne)	5,143	5,750	6,450	7,750
Naphtha (RUB per tonne)	10,229	10,229	11,252	13,502
Diesel (RUB per tonne)				
Diesel below euro-3,4,5 (RUB per tonne)	5,860	5,860	6,446	7,735
Diesel euro-3 (RUB per tonne)	5,860	5,860	6,446	7,735
Diesel euro-4 (RUB per tonne)	4,934	5,100	5,427	5,970
Diesel euro-5 (RUB per tonne)	4,334	4,500	4,767	5,244
Lubricants (RUB per tonne)	7,509	7,509	8,260	9,086

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

	<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	March 31, 2013
	RUB billion	RUB billion	RUB billion
Total revenues	1 375	1,350	812
Total taxes*	738	702	444
Effective tax burden, %	53,7%	52,0%	54,7%

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

The mineral extraction tax and the export customs duty accounted for approximately 48.0% and 47.0% of Rosneft's total revenues in the first quarter of 2014 and in the fourth quarter of 2013, respectively. In the first quarter of 2013 the mineral extraction tax and the export customs duty accounted for approximately 48.6% of Rosneft's total revenues.

Mineral Extraction Tax

The rate of mineral extraction tax (MET) for crude oil is linked to the Urals price in the international market and changes every month. It is calculated in US\$ per barrel of crude oil produced using average exchange rate for the respective month.

The mineral extraction tax rate in 2014 was calculated by multiplying the base rate of **RUB 493** (in 2013 base rate was **RUB 470**, in 2015 base rate will be – **RUB 530**, in 2016 – **RUB 559**) by the adjustment ratio of $((\text{Price} - 15) / 261) \times \text{Exchange rate}$, where "Price" is the average Urals price per barrel and "Exchange rate" is the average RUB/US\$ exchange rate established by the Central Bank of Russia in the respective month, as well as factors which characterize the degree of depletion of a particular field, reserves of a particular field and the degree of difficulty of extraction.

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

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

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

Moreover its fields in Irkutsk Region and Krasnoyarsk Territory are subject to the zero mineral extraction tax rate which is applicable for the first 25 million tonnes of production if not more than 10 years period for a production license and not more than 15 years period for an exploration and production license, on the territory of the Nenets Autonomous district, Yamalo-Nenets Autonomous district for the first 15 million tonnes of production if not more than 7 years period for a production license and not more than 12 years period for an exploration and production license.

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

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

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

The Company has exploration and production licenses for the fields with hard to recover reserves. On July 23, 2013 the amendments to tax law specifying special tax regime for these reserves were approved, which provide for tax exemptions for the projects at the fields with hard to recover reserves, including Bazhenov, Abalak, Khadum, Domanic and Tyumen formations, also oil from deposits with permeability of less than 2×10^{-3} square micrometres.

On September 30, 2013 the amendments to tax law specifying tax regime for offshore projects in Russian Federation were approved. Following new tax amendments the offshore projects are categorised into one of four groups depending on its complexity and specifies MET rates for each project group ranging from 5% to 30% of international crude oil prices.

Export Customs Duty on Crude Oil

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

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

<i>Urals price (US\$ per tonne)</i>	<i>Export customs duty(US\$ per tonne)</i>
Below and including 109.5 (15 US\$ per barrel)	Export customs duty is not levied
Above 109.5 to and including 146	35% of the difference between the average Urals price in US\$ per tonne and US\$ 109.5 (15 to 20 US\$ per barrel)
Above 146 to and including 182.5	US\$ 12.78 <i>plus</i> 45% of the difference between the average Urals price in US\$ per tonne and US\$ 146 (20 to 25 US\$ per barrel)
Above 182.5 (25 US\$ per barrel)	US\$ 29.2 <i>plus</i> 60% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since October 1, 2011 till December 31, 2013)
	US\$ 29.2 <i>plus</i> 59% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 till December 31, 2014)
	US\$ 29.2 <i>plus</i> 57% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 till December 31, 2015)
	US\$ 29.2 <i>plus</i> 55% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1, 2016)

Starting from October 2011 the marginal export duty rate was reduced from 65% to 60% and is valid up to date. Starting from January 2014 the marginal export duty rate decreased to 59%.

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

The draft 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.

The government of the Russian Federation is entitled to establish special formulas for calculating the rates of export customs duties on crude oil in respect of:

- high-viscous oil - for a 10 years period starting from the date of application of the reduced export duty rate, but not later than January 1, 2023. The export customs duty rate is set at 10% of the established marginal export duty rate on oil.

- crude oil with special physical and chemical characteristics produced at certain crude oil fields. The export customs duty rate is set at 45% of the difference between the average Urals price denominated in US\$ per tonne and the amount of US\$ 365 per tonne.

Export customs duty on crude oil export to CIS

Export duties are not payable on crude oil exports to CIS countries that are members of the Customs Union. Starting from January 1, 2012 zero export duty rate is applicable to the crude oil exports to Belarus as for export to Kazakhstan. No new amendments were introduced in 2014 in respect of regime of export customs duty on crude oil export to CIS.

Export Customs Duty on Petroleum Products

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

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

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

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

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

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 JSC "AK "Transneft" ("Transneft"), which is a natural state-owned pipeline monopoly. Rosneft also transports crude oil and petroleum products via railway network owned and operated by Russian railways (RZD), another natural state-owned monopoly.

The Federal Tariff Service ("FTS"), a governmental body regulating natural monopolies, sets Transneft's base tariffs for transportation of crude oil and petroleum products in Russia, which include a dispatch tariff, a pumping tariff, loading, charge-discharge, transshipment and other tariffs. Tariffs for railroad transportation are also regulated by the FTS. The tariffs are set in roubles and are not linked to the exchange rate.

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

Recent changes of Transneft transportation tariffs

Petroleum products

There were no significant changes in export transportation in the first quarter of 2014.

Starting from November 8, 2013 a special multiplying ratio of 1.134 was introduced on the export transportation of stable natural gasoline via land border in the direction of the Baltic countries.

Crude oil

Starting from March 2, 2014 investment tariff for Purpe-Samotlor transportation in the amount RUB 108.2 for 1 tone (excluding VAT) was implemented. The tariff is agreed by Transneft and Rosneft for 36 months period for the purpose of extending the capacity of the pipeline "Skovorodino-Mohe".(This tariff does not impact current tariffs for oil transportation by the branch of ESPO pipeline to China).

Starting from February 1, 2014 Transneft increased tariffs for crude oil transportation by 8.9% on average in Belarus. In 2013 Transneft increased tariffs for crude oil transportation by 9.7% on average in Belarus.

Recent changes in railroad transportation tariffs

There were no significant changes in railroad transportation inside Russia in the first quarter of 2014.

In January 2013 tariffs for railroad transportation inside Russia were increased by 9.0% on average. Transportation tariffs outside Russia were differentiated depending on the type of cargo from -15% to +6%.

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

	<i>for 3 months ended</i>		<i>Change</i>	<i>for 3 months ended</i>		<i>Change</i>
	March 31, 2014	December 31, 2013		March 31, 2014	March 31, 2013	
	(th. RUB/tonne)		(%)	(th. RUB/tonne)		
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yuganskneftegaz – Samara refineries	0.79	0.79	–	0.79	0.79	–
Samara – Samara refineries	0.05	0.05	–	0.05	0.05	(4.1)%
Yuganskneftegaz – Angarsk refinery (long route)	–	–	–	–	1.32	–
Purneftegaz – Angarsk refinery (long route)	–	1.56	–	–	1.56	–
Purpe – Tuapse refinery	1.65	1.65	–	1.65	1.65	0.2%
Tomsk – Achinsk refinery	–	–	–	–	0.36	–
Purneftegaz – Achinsk refinery (long route)	–	–	–	–	1.07	–
Samotlorneftegaz (Samotlor via Omsk) – Achinsky refinery	0.94	–	–	0.94	–	–
	0.53	–	–	0.53	–	–
Varieganeftegaz (Bahilovskoe) – Achinsky refinery	0.27	–	–	0.27	0.27	–
Orenburgneft (Krotovka) – Saratov refinery	0.34	0.34	–	0.34	0.34	–
Orenburgneft (Pokrovka) – Saratov refinery	1.23	1.23	–	1.23	1.26	(2.0)%
Samotlor – Ryazan	1.06	1.06	–	1.06	1.06	(0.1)%
RN-Uvatneftegaz – Ryazan	0.54	0.54	–	0.54	0.54	(0.1)%
Samotlor – Komsomolsk refinery (short route)	0.94	0.94	–	0.94	0.94	(0.1)%
Samotlor – Angarsk refinery (short route)	–	–	–	–	–	–
<i>Pipeline and railroad</i>						
Yuganskneftegaz – Komsomolsk refinery	–	–	–	–	4.32	–
Purneftegaz – Komsomolsk refinery (long route)	–	4.55	–	–	4.54	–
Purneftegaz – Komsomolsk refinery (short route)	4.42	–	–	4.42	–	–
Samotlor – Komsomolsk refinery	4.52	–	–	4.52	–	–
Yuganskneftegaz –Ryazanskaya NPK	1.15	1.15	–	1.15	–	–
Export						
<i>Pipeline</i>						
Yuganskneftegaz – Primorsk	1.60	1.60	–	1.60	1.60	(0.1)%
Yuganskneftegaz – Novorossiysk	1.59	1.59	–	1.59	1.59	(0.1)%
Yuganskneftegaz – Ust-Luga	1.65	1.65	–	1.65	–	–
Samaraneftegaz – Novorossiysk	0.85	0.85	–	0.85	0.85	(0.5)%
Vankor (Purpe)-Kozmino	2.08	2.08	–	2.08	2.08	–
Vankor (Purpe)- China	2.12	2.08	1.8%	2.12	2.08	1.8%
Yuganskneftegaz – Germany	1.62	1.61	0.7%	1.62	1.60	1.1%
Yuganskneftegaz – Poland	1.55	1.53	0.7%	1.55	1.53	1.0%
Yuganskneftegaz – Belarus (Naftan) (South Balyk)	1.49	–	–	1.49	1.71	(13.0)%
Yuganskneftegaz – Belarus (Naftan) (Karkateevy)	1.51	1.50	0.1%	1.51	–	–
Orenburgneft (Pokrovka) – Mozyr refinery	–	–	–	–	0.89	–
Samotlor – Novorossiysk	1.69	–	–	1.69	1.59	6.3%
Verkhnechonskneftegaz – Kozmino	2.08	2.08	–	2.08	2.08	–

	<i>for 3 months ended</i>			<i>for 3 months ended</i>		
	<u>March 31,</u>	<u>December 31,</u>	<i>Change</i>	<u>March 31,</u>	<u>March 31,</u>	<i>Change</i>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
	(th. RUB/tonne)		(%)	(th. RUB/tonne)		
Railroad and mixed transportation						
Stavropolneftegaz – CPC	0.75	0.75	–	0.75	0.75	–
PETROLEUM PRODUCTS EXPORT						
Diesel						
Samara refineries – Ventpils	2.13	2.20	(3.3)%	2.13	1.99	7.0%
Angarsk refinery – Nakhodka	4.52	4.52	–	4.52	4.50	0.4%
Komsomolsk refinery – Nakhodka	1.77	1.77	–	1.77	1.76	0.6%
Achinsk refinery – Tuapse	5.10	5.10	–	5.10	5.07	0.6%
RNPK – Ventpils	1.89	1.82	3.8%	1.89	1.79	5.6%
RNPK – Primorsk	1.88	1.87	0.5%	1.88	1.87	0.5%
YANOS – Primorsk	1.65	1.64	0.6%	1.65	1.64	0.6%
Fuel oil						
Samara group refineries - Odessa	2.05	–	–	2.05	–	–
Angarsk refinery – Nakhodka	4.51	4.51	–	4.51	4.49	0.4%
Komsomolsk refinery – Nakhodka	1.69	1.69	–	1.69	1.68	0.6%
Achinsk refinery – Nakhodka	5.77	5.77	–	5.77	5.75	0.3%
Ryazansky NPK – Ust-Luga	1.69	1.69	–	1.69	1.69	–
Ryazansky NPK – Estonia	1.95	1.95	–	1.95	1.95	–
SNPZ – Kerch	1.80	1.80	–	1.80	1.80	–
YANOS – Estonia	1.41	1.41	–	1.41	1.41	–
Naphtha						
Samara refineries – Tuapse	2.10	2.10	–	2.10	2.09	0.5%
Achinsk refinery – Tuapse	4.94	4.94	–	4.94	4.92	0.4%
Angarsk refinery – Nakhodka	4.27	4.27	–	4.27	4.24	0.7%
Komsomolsk refinery – Nakhodka	1.74	1.74	–	1.74	1.73	0.6%
Nizhneartovsk NPO – Ventpils	2.82	2.82	–	2.82	2.67	5.6%

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

Rosneft operates proprietary transportation and transshipment facilities. This allows optimisation 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"). In CPC Rosneft has a 7.5% stake through a joint venture "Rosneft Shell Caspian Ventures Ltd" (Cyprus) (Rosneft owns 51%).

Business Segments and Intersegment sales

Substantially 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 USA and also stakes in refineries in Germany and Italy.

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; and
- Refining and distribution (downstream). Refining of crude oil, as well as the purchase, transportation, sale and transshipment of crude oil and petroleum products.

The Company is currently working towards a separate disclosure of gas segment indicators. At the moment, all the activity of the gas segment distributed in two main business segments. Other activities included in the "Corporate" segment and include banking, financial services and other activities.

Intersegment Sales

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

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

Financial performance by segments for the periods: first quarter of 2014 and fourth quarter of 2013

	Upstream		Downstream		Corporate and others		Total	
	Quarter I, 2014	Quarter IV, 2013	Quarter I, 2014	Quarter IV, 2013	Quarter I, 2014	Quarter IV, 2013	Quarter I, 2014	Quarter IV, 2013
Revenues and equity share in profits of associates and joint ventures								
Oil and gas sales	-	-	729	712	-	-	729	712
Petroleum products and petrochemicals sales	-	-	632	620	-	-	632	620
Support services and other revenues	-	-	-	-	16	18	16	18
Equity share in profits of associates and joint ventures	(2)	-	-	-	-	-	(2)	-
<i>Intersegment turnover</i>	568	522	-	-	-	-	-	-
Total revenues and equity share in profits of associates and joint ventures	566	522	1,361	1,332	16	18	1,375	1,350
Costs and expenses								
Production and operating expenses	55	64	36	49	7	8	98	121
Cost of purchased oil, gas and petroleum products and refining costs	5	-	119	120	-	-	124	120
<i>Intersegment turnover</i>	-	-	568	522	-	-	-	-
General and administrative expenses	8	6	4	6	15	20	27	32
Pipeline tariffs and transportation costs	6	-	111	111	-	-	117	111
Exploration expenses	4	6	-	-	-	-	4	6
Depreciation, depletion and amortisation	86	104	17	16	2	3	105	123
Taxes other than income tax	256	240	42	42	3	4	301	286
Export customs duty	-	-	415	401	-	-	415	401
Total cost and expenses	420	420	1,312	1,267	27	35	1,191	1,200
Operating income	146	102	49	65	(11)	(17)	184	150
Finance income	-	-	-	-	6	7	6	7
Finance expenses	-	-	-	-	(41)	(16)	(41)	(16)
Other income	-	-	-	-	58	35	58	35
Other expenses	-	-	-	-	(13)	(13)	(13)	(13)
Foreign exchange differences	-	-	-	-	(84)	(14)	(84)	(14)
Income before income tax	146	102	49	65	(85)	(18)	110	149
Income tax	(29)	(20)	(10)	(14)	17	19	(22)	(15)
Net income	117	82	39	51	(68)	1	88	134
EBITDA	232	206	66	81	(9)	(14)	289	273

Financial performance by segments for the periods: first quarter of 2014 and 2013

	Upstream		Downstream		Corporate and others		Total	
	Quarter I, 2014	Quarter I, 2013	Quarter I, 2014	Quarter I, 2013	Quarter I, 2014	Quarter I, 2013	Quarter I, 2014	Quarter I, 2013
Revenues and equity share in profits of associates and joint ventures								
Oil and gas sales	-	-	729	414	-	-	729	414
Petroleum products and petrochemicals sales	-	-	632	381	-	-	632	381
Support services and other revenues	-	-	-	-	16	10	16	10
Equity share in profits of associates and joint ventures	(2)	7	-	-	-	-	(2)	7
<i>Intersegment turnover</i>	568	320	-	-	-	-	-	-
Total revenues and equity share in profits of associates and joint ventures	566	327	1,361	795	16	10	1,375	812
Costs and expenses								
Production and operating expenses	55	26	36	26	7	8	98	60
Cost of purchased oil, gas and petroleum products and refining costs	5	-	119	89	-	-	124	89
<i>Intersegment turnover</i>	-	-	568	320	-	-	-	-
General and administrative expenses	8	3	4	5	15	9	27	17
Pipeline tariffs and transportation costs	6	-	111	70	-	-	117	70
Exploration expenses	4	3	-	-	-	-	4	3
Depreciation, depletion and amortisation	86	45	17	9	2	2	105	56
Taxes other than income tax	256	158	42	27	3	3	301	188
Export customs duty	-	-	415	243	-	-	415	243
Total cost and expenses	420	235	1,312	789	27	22	1,191	726
Operating income	146	92	49	6	(11)	(12)	184	86
Finance income	-	-	-	-	6	3	6	3
Finance expenses	-	-	-	-	(41)	(7)	(41)	(7)
Other income	-	-	-	-	58	205	58	205
Other expenses	-	-	-	-	(13)	(15)	(13)	(15)
Foreign exchange differences	-	-	-	-	(84)	(11)	(84)	(11)
Income before income tax	146	92	49	6	(85)	163	110	261
Income tax	(29)	(18)	(10)	(1)	17	6	(22)	(13)
Net income	117	74	39	5	(68)	169	88	248
EBITDA	232	137	66	15	(9)	(10)	289	142

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 on-and offshore, the joint venture, and exploration units in Russia and on- and offshore. Segment revenue is generated by the transfer of petroleum products, gas and NGL to downstream segment for subsequent sale to a third party, and all operating costs associated with production and exploration, which are reflected in the Group (segment "Corporate") in accounting were allocated to upstream segment.

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	March 31, 2014	December 31, 2013		March 31, 2014	March 31, 2013	
Operational results						
Hydrocarbon production (th. boe per day)	5,051	4,989	1.2%	5,051	4,804	5.1%
Crude oil and NGL production (th. barrels per day)	4,189	4,217	(0.7)%	4,189	4,169	0.5%
Gas production (th.boe per day)	862	772	11.7%	862	635	35.7%
Financial results, RUB billion						
EBITDA	232	206	12.6%	232	137	69.3%
Capital expenditures ¹	75	89	(15.7)%	75	59	27.1%
Upstream operating expenses	55.4	61.7	(10.2)%	55.4	26.4	109.8%
Indicators per boe						
EBITDA, RUB/boe	553	497	11.3%	553	535	3.4%
Capital expenditures, RUB/boe	179	215	(16.7)%	179	230	(22.2)%
Upstream operating expenses, RUB/boe	132	149	(11.4)%	132	103	28.2%

¹ Refer to "Capital expenditures"

Operating indicators

Production of Crude Oil and NGL

Rosneft has main fully consolidated production and development enterprises, which produce crude oil in Western Siberia, Eastern Siberia, Timan Pechora, Central Russia, southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project and a 50% stake in JSC “Tomskneft” VNK, both accounted for using proportionate consolidation method. In addition, Rosneft participates in major production joint ventures accounted for using the equity method: Udmurtneft – 49.54%, Polar Lights – 50.0% and Slavneft – 49.94%. The Company also participates in international projects in Vietnam and Venezuela.

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

	<i>For 3 months ended</i>			<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2014	December 31, 2013			March 31, 2014	March 31, 2013	
	<i>(million of barrels)</i>			<i>(%)</i>	<i>(million of barrels)</i>		<i>(%)</i>
Yuganskneftegaz (Western Siberia)	118.5	122.6	(3.3)%	118.5	120.8	(1.9)%	
Samaraneftegaz (Central Russia)	21.0	20.7	1.4%	21.0	19.5	7.7%	
Purneftegaz (Western Siberia)	11.1	11.8	(5.9)%	11.1	11.9	(6.7)%	
Vankorneft (Eastern Siberia)	39.9	40.2	(0.7)%	39.9	38.0	5.0%	
Severnaya Neft (Timan Pechora)	5.2	5.5	(5.5)%	5.2	6.0	(13.3)%	
Sakhalin-1 (Far East) (net of royalty and government share)	2.4	2.3	4.3%	2.4	2.0	20.0%	
Tomskneft (Western Siberia)	9.0	9.5	(5.3)%	9.0	9.1	(1.1)%	
Samotlorneftegas (Western Siberia)	41.3	43.7	(5.5)%	41.3	5.3	>100%	
Orenburgneft (Central Russia)	36.8	38.8	(5.2)%	36.8	4.6	>100%	
Verkhnechonskneftegaz (Eastern Siberia)	14.4	14.5	(0.7)%	14.4	1.7	>100%	
RN-Uvatneftegaz (Western Siberia)	17.6	17.7	(0.6)%	17.6	1.8	>100%	
Varyeganneftegaz (Western Siberia)	13.0	14.1	(7.8)%	13.0	1.7	>100%	
RN-Nyaganneftegaz (Western Siberia)	11.9	11.8	0.8%	11.9	1.4	>100%	
Taas-Yuriakh	1.6	1.6	–	1.6	–	–	
Other	9.3	8.8	5.7%	9.3	7.6	22.4%	
Total crude oil and NGL production by fully and proportionately consolidated enterprises	353.0	363.6	(2.9)%	353.0	231.4	52.5%	
Udmurtneft (Central Russia)	5.8	6.0	(3.3)%	5.8	5.8	–	
Polar Lights (Timan Pechora)	0.4	0.4	–	0.4	0.4	–	
Verkhnechonskneftegaz (Eastern Siberia) ²	–	–	–	–	3.1	–	
Slavneft	14.9	15.1	(1.3)%	14.9	1.9	>100%	
Other	2.9	2.9	–	2.9	0.4	>100%	
Total share in production of associates	24.0	24.4	(1.6)%	24.0	11.6	>100%	
Total crude oil and NGL production	377.0	388.0	(2.8)%	377.0	243.0	55.1%	
Daily crude oil production (th. barrels per day)	4,189	4,217	(0.7)%	4,189	4,169	0.5%	

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

² Before the date of acquisition of TNK-BP assets.

In the reporting period the Company continued to move towards its strategic goal – stabilization of production on brownfields mostly by effective waterflood management and drilling wells with the use of multi-staged hydrofracturing. The Company succeeded in the stabilization of oil production on brownfields, mostly at OJSC Varyeganneftegaz’s fields and at the Samotlorskoye field. The year-on-year natural decline of oil production on the mentioned brownfields decreased 2.5 times in the first quarter of 2014.

In the first quarter of 2014 the Company held activities related to commissioning of the oil fields of upstream production units, which are aimed to maintain the current production levels at minimum costs. The Osoveyskoe field of the Timan-Pechora Oil and Gas Basin (C1+C2 reserves amounted to 39 mln t) and the Chaivo field’s north-end located on the Sakhalin’s shield are currently being prepared for putting into operation.

Rosneft continues the development of its greenfields by maintenance of geological works, achievement of the designed production levels and optimization of the surface facilities structure. The key goal here is development of the Urubcheno-Tohomskoye field with the potential annual production of more than 100 th. boepd.

In the first quarter of 2014 the organic growth of Rosneft's average daily crude oil and NGL production was 0.9% (not including associate companies) in comparison with the first quarter of 2013. It was mainly due to increased crude oil production on fields of Vankorneft, Uvatneftegaz and Verkhnechonskneftegaz.

Production of Gas

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

	<i>For 3 months ended</i>			<i>Change</i>	<i>For 3 months ended</i>			<i>Change</i>
	March 31, 2014	December 31, 2013	(bcm)		March 31, 2014	March 31, 2013	(bcm)	
			(%)				(%)	
Purneftgaz (Western Siberia)	1.09	1.06	2.8%	1.09	1.02	6.9%		
Yuganskneftegaz (Western Siberia)	1.05	1.07	(1.9)%	1.05	0.92	14.1%		
Krasnodarneftegaz (Southern Russia)	0.79	0.85	(7.1)%	0.79	0.80	(1.3)%		
Samaraneftegaz (Central Russia)	0.09	0.13	(30.8)%	0.09	0.12	(25.0)%		
Severnaya Neft (Timan Pechora)	0.06	0.07	(14.3)%	0.06	0.07	(14.3)%		
Vankorneft (Eastern Siberia)	0.45	0.27	66.7%	0.45	0.14	>100%		
Sakhalin-1 (Far East) (net of royalty and government share)	0.13	0.12	8.3%	0.13	0.13	–		
Tomskneft (Western Siberia)	0.20	0.24	(16.7)%	0.20	0.20	–		
NGK ITERA (Western Siberia)	4.44	3.32	33.7%	4.44	–	–		
Samotlorneftegaz (Western Siberia)	1.38	1.43	(3.5)%	1.38	0.17	>100%		
Rospan International (Western Siberia)	1.00	0.98	2.0%	1.00	0.11	>100%		
Orenburgneft (Central Russia)	0.76	0.79	(3.8)%	0.76	0.08	>100%		
Varyeganneftegaz (Western Siberia)	0.74	0.79	(6.3)%	0.74	0.08	>100%		
RN-Nyaganneftegaz (Western Siberia)	0.35	0.38	(7.9)%	0.35	0.04	>100%		
Other	0.52	0.43	20.9	0.52	0.31	67.7%		
Total gas production by fully and proportionately consolidated enterprises	13.05	11.93	9.4%	13.05	4.19	>100%		
NGK ITERA ² (Western Siberia)	–	–	–	–	1.76	–		
Slavneft	0.09	0.10	(10.0)%	0.09	0.01	>100%		
Other	0.04	0.04	–	0.04	0.01	>100%		
Total share in production of joint ventures	0.13	0.14	(7.1)%	0.13	1.78	(92.7)%		
Total gas production	13.18	12.07	9.2%	13.18	5.97	>100%		
Natural gas	7.14	6.03	18.4%	7.14	3.18	>100%		
Associated gas	6.04	6.04	–	6.04	2.79	>100%		

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

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

² Before the date of acquisition of additional shares.

In the first quarter of 2014 gas production was 13.18 bcm. The increase by 9.2% was mainly related to increase in gas production at fields of Vankorneft, Purneftgaz due the increased utilisation rate of associated gas and NGK ITERA due to full consolidation of Sibneftegaz. The Company continues to implement the program to increase a useful utilization rate of associated gas at current Company's fields. As part of design decisions of the field development, a gas injection is performed in order to maintain reservoir pressure. Currently, the development of the gas segment is one of the priority objectives of the Company.

In the first quarter of 2014 the gas production increased 2.2 times compared to the first quarter of 2013 that is mainly due to consolidation of Sibneftegaz and acquisition of TNK assets.

Financial indicators

Equity share in profits of associates and joint ventures

The equity share in losses of associates and joint ventures amounted to RUB 2 billion in the first quarter of 2014 that mainly resulted from the operating losses at some joint ventures being at early stage of operating activity.

In the first quarter of 2014 the equity share in profits of associates and joint ventures significantly decreased in comparison with the first quarter of 2013. The decrease was mainly due to exemption of Verkhnechonskneftegaz equity results and incorporation of total Verkhnechonskneftegaz results into Company's consolidation from the date of acquisition.

Upstream production and operating cost

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

Upstream production and operating expenses decreased by 10.2% in the first quarter of 2014 compared with the fourth quarter of 2013 and amounted to RUB 55.4 billion. The decrease in operating expenses was due to lower scope of geological and engineering activities, decrease in current equipment maintenance and repairs and other operating expenses decrease due to unfavourable weather condition (abnormally low temperatures), compensated by seasonal growth of electricity costs.

In the first quarter of 2014 upstream production and operating expenses increased significantly compared with the first quarter of 2013 due to the incorporation of operating expenses of the acquired production units from the date of acquisition.

Upstream ecological reserves

In the fourth quarter of 2013 the Company revised the estimates of ecological reserves. The result of the revision amounted to RUB 1.7 billion year-to-date. These costs are shown separately from the regular production and business activities. There were no significant changes in the ecological reserves in the first quarter of 2014.

In 2010 the Company adopted a special five-year land restoration program aimed at restoration of lands located in the territory of upstream activities of several subsidiaries of Rosneft and damaged before the acquisition of these subsidiaries by Rosneft. In March 2012 the program was amended, which resulted in an additional accrual of RUB 0.7 billion. This amount does not include expenses on land restoration spent by the Company as a part of regular production activity.

Gas procurement

In the first quarter of 2014 gas procurement amounted to RUB 5 billion that is mainly refers to resale on domestic market. In the fourth quarter of 2013 gas procurement in the amount of RUB 8 billion was presented in downstream segment. The decrease in gas procurement is due to seasonal factors.

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 2014 exploration expenses amounts to RUB 4 billion in comparison with RUB 6 billion in the fourth quarter of 2013 due to seasonal decreased volumes of exploration drillings.

In the first quarter of 2014 exploration expenses increased by 33.3% compared with the first quarter of 2013 due to the incorporation of new assets expenses from the acquisition date.

Mineral extraction tax

The amount of mineral extraction tax was RUB 246 billion in the first quarter of 2014 compared with RUB 233 billion in the fourth quarter of 2013. The increase in mineral extraction tax is mainly due to the indexation of the base rate in 2014, and the termination of the tax exemption at Verkhnechonskneftegaz.

The following table sets actual mineral extraction tax rates per tonne of crude oil and per tonne of oil equivalent produced for the periods analysed:

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	<i>change</i>	March 31, 2014	March 31, 2013	<i>change</i>
	RUB billion		%	RUB billion		%
Average enacted mineral extraction tax rate	6.08	5.47	11.2%	6.08	5.26	15.6%
Actual mineral extraction tax expense per tonne of crude oil produced	5.22	4.78	9.2%	5.22	4.84	7.9%
Actual mineral extraction tax expense per tonne of oil equivalent produced	4.38	4.19	4.5%	4.38	4.37	0.2%

The actual mineral extraction tax rate is lower than generally established tax rate for the analysed period primarily due to the reduced rates for crude oil produced at fields with reserve depletion of over 80% and the volume of hard-to-recover oil, also due to application of zero mineral extraction tax rate in the Irkutsk and the Krasnoyarsk regions until its accumulated production exceeds 25 million tonnes. The difference between the enacted rate and actual rate is also affected by the normal delay in the inventory turnover.

Downstream Operating Results

The segment includes Group companies that provide services for oil and gas processing, petrochemical production in Russia and abroad, the joint ventures, sales units of oil, gas and petroleum to counterparts in Russia and abroad. Segment revenue generated from the sale of oil, gas, petrochemical products, petroleum products to a third party, and all operating costs associated with the processing, trading and logistics, which are reflected in the Group (segment «Corporate and other unallocated activities») in accounting were allocated to the Downstream segment.

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	<i>Change, %</i>	March 31, 2014	March 31, 2013	<i>Change, %</i>
Operating results						
Petroleum products production in Russia, mln. tn	20.80	20.57	1.1%	20.80	12.69	63.9%
Petroleum products production outside Russia, mln.tn	3.21	3.22	(0.3)%	3.21	2.66	20.7%
Financial results, RUB billion						
EBITDA	66	81	(22.2)%	66	15	>100%
Capital expenditures ¹	24	75	(68.0)%	24	32	(25.0)%
Operating expenses for processing in Russia	15.0	18.1	(17.1)%	15.0	9.8	53.1%
Operating expenses for processing outside Russia	4.0	4.1	(2.4)%	4.0	3.2	25.0%
Indicators per tonne of the output						
EBITDA, RUB per tn	2,948	3,648	(19.2)%	2,948	964	>100%
Capital expenditure, RUB per tn	1,072	3,378	(68.3)%	1,072	2,057	(47.9)%
Operating expenses for processing in Russia, RUB per tn	758	932	(18.7)%	758	753	0.7%
Operating expenses for processing outside Russia, RUB per tn	1,509	1,468	2.8%	1,509	1,229	22.8%

¹ Refer to “Capital expenditures”

Operating indicators

Petroleum Product Output

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

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

	<i>For 3 months ended</i>		<i>change</i>	<i>For 3 months ended</i>		<i>change</i>
	March 31, 2014	December 31, 2013		March 31, 2014	March 31, 2013	
	<i>(million of tonnes)</i>		<i>(%)</i>	<i>(million of tonnes)</i>		<i>(%)</i>
Crude oil processing at Rosneft's own refineries in Russia	21.58	21.41	0.8%	21.58	13.19	63.6%
Crude oil processing at refineries outside Russia	3.29	3.24	1.5%	3.29	2.65	24.2%
<i>including crude oil processing at Ruhr Oel GmbH (ROG)</i>	2.65	2.78	<i>(4.7)%</i>	2.65	2.59	2.3%
<i>including crude oil processing in Belarus</i>	0.64	0.46	<i>39.1%</i>	0.64	0.06	<i>>100%</i>
Total group crude oil processing	24.87	24.65	0.9%	24.87	15.84	57.0%
Petroleum product output:						
High octane gasoline	2.86	2.80	2.1%	2.86	1.63	75.5%
Low octane gasoline	0.04	0.06	<i>(33.3)%</i>	0.04	0.04	0.0%
Naphtha	1.32	1.33	<i>(0.8)%</i>	1.32	0.72	83.3%
Diesel	6.79	6.64	2.3%	6.79	4.45	52.6%
Fuel oil	7.11	7.01	1.4%	7.11	4.32	65.0%
Jet fuel	0.73	0.79	<i>(7.6)%</i>	0.73	0.35	<i>>100%</i>
Petrochemicals	0.20	0.22	<i>(9.1)%</i>	0.20	0.16	25.0%
Other*	1.75	1.72	1.7%	1.75	1.02	71.6%
Product output at Rosneft's own refineries in Russia	20.80	20.57	1.1%	20.80	12.69	64.0%
Product output at refineries outside Russia	3.21	3.22	<i>(0.3)%</i>	3.21	2.66	20.7%
<i>including crude oil output at Ruhr Oel GmbH (ROG)</i>	2.62	2.79	<i>(6.1)%</i>	2.62	2.60	0.8%
<i>including product output in Belarus</i>	0.59	0.43	<i>37.2%</i>	0.59	0.06	<i>>100%</i>
Total group product output	24.01	23.79	0.9%	24.01	15.35	56.4%

*including production of petroleum products at gas refineries

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

In the first quarter of 2014 Rosneft's total refinery throughput amounts to 24.87 mln tons, higher by 0.9 % compared with the fourth quarter of 2013. The refinery throughput inside Russia increased by 0.17 mln tons mainly due to the reduction of planned turnarounds on refineries, and due to increased capacity utilization at the Tuapse, Saratov and Angarsk refineries.

In the first quarter of 2014 German factories processing volume decreased by 4.7% compared to the fourth quarter of 2013 due to decrease in processing.

Organic growth of oil throughput in Russia amounts to 11.3*% in the first quarter of 2014 compared with the first quarter of 2013 and was due to global refineries modernization.

*Refer to processing at Rosneft's refineries in Russia without effect of new assets.

Financial indicators

Revenues and equity share in profits of associates and joint ventures¹

In the first quarter of 2014 revenues and equity share in profits/losses of associates and joint ventures amounted to RUB 1,375 billion or upturn 1.9% in comparison with the fourth quarter of 2013, due to increase in crude oil and oil products prices denominated in RUB and changes in sales volume structure.

In the first quarter of 2014 revenues and equity share in profits/losses of associates and joint ventures increased by 69.3% compared to the similar period of 2013, which was driven by export sale growth due to acquisition of new assets and increase in prices denominated in RUB. The world market prices for diesel and fuel oil, denominated in RUB increased by 9.7% and 8.3%, respectively.

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>change</i>	<i>For 3 months ended</i>			<i>change</i>		
	March 31, 2014		December 31, 2013		March 31, 2014		March 31, 2013			
	% of total revenue		% of total revenue			% of total revenue			% of total revenue	
Crude oil										
International Sales to non-CIS	628	45.5%	608	45.2%	3.3%	628	45.5%	377	46.5%	66.6%
Europe and other directions	412	29.8%	451	33.6%	(8.6)%	412	29.8%	277	34.2%	48.7%
Asia	216	15.7%	157	11.6%	37.6%	216	15.7%	100	12.3%	>100.0%
International sales to CIS	27	2.0%	41	3.0%	(34.1)%	27	2.0%	23	2.8%	17.4%
Domestic	33	2.4%	22	1.6%	50.0%	33	2.4%	6	0.7%	>100.0%
Total crude oil	688	49.9%	671	49.8%	2.5%	688	49.9%	406	50.0%	69.5%
Gas	41	3.0%	41	3.0%	0.0%	41	3.0%	8	1.0%	>100.00%
Petroleum products										
International Sales to non-CIS	366	26.7%	322	23.8%	13.7%	366	26.7%	219	27.0%	67.1%
Europe and other directions	279	20.4%	235	17.4%	18.7%	279	20.4%	153	18.9%	82.4%
Asia	87	6.3%	87	6.4%	0.0%	87	6.3%	66	8.1%	31.8%
International Sales to CIS	25	1.8%	25	1.9%	0.0%	25	1.8%	4	0.5%	>100.0%
Domestic	197	14.3%	230	17.0%	(14.3)%	197	14.3%	123	15.1%	60.2%
Wholesale	111	8.0%	132	9.7%	(15.9)%	111	8.0%	70	8.6%	58.6%
Retail	86	6.3%	98	7.3%	(12.2)%	86	6.3%	53	6.5%	62.3%
Sales of bunker fuel to end-users	15	1.1%	16	1.2%	(6.3)%	15	1.1%	10	1.2%	50.0%
Total petroleum products	603	43.9%	593	43.9%	1.7%	603	43.9%	356	43.8%	69.4%
Petrochemical products	29	2.1%	27	2.0%	7.4%	29	2.1%	25	3.1%	16.0%
International sales	25	1.8%	23	1.7%	8.7%	25	1.8%	22	2.7%	13.6%
Domestic	4	0.3%	4	0.3%	0.0%	4	0.3%	3	0.4%	33.3%
Support services and other revenues	16	1.2%	18	1.3%	(11.1)%	16	1.2%	10	1.2%	60.0%
Equity share in profits (losses) of associates and joint ventures	(2)	(0.1)%	0	0.0%	-	(2)	(0.1)%	7	0.9%	>(100.0)%
Total sales	1,375	100.0%	1,350	100.0%	1.9%	1,375	100.0%	812	100.0%	69.3%

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

¹ Revenues under IFRS consolidated financial statements

Sales Volumes

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

	<i>For 3 months ended</i>					<i>Change</i>	<i>For 3 months ended</i>					<i>Change</i>
	March 31, 2014		December 31, 2013		March 31, 2014		March 31, 2013		mln bbls			
	mln bbls	% of total volume	mln bbls	% of total volume	mln bbls		% of total volume	mln bbls		% of total volume		
Crude oil												
International Sales to non-CIS	173.7	45.7%	180.4	46.1%	(3.7)%	173.7	45.7%	119.3	47.6%	45.6%		
Europe and other directions	112.6	29.6%	131.8	33.7%	(14.6)%	112.6	29.6%	84.7	33.8%	32.9%		
Asia	61.1	16.1%	48.6	12.4%	25.7%	61.1	16.1%	34.6	13.8%	76.6%		
International Sales to CIS	14.0	3.7%	20.6	5.3%	(32.0)%	14.0	3.7%	14.0	5.6%	0.0%		
Domestic	18.4	4.8%	12.6	3.2%	46.0%	18.4	4.8%	4.4	1.8%	>100.0%		
Total crude oil	206.1	54.2%	213.6	54.6%	(3.5)%	206.1	54.2%	137.7	55.0%	49.7%		
Crude oil			mln tonnes					mln tonnes				
International Sales to non-CIS	23.6	45.7%	24.5	46.1%	(3.7)%	23.6	45.7%	16.2	47.6%	45.6%		
Europe and other directions	15.3	29.6%	17.9	33.7%	(14.6)%	15.3	29.6%	11.5	33.8%	32.9%		
Asia	8.3	16.1%	6.6	12.4%	25.7%	8.3	16.1%	4.7	13.8%	76.6%		
International Sales to CIS	1.9	3.7%	2.8	5.3%	(32.0)%	1.9	3.7%	1.9	5.6%	0.0%		
Domestic	2.5	4.8%	1.7	3.2%	46.0%	2.5	4.8%	0.6	1.8%	>100.0%		
Total crude oil	28.0	54.2%	29.0	54.6%	(3.5)%	28.0	54.2%	18.7	55.0%	49.7%		
Petroleum products												
International Sales to non-CIS	13.3	25.8%	12.7	23.9%	4.7%	13.3	25.8%	8.8	25.8%	51.1%		
Europe and other directions	10.2	19.8%	9.3	17.5%	9.7%	10.2	19.8%	6.0	17.6%	70.0%		
Asia	3.1	6.0%	3.4	6.4%	(8.8)%	3.1	6.0%	2.8	8.2%	10.7%		
International Sales to CIS	1.0	1.9%	0.9	1.7%	11.1%	1.0	1.9%	0.2	0.6%	>100.0%		
Domestic	7.7	14.9%	8.8	16.6%	(12.5)%	7.7	14.9%	4.9	14.4%	57.1%		
Wholesale	5.2	10.1%	6.0	11.3%	(13.3)%	5.2	10.1%	3.3	9.7%	57.6%		
Retail	2.5	4.8%	2.8	5.3%	(10.7)%	2.5	4.8%	1.6	4.7%	56.3%		
Sales of bunker fuel to end-users	0.8	1.5%	0.9	1.7%	(11.1)%	0.8	1.5%	0.6	1.8%	33.3%		
Total petroleum products	22.8	44.1%	23.3	43.9%	(2.1)%	22.8	44.1%	14.5	42.6%	57.2%		
Petrochemical products	0.9	1.7%	0.8	1.5%	12.5%	0.9	1.7%	0.8	2.4%	12.5%		
International sales	0.6	1.1%	0.6	1.1%	0.0%	0.6	1.1%	0.6	1.8%	0.0%		
Domestic	0.3	0.6%	0.2	0.4%	50.0%	0.3	0.6%	0.2	0.6%	50.0%		
Total crude oil and products	51.7	100.0%	53.1	100.0%	(2.6)%	51.7	100.0%	34.0	100.0%	52.1%		
Gas			bcm					bcm				
Sales Volumes	14.44		14.55		(0.8)%	14.44		4.12		>100.0%		

Average Crude Oil and Petroleum Product Sales Prices

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

	<i>For 3 months ended</i>					<i>change</i>	<i>For 3 months ended</i>				
	March 31, 2014		December 31, 2013		%		March 31, 2014		March 31, 2013		%
	(th.RUB/ barrel)	(th.RUB/ tonne)	(th.RUB/ barrel)	(th.RUB/ tonne)			(th.RUB/ barrel)	(th.RUB/ tonne)	(th.RUB/ barrel)	(th.RUB/ tonne)	
Average prices on foreign markets											
Crude oil, excluding CIS	3.61	26.6	3.39	25.0	6.4%	3.61	26.6	3.17	23.3	14.2%	
Europe and other directions	3.66	27.0	3.45	25.4	6.3%	3.66	27.0	3.28	24.2	11.6%	
Asia	3.51	25.9	3.23	23.8	8.8%	3.51	25.9	2.89	21.2	22.2%	
Crude oil, CIS	1.92	14.1	1.92	14.1	0.0%	1.92	14.1	1.60	11.8	19.5%	
Petroleum products, non- CIS		27.5		25.3	8.7%		27.5		24.8	10.9%	
Europe and other directions		27.2		25.2	7.9%		27.2		25.3	7.5%	
Asia		28.4		25.8	10.1%		28.4		23.9	18.8%	
Petroleum products, CIS		23.9		27.2	(12.1)%		23.9		19.6	21.9%	
Average domestic prices											
Crude oil	1.82	13.4	1.70	12.5	7.2%	1.82	13.4	1.46	10.7	25.2%	
Petroleum products		25.4		25.9	(1.9)%		25.4		24.9	2.0%	
Wholesale		21.2		22.0	(3.6)%		21.2		21.1	0.5%	
Retail		34.0		34.3	(0.9)%		34.0		32.3	5.3%	
Gas (th.rub. /th. cubic meter)		2.86		2.79	2.5%		2.86		2.09	36.8%	
Sales of bunker fuel to end-users		17.9		18.0	(0.6)%		17.9		17.4	2.9%	
Petrochemical products		32.1		29.5	8.8%		32.1		30.4	5.6%	
International sales		39.4		36.4	8.2%		39.4		35.7	10.4%	
Domestic		14.5		14.1	2.8%		14.5		15.3	(5.2)%	

**average price is calculated from unrounded figures*

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the first quarter of 2014 amounted to RUB 628 billion compared to RUB 608 billion in the fourth quarter of 2013. Revenue growth of RUB 20 billion was due to average prices upturn of 6.4% (positive effect on revenue of RUB 42 billion), was partially offset by sales volumes decrease of 3.7% (negative impact on revenues of RUB 22 billion). In spite of crude oil world market prices decrease, average sales price denominated in RUB increased due to nominal RUB depreciation against foreign currency.

In the first quarter of 2014 revenues from international crude oil sales to non-CIS countries increased by 66.6% or RUB 251 billion compared to the first quarter of 2013. Sales volumes growth was 45.6% (positive impact on revenues of RUB 172 billion) and was accompanied by an increase in average prices by 14.2% (favourable impact on revenues of RUB 79 billion).

The deviation between sales prices on the Asian markets and average world market prices (Dubai) in the first quarter of 2014 was due to deliveries to Transneft of 6.0 million tonnes (44.17 million barrels) of crude oil per year 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 price that is free from export custom duty.

Share of sales to Transneft in the total volume of oil supplies to the Asian region decreased in the first quarter of 2014. Excluding revenues from crude oil sales to Transneft (RUB 22 billion) in the first quarter of 2014 the average sales price on the Asian markets in comparison with the fourth quarter of 2013 increased by 6.9% and amounted to RUB 3.85 thousand per barrel.

In the first quarter of 2014 compared with the first quarter of 2013 the average sale price on the Asian markets excluding revenues from crude oil sales to Transneft increased by 13.2%.

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS in the first quarter of 2014 decreased by 34.1% compared to the fourth quarter of 2013 and amounted to RUB 27 billion. The reduction was due to sale volumes downturn of 32.0%.

In the first quarter of 2014 revenues from international crude oil sales to CIS countries increased by 17.4% in comparison with the first quarter of 2013, which is mainly attributable to average price upturn of 19.5% (favourable impact on revenues of RUB 4 billion).

Domestic Sales of Crude Oil

Revenue from domestic sales of crude oil in the first quarter of 2014 increased by 50.0% compared to the fourth quarter 2013 and amounted to RUB 33 billion. The increase in sales volume on the domestic market by 46.0% (positive impact on revenues of RUB 10 billion) was accompanied by upturn of average crude oil price by 7.2% (favourable impact on revenues of RUB 1 billion).

In the first quarter of 2014 revenues from domestic sales of crude oil were more than 5 times higher compared to the first quarter of 2013. Four times increase in sales volume (positive impact on revenues of RUB 20 billion) was accompanied by growth of average crude oil price by 25.2% (positive impact of RUB 7 billion).

International Petroleum Product Sales to Non-CIS

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold to non-CIS countries in the first quarter of 2014 and fourth quarter of 2013:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2014			December 31, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	9	0.3	32.4	4	0.2	28.9	125.0%	50.0%	12.1%
Low octane gasoline	1	0.0	34.6	1	0.1	34.1	0.0%	(100.0)%	1.5%
Naphtha	28	0.9	32.0	29	0.9	30.5	(3.4)%	0.0%	4.9%
Diesel (Gasoil)	118	3.7	31.9	89	3.0	30.0	32.6%	23.3%	6.3%
Fuel oil	126	5.7	22.0	109	5.3	19.8	15.6%	7.5%	11.1%
Jet fuel	0	0.0	38.8	0	0.0	37.1	–	–	4.6%
Other	16	0.5	31.0	22	0.8	28.4	(27.3)%	(37.5)%	9.2%
Total petroleum products exported to non-CIS	298	11.1	26.8	254	10.3	24.5	17.3%	7.8%	9.4%
<i>Petroleum products sold from ROG refineries</i>	64	2.1	30.8	65	2.3	28.9	(1.5)%	(8.7)%	6.6%
<i>Petroleum products purchased and sold outside Russia</i>	4	0.1	31.9	3	0.1	30.9	33.3%	0.0%	3.2%
Total	366	13.3	27.5	322	12.7	25.3	13.7%	4.7%	8.7%

Revenue from the international sales of petroleum products to non-CIS countries were RUB 366 billion in the first quarter of 2014, which is 13.7% higher compared to the fourth quarter of 2013 (positive effect of RUB 44 billion). The increase resulted from sales volumes upturn of 4.7% (favourable impact of RUB 15 billion), which was accompanied by 8.7% upturn in average price denominated in RUB (favourable impact of RUB 29 billion).

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

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2014			March 31, 2013			RUB billion	million of tonnes	Average price th.RUB/Tonne
	RUB billion	million of tonnes	Average price th.RUB/tonne	RUB billion	million of tonnes	Average price th.RUB/tonne			
High octane gasoline	9	0.3	32.4	3	0.1	29.0	>100.0%	>100.0%	11.7%
Low octane gasoline	1	0.0	34.6	0	0.0	37.2	–	–	(7.0)%
Naphtha	28	0.9	32.0	21	0.7	28.6	33.3%	28.6%	11.9%
Diesel (Gasoil)	118	3.7	31.9	70	2.5	28.3	68.6%	48.0%	12.7%
Fuel oil	126	5.7	22.0	59	3.2	18.4	>100.0%	78.1%	19.6%
Jet fuel	0	0.0	38.8	0	0.0	38.1	–	–	1.8%
Other	16	0.5	31.0	3	0.1	28.0	>100.0%	>100.0%	10.7%
Total petroleum products exported to non-CIS	298	11.1	26.8	156	6.6	23.5	91.0%	68.2%	14.0%
<i>Petroleum products sold from ROG refineries</i>	64	2.1	30.8	60	2.1	28.9	6.7%	0.0%	6.6%
<i>Petroleum products purchased and sold outside Russia</i>	4	0.1	31.9	3	0.1	29.4	33.3%	0.0%	8.5%
Total	366	13.3	27.5	219	8.8	24.8	67.1%	51.1%	10.9%

In the first quarter of 2014 revenues from the export of petroleum products to non-CIS countries were 67.1% higher compared to the first quarter of 2013. Increase in sales volumes by 51.1% (favourable impact on revenues of RUB 112 billion) was accompanied by upturn in average price by 10.9% (positive impact on revenues of RUB 35 billion).

Domestic Sales of Petroleum Products

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold in Russia in the first quarter of 2014 and fourth quarter of 2013:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2014			December 31, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	89	2.7	32.1	96	2.8	33.2	(7.3)%	(3.6)%	(3.3)%
Low octane gasoline	1	0.0	28.1	1	0.1	28.4	0.0%	(100.0)%	(1.1)%
Diesel	69	2.3	30.0	88	2.9	29.9	(21.6)%	(20.7)%	0.3%
Fuel oil	5	0.6	9.3	7	0.7	10.1	(28.6)%	(14.3)%	(7.9)%
Jet fuel	19	0.7	28.1	23	0.9	27.3	(17.4)%	(22.2)%	2.9%
Other	14	1.4	10.0	15	1.4	10.5	(6.7)%	0.0%	(4.8)%
Total	197	7.7	25.4	230	8.8	25.9	(14.3)%	(12.5)%	(1.9)%

Revenues from sales of petroleum products on the domestic market were RUB 197 billion in the first quarter of 2014, which is 14.3% lower compared to the fourth quarter of 2013. The decrease in petroleum products sales resulted from seasonal factor.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold in Russia in the first quarter of 2014 and first quarter of 2013:

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2014			March 31, 2013			RUB billion	million of tonnes	Average price th.RUB/tonne
	RUB billion	million of tonnes	Average price th.RUB/tonne	RUB billion	million of tonnes	Average price th.RUB/tonne			
High octane gasoline	89	2.7	32.1	51	1.6	31.0	74.5%	68.8%	3.5%
Low octane gasoline	1	0.0	28.1	1	0.0	23.3	0.0%	0.0%	20.6%
Diesel	69	2.3	30.0	51	1.8	28.6	35.3%	27.8%	4.9%
Fuel oil	5	0.6	9.3	5	0.5	9.7	0.0%	20.0%	(4.1)%
Jet fuel	19	0.7	28.1	8	0.3	26.7	>100.0%	>100.0%	5.2%
Other	14	1.4	10.0	7	0.7	10.0	>100.0%	100.0%	0.0%
Total	197	7.7	25.4	123	4.9	24.9	60.2%	57.1%	2.0%

Revenues from sales of petroleum products on the domestic market in the first quarter of 2014 were 60.2% or RUB 74 billion higher than in the first quarter of 2013. The increase was due to sales volumes growth of 57.1% (favorable impact on revenues of RUB 70 billion) and 2.0% upturn in average prices (positive impact on revenues of RUB 4 billion).

The Company extended its customer base of jet fuelling (high premium margin sales) due to effect of TNK-BP acquisition. This resulted in growth of the jet fuel sales more than twice in comparison with comparable period of 2013.

Sales of bunker fuel

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

Revenues from sales of bunker fuel in the first quarter of 2014 were RUB 15 billion. A decrease of 6.3% in comparison with the fourth quarter of 2013 was due to seasonal factor.

Revenues from sales of bunker fuel in the first quarter of 2014 increased by 50.0% or RUB 5 billion in comparison with the first quarter of 2013.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the first quarter of 2014 were RUB 29 billion, or 7.4 % increase, compared to the fourth quarter of 2013, which was due to the sales volume growth by 12.5% (positive impact on revenue of RUB 2 billion) and average price upturn of 8.8%. The sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) slightly decreased in the first quarter 2014 in comparison to the fourth quarter 2013 and equaled to 0.5 mln tonnes.

In the first quarter of 2014, revenues from sales of petrochemical products increased by 16.0% compared to the first quarter of 2013, due to the sales volume growth of 12.5% (positive impact on revenues of RUB 3 billion). In the first quarter of 2013 sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) amounted to 0.57 mln tonnes.

Gas Sales

Rosneft's gas sales have been limited to date, but the Company's long term strategy envisages significant expansion of its gas business. Gazprom controls the Unified Gas Supply System (UGSS) and is the dominant gas supplier in Russia and the only exporter of gas.

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>		<i>Change</i>
	<i>March 31, 2014</i>	<i>December 31, 2013</i>		<i>March 31, 2014</i>	<i>March 31, 2013</i>	
Revenue	(RUB billion)		%	(RUB billion)		%
Western Siberia	25.8	27.6	(6.5)%	25.8	4.5	>100.0%
South Russia	2.7	2.9	(6.9)%	2.7	2.3	17.4%
Far East	0.5	0.4	25.0%	0.5	0.4	25.0%
European part of Russia	11.7	9.3	25.8%	11.7	1.2	>100.0%
Outside Russian Federation	0.6	0.4	50.0%	0.6	0.0	–
Total	41.3	40.6	1.7%	41.3	8.4	>100.0%
Sales volumes	(bcm)		%	(bcm)		%
Western Siberia	9.71	10.31	(5.8)%	9.71	2.47	>100.0%
South Russia	0.82	0.86	(4.7)%	0.82	0.83	(1.2)%
Far East	0.18	0.16	12.5%	0.18	0.18	0.0%
European part of Russia	3.55	3.08	15.3%	3.55	0.64	>100.0%
Outside Russian Federation	0.18	0.14	28.6%	0.18	0.00	–
Total	14.44	14.55	(0.8)%	14.44	4.12	>100.0%
Average price	(th. RUB/th. cubic metres)		%	(th. RUB/th. cubic metres)		%
Western Siberia	2.66	2.63	1.1%	2.66	1.81	47.0%
South Russia	3.35	3.33	0.6%	3.35	2.83	18.4%
Far East	2.55	2.35	8.5%	2.55	2.21	15.4%
European part of Russia	3.29	3.01	9.3%	3.29	2.22	48.2%
Outside Russian Federation	3.36	2.60	29.2%	3.36	0.00	–
Total	2.86	2.79	2.5%	2.86	2.09	36.8%

*average price is calculated from unrounded figures

In the first quarter of 2014 revenues from gas sales slightly increased in comparison with fourth quarter 2013 and amounted to RUB 41.3 billion. This was due to higher sales price of 2.5%, partially offset by decrease in sales volume. Price fluctuation in the first quarter of 2014 in comparison with the fourth quarter of 2013 was also due to changes in sales structure, lower sales volumes to Western Siberia and increase in sales volumes in the European part of Russia. Increased share of commercial supply in the total sales volumes positively impacted on average gas sales price.

Gas sales growth of RUB 33 billion in the first quarter of 2014 in comparison with the first quarter of 2013 was driven by the acquisition of TNK and NGK "Itera" LLC assets.

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 income and comprehensive income.

The following table sets forth Rosneft's other revenues 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, 2014</i>	<i>December 31, 2013</i>		<i>March 31, 2014</i>	<i>March 31, 2013</i>					
	<i>% of total revenue</i>	<i>% of total revenue</i>		<i>% of total revenue</i>	<i>% of total revenue</i>					
	(RUB billion, except %)									
Drilling services	0.9	5.7%	0.9	4.9%	0.0%	0.9	5.7%	0.5	5.0%	80.0%
Sales of materials	4.6	29.3%	3.8	20.9%	21.1%	4.6	29.3%	3	30.0%	53.3%
Repairs and maintenance services	0.5	3.2%	1.4	7.7%	(64.3)%	0.5	3.2%	0.2	2.0%	>100.0%
Rent services	1.0	6.4%	1.0	5.5%	0.0%	1	6.4%	0.6	6.0%	66.7%
Construction services	0.1	0.6%	0.4	2.2%	(75.0)%	0.1	0.6%	0.1	1.0%	0.0%
Transport services	2.5	15.9%	2.5	13.7%	0.0%	2.5	15.9%	1.2	12.0%	>100.0%
Sales of electric and heat power	2.6	16.6%	2.5	13.7%	4.0%	2.6	16.6%	0.9	9.0%	>100.0%
Other revenues	3.5	22.3%	5.7	31.4%	(38.6)%	3.5	22.3%	3.5	35.0%	0.0%
Total	15.7	100.0%	18.2	100.0%	(13.7)%	15.7	100.0%	10.0	100.0%	57.0%

Support services and other revenues were 13.7% lower in the first quarter of 2014 compared to the fourth quarter of 2013 and amounted to RUB 15.7 billion. Support services and other revenues were 57.0% higher than the first quarter of 2013.

Downstream production and operating cost

Downstream operating expenses decreased by 26.5% in the first quarter of 2014 compared with the first quarter of 2013 and amounted to RUB 36 billion mainly due to accumulation of intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories).

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

	<i>For 3 months ended</i>		<i>Change, %</i>	<i>For 3 months ended</i>		<i>Change, %</i>
	<i>March 31, 2014</i>	<i>December 31, 2013</i>		<i>March 31, 2014</i>	<i>March 31, 2013</i>	
Operating expenses at refineries in Russia (RUB billion)	14.96	18.10	(17.3)%	14.96	9.76	53.3%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	784	968	(19.0)%	784	783	0.1%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	758	932	(18.7)%	758	753	0.7%
Operating expenses at refineries outside Russia (RUB billion)*	4.00	4.08	(2.0)%	4.00	3.19	25.4%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,527	1,463	4.4%	1,527	1,225	24.7%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,509	1,468	2.8%	1,509	1,229	22.8%
Total operating expenses at Rosneft's refineries (RUB billion)	18.96	22.18	(14.5)%	18.96	12.95	46.4%

*refineries outside Russia also procured for processing additives and materials: in the first quarter of 2014 – RUB 8.32 billion, in the fourth quarter of 2013 – in the amount of RUB 7.30 billion, in the first quarter of 2013 – RUB 8.91 billion.

Operating expenses of Rosneft's refineries were RUB 18.96 billion in the first quarter of 2014, which is a decrease of 14.5% compared with the fourth quarter of 2013. In comparison with the first quarter of 2013 operating expenses of Rosneft's refineries increased by 46.4 % due to incorporation of expenses of new assets from the acquisition date.

Operating expenses of Rosneft's refineries in Russia were RUR 14.96 billion in the first quarter of 2014, a decrease of 17.3 % compared with the fourth quarter of 2013. The decrease resulted mainly from decreased maintenance and repairs expenses due to the fact that significant volumes of planned maintenance and repairs were performed in the fourth quarter of 2013.

Operating expenses per tonne of crude oil throughput of Rosneft's refineries outside Russia were 1,509 RUB per tonne which is an increase of 2.8 % compared with the fourth quarter of 2013. The growth of operating expenses per tonne of crude oil throughput was mainly due to RUB/EUR exchange rate increase that negatively impact the operating expenses denominated in EUR currency at Rosneft's units outside Russia, and was partially compensated by decrease in volumes of crude oil throughput.

Cost of Purchased Oil, Gas and Petroleum Products and Refining Costs¹

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	<i>change</i> %	March 31, 2014	March 31, 2013	<i>change</i> %
Crude oil procurement						
Cost of crude oil procured (RUB billion)	100	96	4.2%	100	64	56.3%
<i>including Domestic market</i>	35	32	9.4%	35	14	>100%
<i>International market</i>	65	64	1.6%	65	50	30.0%
Volume of crude oil procured (million of barrels)	38.5	39.8	(3.3)%	38.5	24.0	60.4%
<i>including Domestic market</i>	21.4	21.9	(2.3)%	21.4	9.6	>100%
<i>International market</i>	16.9	17.9	(5.6)%	16.9	14.4	17.4%
Inventory revaluation write-off (RUB billion)	-	-	-	-	14.0	100%
Gas procurement ²						
Cost of gas procured (RUB billion)	9.3	12.3	(24.4)%	9.3	1.4	>100%
Volume of gas procured (bcm)	4.70	7.57	(37.9)%	4.70	0.84	>100%
Petroleum products procurement						
Cost of petroleum product procured (RUB billion) [*]	10	7	42.9%	10	9	11.1%
Volume of petroleum product procured (million of tonnes)	0.37	0.32	15.6%	0.37	0.34	8.8%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil under processing agreements (RUB billion)	5.1	5.1	0%	5.1	0.6	>100%
Volumes of crude oil refined under processing agreements (million of tonnes)	0.7	0.6	16.7%	0.7	0.3	>100%
Volumes of refining of gas under processing agreements (bcm)	1.2	0.7	71.4%	1.2	0.2	>100%
Volumes of refining of petroleum products under processing agreements (million of tonnes)	2.1	2.3	(8.7)%	2.1	-	100%
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	124	120	3.3%	124	89	39.3%

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

¹Cost of purchases under IFRS consolidated financial statements

²See also the disclosure of gas procurement in section "Upstream. Financial indicators. Gas procurement".

Crude oil procurement

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

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

	For 3 months ended			For 3 months ended		
	March 31, 2014	December 31, 2013	change (%)	March 31, 2014	March 31, 2013	change (%)
	million bbl			million bbl		
International market	16.9	17.9	(5.6)%	16.9	14.4	17.4%
Udmurtneft	5.3	5.2	1.9%	5.3	3.9	35.9%
Slavneft	12.6	15.1	(16.6)%	12.6	2.0	>100%
Others	3.7	1.6	>100%	3.7	3.7	0%
Total	38.5	39.8	(3.3)%	38.5	24.0	60.4%

Rosneft performed oil swap operations till August 2013 in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations were shown on a net basis in the “Pipeline tariffs and Transportation costs” line of the consolidated statement of comprehensive income in previous periods.

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 are purchased primarily for sale in Germany.

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

	For 3 months ended						% change		
	March 31, 2014			December 31, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
<i>Petroleum products procurement in Russia</i>									
High octane gasoline	1	0.04	31.3	1	0.05	29.9	0%	(20)%	5%
Diesel	3	0.10	28.3	1	0.05	26.8	>100%	100%	6%
Fuel oil	1	0.07	13.0	0	0.02	11.9	100%	>100%	9%
Jet fuel	1	0.02	27.3	1	0.03	25.7	0%	(33.3)%	6%
Other	0	0.01	29.6	0	0.00	0.0	0%	100%	100%
<i>Petroleum products procured outside Russia</i>	4	0.13	31.8	4	0.17	29.7	0%	(23.5)%	7.0%
Total	10	0.37	27.0	7	0.32	23.3	42.9%	15.6%	15.9%

The volume of petroleum product procured in the first quarter of 2014 increased to 0.37 million of tonnes. The increase resulted from insufficient fulfillment of seasonal increased consumption of petroleum products from Company resources caused by some turnarounds.

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 2014 and 2013:

	For 3 months ended						% change		
	March 31, 2014			March 31, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
<i>Petroleum products procurement in Russia</i>									
High octane gasoline	1	0.04	31.3	3	0.11	25.4	(66.7)%	(63.6)%	23.2%
Diesel	3	0.10	28.3	1	0.05	27.2	>100%	100%	4.0%
Fuel oil	1	0.07	13.0	-	-	-	100%	100%	100%
Jet fuel	1	0.02	27.3	0	0.01	24.1	100%	100%	13.3%
Other	0	0.01	29.6	1	0.03	19.5	(100)%	(66.7)%	51.8%
<i>Petroleum products procured outside Russia</i>	4	0.13	31.8	4	0.14	28.0	0%	(7.1)%	13.6%
Total	10	0.37	27.0	9	0.34	26.2	11.1%	8.8%	3.0%

The increase in volumes of petroleum product purchased in the first quarter of 2014 compared to the first quarter of 2013 was mainly due to insufficient fulfillment of seasonal increased consumption of petroleum products from Company resources caused by turnarounds.

Petroleum products procurement outside Russia

Petroleum products procured outside Russia amounted to RUB 4 billion (0.13 million tonnes) and RUB 4 billion (0.17 million tonnes) in the first quarter of 2014 and the fourth quarter of 2013, respectively. Additional petroleum products procurement mostly depends on demand fluctuations on the international market. Petroleum products purchased outside Russia in the first quarter of 2013 was RUB 4 billion (0.14 mln tonnes).

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

Gas purchases amounted to RUB 9.3 billion in the first quarter of 2014, a decrease of 24.4 % compared with the fourth quarter of 2013 due to sufficient fulfillment of the consumption by Company's resources. Gas procurement in the first quarter of 2013 was RUB 1.4 billion.

In the structure of the external processing volumes in the first quarter of 2014 increased the amount of oil and gas processing, while the volume of processing of petroleum products reduced due to scheduled turnaround at Yanos refinery in the first quarter of 2014.

The crude oil processing services are rendered mostly by Yanos and Mozyr refineries. Gas processing is performed at LLC Yugragazpererabotka under processing agreement. Petroleum products processing services are rendered by Yanos refinery.

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 any additional railroad transportation costs, handling costs, port fees, sea freight and other costs).

In the first quarter of 2014 Rosneft's transportation costs increased by 5.4 % and amounted to RUB 117 billion compared to the fourth quarter of 2013. The growth mainly resulted from a change in structure and volumes of petroleum products exported and reduction of petroleum products dispatched under FCA terms where the Company doesn't bear any transportation expenses.

In the first quarter of 2014 Rosneft's transportation costs increased by 67.1 % compared to the first quarter of 2013. The growth in transportation costs was due to incorporation of expenses of new assets, transportation volumes growth and tariffs indexation, partially offset by the change in structure of transportation routes.

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

	<i>For 3 months ended</i>								<i>% change</i>		
	March 31, 2014				December 31, 2013				Volume	Cost	Cost per tonne
Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t				
CRUDE OIL											
International sales											
Pipeline	23.9	93.7%	38.3	1.60	25.3	92.7%	41.7	1.65	(5.5)%	(8.2)%	(3.0)%
Railroad and mixed	1.6	6.3%	4.1	2.55	2.0	7.3%	4.5	2.37	(20.0)%	(8.9)%	7.6%
Transportation to refineries											
Pipeline ¹	23.2		19.0	0.82	22.6		17.2	0.76	2.7%	10.5%	7.9%
Railroad and mixed	1.6		6.9	4.28	1.6		6.9	4.24	0.0%	0.0%	0.9%
PETROLEUM PRODUCTS											
International sales											
Pipeline	1.0	6.4%	2.2	2.18	1.0	6.8%	2.0	1.98	0.0%	10.0%	10.1%
Railroad and mixed	13.0	83.3%	30.6	2.35	11.8	79.7%	23.3	1.97	10.2%	31.3%	19.3%
Pipeline and FCA ²	1.6	10.3%			2.0	13.5%			(20.0)%		
Other transportation expenses³			16				15			6.7%	
Total	65.9		117		66.3		111		(0.6)%	5.4%	

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

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

³ Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling stations.

Crude oil pipeline transportation cost per tonne of international sales decreased by 3.0% in the first quarter of 2014 compared to the fourth quarter of 2013 due to reduction in share of expensive routes.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 7.6 % due to change in mix of transportation routes.

Crude oil pipeline transportation cost per tonne of supplies to refineries increased by 7.9% in the first quarter of 2014 compared to the fourth quarter of 2013 due to change in logistic scheme of crude oil dispatches to refineries

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries in the first quarter of 2014 increased insignificantly compared to the fourth quarter of 2013.

The increase in pipeline cost per tonne of petroleum product international sales was 10.1% in the first quarter of 2014 compared to the previous quarter mainly due to change in transportation structure.

Railroad and mixed transportation cost per tonne of petroleum product international sales increased by 19.3% in the first quarter of 2014 compared to the fourth quarter of 2013 due to seasonal reduction of low cost river routes and increase in more expensive railroad routes.

The table below sets forth comparison on quarter-to-quarter basis for costs per tonne of crude oil and petroleum products transported by pipeline, railway and a combination of pipeline and railway:

	<i>For 3 months ended</i>								<i>% change</i>		
	March 31, 2014				March 31, 2013				Volume	Cost	Cost per tonne
	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t			
CRUDE OIL											
International sales											
Pipeline	23.9	93.7%	38.3	1.60	17.6	97.2%	29.8	1.70	35.8%	28.5%	(5.9)%
Railroad and mixed	1.6	6.3%	4.1	2.55	0.5	2.8%	0.5	1.07	>100%	>100%	>100%
Transportation to refineries											
Pipeline ¹	23.2		19.0	0.82	11.4		7.6	0.67	>100%	>100%	22.4%
Railroad and mixed	1.6		6.9	4.28	1.3		4.8	3.75	23.1%	43.8%	14.1%
PETROLEUM PRODUCTS											
International sales											
Pipeline	1.0	6.4%	2.2	2.18	0.7	7.0%	1.8	2.43	42.9%	22.2%	(10.3)%
Railroad and mixed	13.0	83.3%	30.6	2.35	7.0	70.0%	12.5	1.78	85.7%	>100%	32.0%
Pipeline and FCA ²	1.6	10.3%			2.3	23.0%			(30.4)%		
Other transportation expenses ³			16				13			23.1%	
Total	65.9		117		40.8		70		61.5%	67.1%	

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

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

³ Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling stations. Other transportation expenses also include Rosneft expenses on crude oil swap deals excluding economy in price.

In the first quarter of 2014 the decrease in crude oil pipeline transportation cost per tonne of international sales was 5.9% due increase in share of short routes.

In the first quarter of 2014 crude oil railroad and mixed transportation cost per tonne of international sales increased significantly which was due to sales volumes growth and change in structure of railroad transportation routes.

In the first quarter of 2014 crude oil pipeline transportation cost per tonne of supplies to refineries increased by 22.4% as a result of tariffs growth and change in structure of transportation routes.

In the first quarter of 2014 the increase in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 14.1%, due to change in transportation mix.

In the first quarter of 2014 the decrease in pipeline cost per tonne of petroleum product international sales was 10.3% as a result of change in logistics.

The increase in the first quarter of 2014 in railroad and mixed cost per tonne of petroleum product international sales was 32.0 % due to volumes growth and change in structure of transformation routes.

Excise tax

In the first quarter of 2014 excise tax was RUB 35 billion in comparison with RUB 38 billion in the fourth quarter of 2013. The decrease was due to lower volume sales of petroleum products sales subject to excise tax.

Excises amount in the first quarter of 2013 was RUB 24 billion.

Export Customs Duty

Export customs duties include crude oil and petroleum product export customs duties. The export customs duties are also discussed above under "Macroeconomic Factors Affecting Results of Operations—Taxation—Mineral Extraction Tax and Export Customs Duty".

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

	<i>For 3 months ended</i>			<i>change</i>	<i>For 3 months ended</i>		
	<i>March 31,</i>	<i>December 31,</i>	<i>change</i>		<i>March 31,</i>	<i>March 31,</i>	<i>change</i>
	<i>2014</i>	<i>2013</i>			<i>2014</i>	<i>2014</i>	
	RUB billion		%	RUB billion		%	
Export customs duty for crude oil	302	300	0.7%	302	186	62.4%	
Export customs duty for petroleum products	113	101	11.9%	113	57	98.2%	
Total export customs duties	415	401	3.5%	415	243	70.8%	

Export custom duty growth of 3.5 % in the first quarter of 2014 was due to increase in customs duty rates, and was partially compensated by decreased export volume. In the first quarter 2014 export custom duty growth was 70.8 % compared to the first quarter 2013.

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

	<i>For 3 months ended</i>			<i>change</i>	<i>For 3 months ended</i>		
	<i>March 31,</i>	<i>December 31,</i>	<i>change</i>		<i>March 31,</i>	<i>March 31,</i>	<i>change</i>
	<i>2014</i>	<i>2013</i>			<i>2014</i>	<i>2013</i>	
	RUB billion		%	RUB billion		%	
Average Urals price	27.42	25.78	6.4%	27.42	24.68	11.1%	
Average enacted export customs duty	13.66	12.99	5.2%	13.66	12.36	10.5%	
Hypothetical export customs duty*	13.30	12.81	3.8%	13.30	12.36	7.6%	
Average customs duty on crude oil exports to non-CIS countries subject to regular rate (th. RUB/tonne)	13.69	13.01	5.2%	13.69	12.38	10.6%	

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

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

Operating results of segment “Corporate and others”

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	<i>change</i>	March 31, 2014	March 31, 2013	<i>change</i>
	RUB billion		%	RUB billion		%
Financial results, RUB billion						
EBITDA	(9)	(13)	(30.8)%	(9)	(10)	(10.0)%
Operating cost	7	8	(12.5)%	7	8	(12.5)%
Capital expenditures ¹	4	11	(63.6)%	4	3	33.3%

¹ Refer to “Capital expenditures”

Financial indicators

Operating cost of the segment “Corporate and others”

Production and operating expenses related to the segment «Corporate» decreased by 12.5% in the first quarter of 2014 compared to the fourth quarter of 2013 due to lower repairs and maintenance services, construction and other services provided to the third parties.

Selected indicators of the consolidated financial statement

Costs and Expenses

General and Administrative Expenses

General and administrative expenses include wages and 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.

The company strengthened control over administrative expenses. General and administrative expenses in the first quarter of 2014 were RUB 27 billion and in the fourth quarter of 2013 were RUB 32 billion. Decline was due to lower spending on consulting and audit services in the first quarter of 2014 compared with the fourth quarter of 2013.

In the first quarter of 2013 general and administrative expenses were RUB 17 billion, that lower by 59.0% than in the first quarter of 2014 due to incorporation of expenses of the acquired assets in 2013 from the date of acquisition.

Depreciation, Depletion and Amortisation

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

Depreciation, depletion and amortisation were RUB 105 billion in the first quarter of 2014 compared to RUB 123 billion in the fourth quarter of 2013. The decrease of RUB 18 billion was due to increased estimation of reserves under issued D&M report in 2013 and decrease in production volumes.

In the first quarter of 2014 depreciation, depletion and amortisation increased 1.9 times compared with RUB 56 billion in the first quarter of 2013 due to the incorporation of depreciation, depletion and amortisation of new acquired assets from the acquisition date.

Taxes Other than Income Tax

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>			<i>change</i>
	<i>March 31, 2014</i>	<i>December 31, 2013</i>	<i>change</i>	<i>March 31, 2014</i>	<i>March 31, 2013</i>	<i>change</i>	
	<i>RUB billion</i>	<i>RUB billion</i>		<i>RUB billion</i>	<i>%</i>		
Mineral extraction tax	246	233	5.6%	246	152	61.8%	
Excise tax	35	38	(7.9)%	35	24	45.8%	
Social security tax	11	7	57.1%	11	6	83.3%	
Property tax	7	6	16.7%	7	4	75.0%	
Interest, penalties and other payments to budget	2	2	-	2	2	-	
Total taxes other than income tax	301	286	5.2%	301	188	60.1%	

Taxes other than income tax were RUB 301 billion and increased by 5.2% in the first quarter of 2014, compared with RUB 286 billion in the fourth quarter of 2013 and RUB 188 billion in the first quarter of 2013. The increase was mostly due to indexation of the base rate of mineral extraction tax in the first quarter of 2014 (refer to page 19 “Mineral extraction tax”).

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 the unwinding of discount, results from disposal of financial assets and other finance income and expenses.

In the first quarter of 2014 net finance expenses amounted to RUB 35 billion. Net finance expenses increased by RUB 26 billion in the first quarter of 2014 compared to the fourth quarter of 2013. The increase is mainly attributable to changes in fair value of cross-currency rate swap and forward contracts.

In the first quarter of 2014 net loss from operations with derivative financial instruments in the amount of RUB 19 billion includes an unrealized loss from changes in fair value measurements in the amount of RUB 20 billion compensated by a realized gain in the form of net payments in the amount of RUB 1 billion. The loss from changes in fair value estimation is due to RUB depreciation against USD.

Net finance expenses increased by RUB 31 billion in the first quarter of 2014 compared to the first quarter of 2013. The increase is mainly attributable to changes in fair value of cross-currency rate swap and forward contracts.

Other income and other expenses

In the first quarter of 2014 other income amounted to RUB 58 billion compared to RUB 35 billion in the fourth quarter of 2013. Other income mainly includes income from the sale of a 49% stake of LLC Yugragazpererabotka. In the first quarter of 2013 other income amounted to RUB 205 billion including final fair value estimation of new acquired assets and fair value estimation of Verkhnechonskneftegaz.

In the first quarter of 2014 other expenses did not change and amounted to RUB 13 billion compared to the fourth quarter of 2013. Other expenses mainly include expenses on liquidation of fixed assets in the course of operating activities and other expenses. In the first quarter of 2013 other expenses amounted to RUB 15 billion.

Foreign Exchange Gain / (Loss)

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

Foreign exchange loss was RUB 84 billion in the first quarter of 2014 compared with foreign exchange loss of RUB 14 billion in the fourth quarter of 2013. This change was attributed to revaluation of obligations denominated in foreign currency as a result of the significant weakening of the RUB against the US\$ in the first quarter of 2014.

Foreign exchange loss in the first quarter of 2013 was RUB 11 billion. The increase in foreign exchange loss was attributed to the revaluation of obligations denominated in foreign currency due RUB depreciation against USD in 2013 and in the beginning of 2014.

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, 2014	December 31, 2013	March 31, 2013
Effective income tax rate for Rosneft under IFRS	20.0%	20.5%	23.2%*

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

The Company applies the provisions of IAS 12 "Income taxes" to determine effective tax rate. The effective tax rate is calculated as the ratio of income tax expense to income before tax. The effective tax rate in the first quarter of 2014 was 20.0 %.

The income tax expense amounted to RUB 22 billion in the first quarter of 2014 compared to 15 RUB billion in the fourth quarter of 2013. In the fourth quarter of 2013 the income tax expense includes the adjustment of deferred tax estimation - income of RUB 17 billion for 2013.

Income tax expense in accordance with Income statement amounted to RUB 13 billion in the first quarter of 2013.

Net Income

As a result of the factors discussed above, net income amounted to RUB 88 billion compared to the net income of RUB 134 billion in the fourth quarter of 2013. Net income was impacted by the foreign exchange loss from currency liabilities and increased finance expenses.

Net income amounted to RUB 248 billion in the first quarter of 2013 including the effect of final estimation of fair value of new acquired assets. Excluding this one off effect net income amounted to RUB 102 billion.

Liquidity and Capital Resources

Cash Flows

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

	<i>For 3 months ended</i>		<i>change</i>	<i>For 3 months ended</i>		<i>change</i>
	March 31, 2014	December 31, 2013		March 31, 2014	March 31, 2013	
	(RUB billion)		times	(RUB billion)		times
Net cash provided by operating activities	658	377	1.75	658	362	1.82
Net cash used in investing activities	(345)	(362)	0.95	(345)	(1 311)	0.26
Net cash from/(used in) financing activities	(404)	11	-	(404)	962	-

Operating Cash Flow

Net cash provided by operating activities amounted to RUB 658 billion in the first quarter of 2014 compared to RUB 377 billion in the fourth quarter of 2013. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net inflow of RUB 2 billion in the first quarter of 2014 and net outflow of RUB 17 billion in the fourth quarter of 2013).

The adjusted for the above operations net cash provided by operating activity amounted to RUB 656 billion in the first quarter of 2014 (adjusted for operations with trading securities in the amount of RUB 2 billion), RUB 394 billion in the fourth quarter of 2013 (adjusted for operations with trading securities in the amount of RUB 17 billion) and RUB 360 billion in the first quarter of 2013 (adjusted for operations with trading securities in the amount of RUB 2 billion).

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

	<i>For 3 months ended</i>		<i>change</i>	<i>For 3 months ended</i>		<i>change</i>
	March 31, 2014	December 31, 2013		March 31, 2014	March 31, 2013	
	(RUB billion)		times	(RUB billion)		times
Net cash provided by operating activity	658	377	1,75	658	362	1,82
Effect from operation with trading securities	(2)	17	-	(2)	(2)	1,00
Adjusted net cash provided by operating activity	656	394	1,66	656	360	1,82
One off effect from receipts under long term oil contracts	431	163	2,64	431	232	1,86
Adjusted net cash provided by operating activity before change in working capital	225	231	0,97	225	128	1,76

The decrease in the operating cash flow quarter-on-quarter primarily resulted from the significant change in working capital due to the following factors:

- increase in accounts receivable and purchase of inventory; which was compensated by:
- receipt of prepayments under long-term oil supply contracts and decrease in custom duty prepayments.

Investing Activities

Net cash used in investing activities was RUB 345 billion in the first quarter of 2014, compared to RUB 362 billion in the fourth quarter of 2013. The decrease in cash used in investing activities was due to decrease in amount of acquisition of new financial assets and interests in associate companies and significant decrease in capital expenditures in the first quarter of 2014 compared to the fourth quarter of 2013 which was compensated by acquisitions of short-term financial assets.

Net cash used in investing activities was RUB 1,311 billion in the first quarter of 2013 including cash used for TNK acquisition of RUB 1,195 billion.

Capital Expenditures

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

	<i>For 3 months ended</i>		<i>change</i>	<i>For 3 months ended</i>		<i>change</i>
	March 31, 2014	December 31, 2013		March 31, 2014	March 31, 2013	
LLC "RN-Yuganskneftegaz"	23	22	4.5%	23	22	4.5%
JSC "Vankorneft"	8	11	(27.3)%	8	17	(52.9)%
LLC "RN- Uvatneftegaz"	7	—*	—	7	—	—
JSC "Orenburgneft"	5	10	(50.0)%	5	—	—
JSC "Samotlorneftegaz"	3	4	(25.0)%	3	—	—
LLC "RN-Purneftegaz"	2	5	(60.0)%	2	5	(60.0)%
JSC "Samaraneftegaz"	3	2	50.0%	3	3	—
JSC "Verkhnechonskneftegaz"	3	6	(50.0)%	3	1	200.0%
JSC "Tomskneft" VNK	2	2	—	2	2	—
JSC "Rospan International"	4	3	33.3%	4	—	—
LLC "RN-Severnaya Neft"	1	2	(50.0)%	1	1	—
JSC "RN- Nyaganeftegaz"	1	3	(66.7)%	1	—	—
LLC "JV "Vanyoganefft"	1	1	—	1	—	—
Other	12	18	(33.3)%	12	8	50.0%
Total upstream segment	75	89*	(15.7)%	75	59	27.1%
JSC "NK "Rosneft"	—	1	(100.0)%	—	—	—
Tuapse refinery	5	32	(84.4)%	5	9	(44.4)%
Novokuibyshevsk refinery	3	8	(62.5)%	3	4	(25.0)%
Kuibyshev refinery	3	6	(50.0)%	3	2	50.0%
Angarsk refinery	2	3	(33.3)%	2	3	(33.3)%
Achinsk refinery	2	7	(71.4)%	2	3	(33.3)%
Syzran refinery	3	4	(25.0)%	3	4	(25.0)%
Ryazan refinery	1	3	(66.7)%	1	—	—
Saratov refinery	—	2	(100.0)%	—	—	—
Komsomolsk refinery	2	3	(33.3)%	2	2	—
Other refineries	3	7	(57.1)%	3	5	(40.0)%
Marketing Business Units and others	1	6	(83.3)%	1	1	—
Total downstream segment	25	82	(69.5)%	25	33	(24.2)%
Other activities	4	11	(63.6)%	4	3	33.3%
Total capital expenditures	104	182*	(42.9)%	104	95	9.5%
License acquisition costs	2	4	(50.0)%	2	5	(60.0)%

* Including government grants in the amount of RUB 7 billion received in 2013, which reduced capital expenditures.

In the first quarter of 2013 total capital expenditures (including construction material purchases), decreased by 42.9% to RUB 104 billion compared with RUB 182 billion in the fourth quarter of 2013. Decrease in capital expenditure in the first quarter of 2014 is due to seasonal factor.

In the first quarter of 2014 upstream capital expenditures (including construction material purchases), decreased by 15.7 % to RUB 75 billion compared with RUB 89 billion in the fourth quarter of 2013. In the first quarter of 2014 construction works mainly include development of oil field infrastructure and construction of associated gas utilization facilities. The decrease in capital expenditures was mainly due to seasonal factors and calendar cycle of placing contracts and work execution. In the first quarter of 2013 upstream capital expenditures amounted to RUB 59 billion.

Downstream capital expenditures decreased by 69.5 % to RUB 25 billion in the first quarter of 2014, compared with RUB 82 billion in the fourth quarter of 2013.

Capital expenditures of refineries reduced by 68.0 % and were RUB 24 billion in the first quarter of 2014 compared with RUB 75 billion in the fourth quarter of 2013 due to seasonal factors. Construction works mainly relate to continued programme for capacity upgrade and expansion at Rosneft's refineries in order to completely switch to production of the Euro-5 motor fuels.

Downstream capital expenditures were RUB 33 billion in the first quarter of 2013, including capital expenditures of refineries in the amount of RUB 32 billion.

Capital expenditures for other activities that were related to planned acquisition of transportation and other equipment, decreased to RUB 4 billion in the fourth quarter of 2014, compared with RUB 11 billion in the fourth quarter of 2013. Capital expenditures for other activities were RUB 3 billion in the first quarter of 2013.

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

	<i>For 3 months ended</i>	
	December 31, 2013	March 31, 2013
Upstream segment	(9)	2
Downstream segment	4	1
Other activities	(1)	–
Total increase/(decrease) in stock of materials for capital expenditure	(6)	3

The license acquisition costs in the first quarter of 2014 in the amount of RUB 2 billion refer to acquisition of licenses for research, exploration and production at blocks located in Nenets Autonomous Area, Krasnoyarsk region and in the Okhotsk Sea.

Financing activities

Net cash used in financing activities was RUB 404 billion in the first quarter of 2014 compared to RUB 11 billion of net cash provided by financing activities in the fourth quarter of 2013. In the first quarter of 2014 Company made repayments of loans drawn down for the acquisition of TNK assets in the amount of RUB 193 billion, including early repayment in the amount of RUB 28 billion. During the first quarter of 2014, Rosneft also paid RUB 149 billion in cash to the former shareholders of RN Holding for the purchase of its shares.

Net cash provided by financing activities in the first quarter of 2013 was RUB 962 billion as a result of raising funds to finance the acquisition of assets of TNK in the amount of USD 31.04 billion.

Debt Obligations

Rosneft net debt mounts decreased to RUB 1,586 billion as of March 31, 2014 compared to RUB 1,860 billion as of December 31, 2013. The decrease is mainly attributable to planned repayments of loans drawn down for the acquisition of TNK-BP assets in the amount of RUB 193 billion.

Rosneft's total loans and borrowings was RUB 2,303 billion as of March 31, 2014 compared to RUB 2,360 billion as of December 31, 2013. The decrease was mainly attributable to planned and early repayment of the loans.

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

As of March 31, 2014, December 31, 2013, and March 31, 2013: 26.4 %, 23.6% and 21.8%, respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of March 31, 2014, December 31, 2013 and March 31, 2013 pledged oil exports constituted 4.3 %, 4.2%, and 8.9 %, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

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

As of the date	March 31, 2014	December 31, 2013	March 31, 2013
	RUB billion		
Short term debt	864	684	468
Other short term liabilities	-	7	12
Long term debt	1,439	1, 676	1 714
Total debt	2,303	2,367	2 194
Cash and cash equivalents	220	275	318
Short-term Financial assets	497	232	83
Net debt	1,586	1,860	1 793*

*Revised due to incorporation of short term liabilities of new assets.

Key Financial Ratios

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

	<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	March 31, 2013
EBITDA margin	21.0%	20.4%	17.5%
Net income margin	6.4%	9.9%	30.5%
Net debt to annualised EBITDA	1.47	1.79	1.81*
Current ratio	1.20	1.05	1.18
EBITDA/bbl	819	756	614
Upstream capital expenditure/bbl	212	245	255
Upstream operating expenses/bbl	157	170	114
Free cash flow before interest/bbl	343	135	143
EBITDA/boe	689	664	555
Upstream capital expenditure/boe	179	215	230
Upstream operating expenses/boe	132	149	103
Free cash flow before interest/boe	288	118	129

* Revised due to incorporation of short term liabilities of new assets.

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:

Calculation of Adjusted Free Cash Flow

	<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	March 31, 2013
Net cash provided by operating activities	658	377	362
Capital expenditures	(104)	(182)	(95)
Trading securities operations	(2)	17	(2)
<i>One-off effect from receipts under long term oil contracts</i>	(431)	(163)	(232)
Adjusted free cash flow	121	49	33

Calculation of adjusted EBITDA Margin

	<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	March 31, 2013
Operating income	184	150	86
Depreciation, depletion and amortisation	105	123	56
EBITDA	289	273	142
<i>One off effect</i>	-	2 ¹	-
Adjusted EBITDA	289	275	142
Sales revenues	1,375	1,350	812
Adjusted EBITDA margin	21.0%	20.4%	17.5%

¹ One off effect from re-estimation of land restoration liabilities.

Calculation of Net Income Margin

	<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	March 31, 2013
Net income	88	134	248
Revenues	1,375	1,350	812
Net income margin	6.4%	9.9%	30.5%

Current ratio

	<i>For 3 months ended</i>		
	March 31, 2014	December 31, 2013	March 31, 2013
Current assets	1,786	1,455	1,144
Current liabilities	1,489	1,387	973
Current ratio	1.20	1.05	1.18