



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
AND DECEMBER 31, 2017**

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, 2018 and 2017 and December 31, 2017 (the "Interim Condensed Consolidated Financial Statements"). Such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean PJSC Rosneft Oil Company and its consolidated subsidiaries, its equity share in associates and joint ventures. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.

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

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

To convert tonnes of liquid hydrocarbon (except gas condensate of JSC "Rosspan International") to barrels a 7.404 ratio is used. To convert Rosspan gas condensate to barrels a 8.3 ratio is used. To convert a thousand of cubic meters of gas to barrels of oil equivalent a 6.09 ratio is used.

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Overview

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

According to oil and marketable gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, proved hydrocarbon reserves reached 40 billion boe per SEC classification and 47 billion boe per PRMS classification as of December 31, 2017 and amounted to 38 billion boe per SEC classification and 46 billion boe per PRMS classification as of December 31, 2016¹.

In the first quarter of 2018 crude oil and NGL production of the Company amounted to 55.5 mln tonnes, the production of natural and associated gas was 16.87 bcm.

In the first quarter of 2018 the Company's total crude oil processing amounted to 27.57 mln tonnes at the refineries in Russia and abroad. The remaining volumes of crude oil are exported to Europe, Asia and the CIS.

¹ Including Bashneft proved hydrocarbon reserves of 2 billion boe per SEC classification and 2 billion boe per PRMS classification as of December 31, 2016, respectively.

Financial and operating highlights

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	1,722	1,709	0.8%	1,722	1,410	22.1%
EBITDA	385	393	(2.0)%	385	333	15.6%
Net income attributable to Rosneft shareholders	81	100	(19.0)%	81	11*	>100%
Capital expenditures	223	292	(23.6)%	223	192	16.1%
Free cash flow**	142	44	>100%	142	101	40.6%
Operational results						
Hydrocarbon production (th. boe per day)	5,708	5,713	(0.1)%	5,708	5,785	(1.3)%
Crude oil and NGL production (th. barrels per day)	4,566	4,551	0.3%	4,566	4,620	(1.2)%
Gas production (th. boe per day)	1,142	1,162	(1.7)%	1,142	1,165	(2.0)%
Production of petroleum products and petrochemical products in Russia (mln tonnes)	23.89	24.36	(1.9)%	23.89	24.59	(2.8)%
Production of petroleum products and petrochemical products outside Russia (mln tonnes)	2.88	3.08	(6.5)%	2.88	2.76	4.3%

*Net income for 1Q 2017 is adjusted due to quarterly allocation of the final purchase price of Bashneft assets in 2017.

** Free cash flow estimation for comparative periods includes interest expenses on the prepayment on long-term oil and petroleum products supply agreements. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 18 billion and interests paid of RUB 2 billion in the first quarter of 2018; offsetting of RUB 18 billion and interests paid of RUB 2 billion - in the fourth quarter of 2017 and offsetting of RUB 18 billion and interests paid of RUB 3 billion - in the first quarter of 2017.

For reference only: Financial highlights in USD terms*

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2017	December 31, 2017		2018	2017	
Financial results, USD billion						
Revenues and equity share in profits of associates and joint ventures	30.9	30.1	2.7%	30.9	24.8	24.6%
EBITDA	6.8	6.7	1.5%	6.8	5.7	19.3%
Net income attributable to Rosneft shareholders	1.5	1.8	(16.7)%	1.5	0.2	>100%
Capital expenditures	3.9	5.0	(22.0)%	3.9	3.3	18.2%
Free cash flow	2.5	0.7	>100%	2.5	1.6	56.3%

*Calculated using average monthly exchange rates of Bank of Russia for the reporting periods (Appendix 2).

Post-balance sheet events

The Rosneft Board of Directors recommended dividends at RUB 6.65 per share, which constitutes 50% of its IFRS Net profit (including payment of dividends based on the first half of 2017)

On 25 April 2018, the Board of Directors preliminary approved the Company's 2017 annual report and recommended that the AGM adopts a resolution to pay dividends of RUB 6.65 per one ordinary share of the Company, which will ensure allocation of 50% of the Company's IFRS net profit for dividends (including payment of dividends based on the first half of 2017). Dividends for 2017 will total 10 rubles 48 kopecks per share, including the payment of dividends for the first half of 2017 in the amount of 3 rubles 83 kopecks per share. In addition to the payment for the first half of 2017 the Company will allocate RUB 70.5 billion for dividends for 2017.

Macroeconomic factors affecting results of operations

Main factors affecting Rosneft's results of operations are:

- Changes in crude oil, gas and petroleum product prices;
- USD/RUB and EUR/RUB exchange rates 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);
- Reduction of crude oil production under the Agreement reached earlier on reduction of world crude oil production by OPEC countries and major oil producing non-OPEC countries;
- Changes in electricity prices.

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

The table below sets forth the average crude oil and petroleum products prices worldwide and in Russia in USD and RUB.

	For 3 months ended		Change	For 3 months ended March 31,		Change
	March 31, 2018	December 31, 2017		2018	2017	
World market	(USD per barrel)		%	(USD per barrel)		%
Brent (dated)	66.8	61.4	8.9%	66.8	53.7	24.3%
Urals (average Med and NWE)	65.2	60.5	7.8%	65.2	52.3	24.8%
Urals (FOB Primorsk)	64.2	59.6	7.8%	64.2	50.5	27.2%
Urals (FOB Novorossysk)	64.1	59.7	7.5%	64.1	51.0	25.8%
Dubai	63.9	59.3	7.8%	63.9	53.3	19.9%
	(USD per tonne)		%	(USD per tonne)		%
Naphtha (av. FOB/CIF Med)	559	543	2.9%	559	472	18.5%
Naphtha (av. FOB Rotterdam/CIF NWE)	572	554	3.2%	572	483	18.3%
Naphtha (CFR Japan)	581	570	2.0%	581	498	16.7%
Fuel oil (av. FOB/CIF Med)	356	337	5.4%	356	294	21.1%
Fuel oil (av. FOB Rotterdam/CIF NWE)	351	333	5.4%	351	287	22.4%
High sulphur fuel oil 180 cst (FOB Singapore)	375	357	4.8%	375	317	18.0%
Gasoil (av. FOB/CIF Med)	585	542	7.8%	585	477	22.6%
Gasoil (av. FOB Rotterdam/CIF NWE)	584	544	7.4%	584	477	22.5%
Gasoil(FOB Singapore)	578	528	9.4%	578	478	20.8%
	(th. RUB per barrel)		%	(th. RUB per barrel)		%
Brent (dated)	3.80	3.58	6.0%	3.80	3.16	20.2%
Urals (average Med and NWE)	3.71	3.53	5.0%	3.71	3.07	20.7%
Urals (FOB Primorsk)	3.65	3.48	5.0%	3.65	2.97	22.9%
Urals (FOB Novorossysk)	3.65	3.49	4.6%	3.65	3.00	21.6%
Dubai	3.64	3.46	5.0%	3.64	3.14	16.0%
	(th. RUB per tonne)		%	(th. RUB per tonne)		%
Naphtha (av. FOB/CIF Med)	31.8	31.7	0.3%	31.8	27.8	14.5%
Naphtha (av. FOB Rotterdam/CIF NWE)	32.5	32.3	0.5%	32.5	28.4	14.3%
Naphtha (CFR Japan)	33.1	33.3	(0.7)%	33.1	29.3	12.8%
Fuel oil (av. FOB/CIF Med)	20.2	19.7	2.6%	20.2	17.3	17.0%
Fuel oil (av. FOB Rotterdam/CIF NWE)	19.9	19.4	2.7%	19.9	16.9	18.3%
High sulphur fuel oil 180 cst (FOB Singapore)	21.3	20.9	2.1%	21.3	18.7	14.1%
Gasoil (av. FOB/CIF Med)	33.3	31.7	5.0%	33.3	28.1	18.5%
Gasoil (av. FOB Rotterdam/CIF NWE)	33.2	31.8	4.6%	33.2	28.1	18.5%
Gasoil(FOB Singapore)	32.9	30.8	6.5%	32.9	28.1	16.8%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)		%	(th. RUB per tonne)		%
Crude oil	17.3	17.3	0.3%	17.3	14.2	22.2%
Fuel oil	10.7	10.9	(2.1)%	10.7	9.5	12.1%
Summer diesel	35.3	34.4	2.4%	35.3	30.2	16.8%
Winter diesel	37.8	38.5	(1.7)%	37.8	32.6	16.1%
Jet fuel	35.2	35.4	(0.6)%	35.2	28.6	22.8%
High octane gasoline	34.6	36.6	(5.4)%	34.6	34.2	1.3%
Low octane gasoline	34.5	33.4	3.1%	34.5	30.3	13.8%

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

The difference between price movements denominated in USD and those denominated in RUB is explained by nominal RUB appreciation against USD by 2.7 % in the first quarter of 2018 compared with the fourth quarter of 2017 and by 3.4% compared with the first quarter of 2017.

The Russian Government regulates the price of the gas sold in Russia by Gazprom and its affiliates, which is considered as the benchmark for domestic gas market.). Starting from July 2017, regulated gas price for all groups of end-users grew up by 3.9%.

USD/RUB and EUR/RUB Exchange Rates and Inflation

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

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

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
Consumer price index (CPI) for the period*	0.8%	0.8%	0.8%	1.0%
Average RUB/USD exchange rate for the period**	56.88	58.41	56.88	58.84
RUB/USD exchange rate at the end of the period	57.26	57.60	57.26	56.38
Average RUB/EUR exchange rate for the period	69.87	68.78	69.87	62.65
RUB/EUR exchange rate at the end of the period	70.56	68.87	70.56	60.60

Source: the Central Bank of the Russian Federation.

*Producer price index amounted to 5.2% y-o-y at the end of March 2018.

**See Average monthly RUB/USD exchange rates in the Appendix 2.

MET, Export Duties and Excise Taxes¹

The table below provides information on actual tax rates of mineral extraction tax and export customs duty of crude oil and petroleum products:

	For 3 months ended			For 3 months ended March 31,		
	March 31, 2018	December 31, 2017	% change*	2018	2017	% change*
Mineral extraction tax						
Crude oil (RUB per tonne)	10,405	9,719	7.1%	10,405	7,961	30.7%
Export customs duty for crude oil						
Crude oil (USD per tonne)	116.9	96.3	21.3%	116.9	86.4	35.2%
Crude oil (RUB per tonne)	6,649	5,629	18.1%	6,649	5,081	30.9%
Crude oil (RUB per barrel)	898	760	18.1%	898	686	30.9%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	1,993	1,687	18.1%	1,993	1,523	30.9%
Naphtha (RUB per tonne)	3,654	3,093	18.1%	3,654	2,793	30.8%
Light and middle distillates (RUB per tonne)	1,993	1,687	18.1%	1,993	1,523	30.9%
Liquid fuels (fuel oil) (RUB per tonne)	6,649	5,629	18.1%	6,649	5,081	30.9%

*Calculated based on unrounded data.

According to Federal law 401-FZ of November 30, 2016 "On amendments to Part Two of the Tax Code and Other Legislative Acts of the Russian Federation" and 355-FZ of November 27, 2017, new amendments were introduced from January 1, 2017 and from January 1, 2018 in respect of excise duties.

¹ See detailed disclosure on Tax legislation in Attachment 1.

The excise tax rates on the petroleum products are as follows:

Excise duties (RUB per tonne)	2017	Since January 1, through June 30, 2018	Since July 1, through December 31, 2018
High octane gasoline			
High octane gasoline non-compliant with euro-5	13,100	13,100	13,100
High octane gasoline euro-5	10,130	11,213	11,892
Naphtha	13,100	13,100	13,100
Diesel	6,800	7,665	8,258
Lubricants	5,400	5,400	5,400
Benzol, paraxylene, ortoxylyene	2,800	2,800	2,800
Middle distillates	7,800	8,662	8,662

In accordance with the new amendments of the Federal law 401-FZ, the producer is able to apply an increased coefficient to excise duty deduction of 1.7 in 2017 depending on certain type of the oil product subject to excise duty.

Effective tax burden of the Company was 47.2% and 42.9% in the first quarter of 2018 and the fourth quarter of 2017, respectively, and 44.7% in the first quarter of 2017.

The mineral extraction tax and the export customs duty accounted for approximately 38.9% and 36.5% of Rosneft's total revenues in the first quarter of 2018 and fourth quarter of 2017, respectively, and approximately 37.2% in the first quarter of 2017.

Tax withdrawing share in the financial results was up to 89.5% in the first quarter of 2018.

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 mainly owned and operated by Russian railways ("RZD"), another natural state-owned monopoly.

Recent changes of Transneft transportation tariffs

Crude oil

Starting from January 1, 2018 Transneft tariffs for oil pipeline transportation increased by 3.95%.

Recent changes in railroad transportation tariffs

In January 2018 railroad transportation tariffs increased by 5.4% to December 2017 level. In 2018 RZD adopted a number of decisions on the application of decreasing coefficients to the current tariffs for the transportation of cargoes of the Company in certain directions.

Consolidated statement of profit or loss for the three months ended March 31, 2018 and 2017 and December 31, 2017

in RUB billions

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2017	December 31, 2017		2018	2017 ¹	
Revenues and equity share in profits of associates and joint ventures						
Oil, gas, petroleum products and petrochemicals sales	1,689	1,665	1.4%	1,689	1,383	22.1%
Support services and other revenues	21	21	–	21	18	16.7%
Equity share in profits of associates and joint ventures	12	23	(47.8)%	12	9	33.3%
Total revenues and equity share in profits of associates and joint ventures	1,722	1,709	0.8%	1,722	1,410	22.1%
Costs and expenses						
Production and operating expenses	158	160	(1.3)%	158	142	11.3%
Cost of purchased oil, gas, petroleum products and refining costs	232	257	(9.7)%	232	168	38.1%
General and administrative expenses	35	57	(38.6)%	35	36	(2.8)%
Pipeline tariffs and transportation costs	160	152	5.3%	160	153	4.6%
Exploration expenses	2	6	(66.7)%	2	2	–
Depreciation, depletion and amortization	152	146	4.1%	152	148	2.7%
Taxes other than income tax	568	550	3.3%	568	460	23.5%
Export customs duty	215	182	18.1%	215	166	29.5%
Total costs and expenses	1,522	1,510	0.8%	1,522	1,275	19.4%
Operating income	200	199	0.5%	200	135	48.1%
Finance income	30	27	11.1%	30	34	(11.8)%
Finance expenses	(60)	(57)	5.3%	(60)	(59)	1.7%
Other income	6	105	(94.3)%	6	1	>100%
Other expenses	(16)	(32)	(50.0)%	(16)	(10)	60.0%
Foreign exchange differences	1	(6)	–	1	(45)	>100%
Cash flow hedges reclassified to profit or loss	(36)	(37)	(2.7)%	(36)	(36)	–
Income before income tax	125	199	(37.2)%	125	20	>100%
Income tax expense	(30)	(54)	(44.4)%	(30)	(3)	>100%
Net income	95	145	(34.5)%	95	17	>100%
Net income attributable to						
- Rosneft shareholders	81	100	(19.0)%	81	11	>100.0%
- non-controlling interests	14	45	(68.9)%	14	6	>100.0%

¹ Net income for 1Q 2017 is adjusted due to quarterly allocation of the final purchase price of Bashneft assets in 2017.

Business Segments and Intersegment sales

Most of all 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 Norway, United Arab Emirates, Brazil, Vietnam, Kurdistan, Egypt and Venezuela and also stakes in refineries in Germany and Belarus.

Operating Segments

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

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

Intersegment Sales

Intercompany sales present operational activity of segments as if the segments operate separately from each other within the vertically integrated company using transfer prices for settlements between segments.

For the estimation of upstream revenues within vertically integrated company the sale price of Upstream (and the purchase price of Downstream) was recalculated using the export market price minus transportation cost, minus export duty, dispatches and other expenses relating to current sales. The price is established at oil gathering facility (point of sales) or connection point to Gasprom transportation system where Upstream dispatches the oil and gas to Downstream. All intercompany operations, including transactions from internal oilfield service companies and corporate service companies, are eliminated on the consolidation level.

Upstream Operating Results

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
Operational results						
Hydrocarbon production (th. boe per day)	5,708	5,713	(0.1)%	5,708	5,785	(1.3)%
Crude oil and NGL production (th. barrels per day)	4,566	4,551	0.3%	4,566	4,620	(1.2)%
Gas production (th. boe per day)	1,142	1,162	(1.7)%	1,142	1,165	(2.0)%
Hydrocarbon production (mln boe) ¹	476.8	489.3	(2.6)%	476.8	482.7	(1.2)%
Hydrocarbon production (mln toe)	69.3	70.9	(2.3)%	69.3	70.3	(1.4)%
Financial results, RUB billions						
EBITDA	383	384	(0.3)%	383	325	17.8%
Capital expenditures ²	204	249	(18.1)%	204	167	22.2%
Upstream operating expenses	88.3	97.2	(9.2)%	88.3	81.1	8.9%
Indicators per boe						
EBITDA, RUB/boe ¹	778	754	3.2%	778	657	18.4%
Capital expenditures, RUB/boe	428	509	(15.9)%	428	346	23.7%
Upstream operating expenses, RUB/boe	185	199	(7.0)%	185	168	10.1%
Upstream operating expenses, USD/boe ³	3.3	3.4	(2.9)%	3.3	2.9	13.8%

¹ Excluding share in production of associates and joint ventures.

² Ref. to "Capital expenditures".

³ Calculated using monthly RUB/USD exchange rates for the reporting periods.

Upstream EBITDA

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
Revenues and equity share in profits of associates and joint ventures	943	938	0.5%	943	775	21.7%
<i>Including equity share in profits of associates and joint ventures</i>	12	15	(20.0)%	12	8	50.0%
Expenses net of depreciation	593	602	(1.5)%	593	500	18.6%
<i>including</i>						
Upstream operating expenses ¹	88	97	(9.2)%	88	81	8.9%
General and administrative expenses	14	16	(12.5)%	14	14	–
Hydrocarbon procurement costs ²	5 ²	9	(44.4)%	5 ²	11	(54.5)%
Pipeline tariffs and transportation costs and other costs ³	8	6	33.3%	8	10	(20.0)%
Exploration expenses	3	8	(62.5)%	3	2	50.0%
Taxes other than income tax	475	466	1.9%	475	382	24.3%
<i>Effect of prepayments offsetting</i>	33	48	(31.3)%	33	50	(34.0)%
EBITDA	383	384	(0.3)%	383	325	17.8%

¹ Percentage is calculated from unrounded data.

² Starting from the first quarter of 2018 the part of gas trading activity was reclassified to Downstream operating segment.

³ Other costs include revision of ecological reserves of RUB 0.8 billion and RUB 0.1 billion in the first quarter of 2018 and in the fourth quarter of 2017, respectively; and RUB 0.5 billion in the first quarter of 2017.

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: Slavneft – 49.94%, Udmurtneft – 49.57% and Messoyakhaneftegaz – 50.0%. The Company also participates in international projects in Vietnam, Venezuela and Egypt.

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
	(million of barrels)			(million of barrels)		
RN-Yuganskneftegaz (Western Siberia)	127.0	129.5	(1.9)%	127.0	114.6	10.8%
Projects of the Vankor group (Eastern Siberia)	39.3	39.0	0.8%	39.3	43.2	(9.0)%
Samotlorneftegaz (Western Siberia)	35.5	36.9	(3.8)%	35.5	35.2	0.9%
Bashneft-Dobycha (Central Russia)	30.1	30.7	(2.0)%	30.1	30.9	(2.6)%
Orenburgneft (Central Russia)	26.6	28.9	(8.0)%	26.6	29.6	(10.1)%
Samaraneftegaz (Central Russia)	21.2	23.6	(10.2)%	21.2	23.3	(9.0)%
RN-Uvatneftegaz (Western Siberia)	19.6	15.8	24.1%	19.6	21.0	(6.7)%
Verkhnechonskneftegaz (Eastern Siberia)	15.4	15.6	(1.3)%	15.4	15.8	(2.5)%
Varyeganneftegaz (Western Siberia)	10.0	11.0	(9.1)%	10.0	11.4	(12.3)%
RN-Nyaganneftegaz (Western Siberia)	8.8	10.7	(17.8)%	8.8	10.9	(19.3)%
RN-Purneftegaz (Western Siberia)	8.0	9.9	(19.2)%	8.0	9.3	(14.0)%
Tomskneft (Western Siberia)	8.0	8.3	(3.6)%	8.0	8.9	(10.1)%
RN-Severnaya Neft (Timan Pechora)	5.3	5.5	(3.6)%	5.3	6.0	(11.7)%
Offshore projects (Far East) ¹	5.0	4.9	2.0%	5.0	6.4	(21.9)%
Vostsibneftegaz (Eastern Siberia)	4.3	3.4	26.5%	4.3	0.7	>100%
Taas-Yuryakh (Far East)	3.9	2.8	39.3%	3.9	2.1	85.7%
Sorovskneft (Western Siberia)	2.8	3.1	(9.7)%	2.8	4.2	(33.3)%
Bashneft-Polyus (Timan Pechora) ²	2.0	2.0	–	2.0	4.9	(59.2)%
Kondaneft (Western Siberia)	1.5	1.6	(6.3)%	1.5	–	–
Other	8.8	8.5	3.5%	8.8	9.4	(6.4)%
Crude oil and NGL production by fully and proportionately consolidated enterprises	383.1	391.7	(2.2)%	383.1	387.8	(1.2)%
Slavneft (Western and Eastern Siberia)	12.1	12.6	(4.0)%	12.1	13.4	(9.7)%
Udmurtneft (Central Russia)	5.5	5.6	(1.8)%	5.5	5.5	–
Messoyakhaneftegaz (Western Siberia)	3.7	3.4	8.8%	3.7	2.5	48.0%
Other	6.5	5.4	20.4%	6.5	6.6	(1.5)%
Total share in production of associates and JV	27.8	27.0	3.0%	27.8	28.0	(0.7)%
Total crude oil and NGL production	410.9	418.7	(1.9)%	410.9	415.8	(1.2)%
Daily crude oil and NGL production (th. barrels per day)	4,566	4,551	0.3%	4,566	4,620	(1.2)%

¹Net of royalty and government share.

²Refers to 100% consolidated share in production.

In the first quarter of 2018 daily crude oil and NGL production amounted to 4.57 mln barrels per day, increasing by 0.3% compared with the fourth quarter of 2017 due to the activity growth on a number of current and new projects.

Daily crude oil and NGL production decreased by 1.2% compared with the first quarter of 2017 constrained by the Company's production cut obligations under the agreement with the OPEC countries and major oil producing non-OPEC countries. Taking into account these external limitations, the Company seeks the most flexible solutions in the production management approach based on the projects economic efficiency, meeting all the obligations and qualitative risk management. It gives the management a certain degree of comfort on future timely utilization of spare capacity, exceeding 100 thousand barrels per day at the end of the first quarter of 2018.

In the first quarter of 2018 the development drilling was at 2.8 mln meters with in-house drilling share remaining at 60%. The number of new wells commissioned increased by 22% with horizontal wells share up to 39% and the number of new horizontal wells with multistage fracs jumping by more than 65% compared to the first quarter of 2017.

Production of Gas

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
	bcm			bcm		
Sibneftegas(Western Siberia)	3.04	3.19	(4.7)%	3.04	3.06	(0.7)%
Projects of the Vankor group (Eastern Siberia) ²	1.78	2.08	(14.4)%	1.78	2.10	(15.2)%
Rospan International (Western Siberia)	1.67	1.65	1.2%	1.67	1.62	3.1%
Samotlorneftegaz (Western Siberia)	1.52	1.52	–	1.52	1.49	2.0%
RN-Purneftegaz (Western Siberia)	1.37	1.53	(10.5)%	1.37	1.50	(8.7)%
RN-Yuganskneftegaz (Western Siberia)	1.20	1.25	(4.0)%	1.20	1.13	6.2%
Offshore projects (Far East) ^{2,3}	1.09	1.20	(9.2)%	1.09	1.03	5.8%
Varyeganneftegaz (Western Siberia)	1.04	1.05	(1.0)%	1.04	0.93	11.8%
RN-Krasnodarneftegaz (Southern Russia)	0.54	0.56	(3.6)%	0.54	0.72	(25.0)%
RN-Nyaganneftegaz (Western Siberia)	0.37	0.43	(14.0)%	0.37	0.43	(14.0)%
Orenburgneft (Central Russia)	0.36	0.42	(14.3)%	0.36	0.47	(23.4)%
Tomskneft (Western Siberia)	0.25	0.25	–	0.25	0.25	–
Rosneft Vietnam B.V. (Vietnam)	0.23	0.15	53.3%	0.23	0.18	27.8%
Zohr project (Egypt)	0.16	0.02	>100%	0.16	–	–
Bashneft-Dobycha (Central Russia) ²	0.13	0.14	(7.1)%	0.13	0.13	–
Samaraneftegaz (Central Russia)	0.13	0.14	(7.1)%	0.13	0.11	18.2%
RN-Sakhalinmorneftegaz (Far East)	0.10	0.10	–	0.10	0.08	25.0%
RN-Uvatneftegaz (Western Siberia)	0.07	0.06	16.7%	0.07	0.06	16.7%
Verkhnechonskneftegaz (Eastern Siberia)	0.06	0.06	–	0.06	0.06	–
RN-Severnaya Neft (Timan Pechora)	0.05	0.05	–	0.05	0.05	–
Other	0.22	0.18	22.2%	0.22	0.19	15.8%
Total gas production by fully and proportionately consolidated enterprises	15.38	16.03	(4.1)%	15.38	15.59	(1.3)%
Purgaz (Western Siberia)	1.32	1.34	(1.5)%	1.32	1.43	(7.7)%
Slavneft (Western and Eastern Siberia)	0.11	0.11	–	0.11	0.12	(8.3)%
Other	0.06	0.07	(14.3)%	0.06	0.07	(14.3)%
Total share in production of associates and JV	1.49	1.52	(2.0)%	1.49	1.62	(8.0)%
Total gas production	16.87	17.55	(3.9)%	16.87	17.21	(2.0)%
Natural gas	7.97	7.95	0.3%	7.97	8.00	(0.4)%
Associated gas	8.90	9.60	(7.3)%	8.90	9.21	(3.4)%
Daily gas production (mcm per day)	187.4	190.8	(1.8)%	187.4	191.2	(2.0)%

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

² Including gas injection to maintain reservoir pressure.

³ Net of royalty and government share.

Gas production in the first quarter of 2018 amounted to 16.87 bcm, decreasing by 2.0% compared with the same period of 2017 mainly due to a reduction of associated petroleum gas production on the fields with developing infrastructure necessary for useful gas utilization and on a number of other fields proceeding from the conditions of economic efficiency of development and taking into account external constraints.

The level of utilization of associated petroleum gas in the first quarter of 2018 was 85.7%.

Financial indicators

Equity share in financial results of upstream associates and joint ventures

The equity share in financial results of upstream associates and joint ventures was RUB 12 billion in the first quarter of 2018 due to positive dynamics of profits of JV projects in Russia and outside Russia. In the fourth quarter of 2017 the equity share in the financial results of upstream associates and joint ventures was RUB 15 billion of profit.

Income growth in the first quarter of 2018 compared with the same period of 2017 is mainly due to increased income of Messoyakhneftegaz.

Upstream production and operating expenses

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

In the first quarter of 2018 compared with the fourth quarter of 2017 the decrease in upstream production and operating expenses by 9.2% (a decrease of 7.0% per boe) was mainly due to lower electricity expenses, seasonal decrease in maintenance costs of oil-field equipment and reduction of production materials costs and salary.

Upstream production and operating expenses increased in the first quarter of 2018 compared with the same period of 2017 by 8.9% (an increase of 10.1% per boe) that is mainly due to increased electricity expenses, maintenance of infrastructure and other scheduled workovers and oil field services and also higher material and transport costs.

Exploration Expenses¹

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

Exploration expenses in the first quarter of 2018 and in the fourth quarter of 2017 were RUB 2 billion and RUB 6 billion, respectively.

Mineral extraction tax

The increase in MET expense in the first quarter of 2018 compared with the fourth quarter of 2017 was mainly due to enacted MET rate increase of 7.1% in the period due to the higher Urals price (by 5.0% in RUB terms).

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

	For 3 months ended		change %	For 3 months ended March 31,		change %
	March 31, 2018	December 31, 2017		2018	2017	
	(thousand RUB, except %)					
Average enacted oil mineral extraction tax rate (per tonne)	10.41	9.72	7.1%	10.41	7.96	30.8%
Actual mineral extraction tax expense per tonne of oil produced	8.57	8.41	1.9%	8.57	6.93	23.7%
Actual mineral extraction tax expense per tonne of oil equivalent produced ¹	6.95	6.79	2.4%	6.95	5.63	23.4%
	(RUB, except %)					
Average actual gas extraction tax rate per thousand cubic meters	549	527	4.2%	549	528	4.0%
Actual extraction tax rate on gas condensate ² per tonne	3,961	4,051	(2.2)%	3,961	3,616	9.5%

¹Including consolidated oil and gas volumes

²The main volumes of condensate assessed at the MET rate for gas condensate are extracted on fields of Rospan, for which rates are given in the table

The actual mineral extraction tax rate is lower than generally established tax rates for the analyzed periods primarily due to tax exemptions which are active in the form of reduced rates at particular fields, zero rates and reduced extraction tax rate by "Dm" coefficient which characterizes complexity of crude oil production at a particular oil field (See Attachment 1).

¹ Net of intercompany turnover of RUB 1 billion and RUB 2 billion in the first quarter of 2018 and in the fourth quarter of 2017, respectively.

Downstream Operating Results

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

The results set in the table below:

	For 3 months ended			For 3 months ended March 31,		
	March, 31 2018	December 31, 2017	% change	2018	2017	% change
Operational results, mln tonne						
Crude oil processing at refineries	27.57	28.47	(3.2)%	27.57	28.30	(2.6)%
<i>Processing at Company's own refineries in Russia</i>	22.83	23.33	(2.1)%	22.83	23.71	(3.7)%
<i>Processing at Company's own refineries outside Russia</i>	2.87	3.02	(5.0)%	2.87	2.76	4.0%
<i>Processing at Associates' refineries</i>	1.87	2.12	(11.8)%	1.87	1.83	2.2%
Financial results, RUB billion						
EBITDA	15	37	(59.5)%	15	20	(25.0)%
Capital expenditures of refineries ¹	10	21	(52.4)%	10	11	(9.1)%
Operating expenses of processing in Russia	28.4	36.6	(22.4)%	28.4	29.3	(3.1)%
Operating expenses of processing outside Russia	5.8	8.3	(30.1)%	5.8	4.6	26.1%
Indicators per tonne of the output, RUB per tonne²						
EBITDA ³	568	1,139	(50.1)%	568	680	(16.5)%
Capital expenditure of refineries	389	797	(51.1)%	389	416	(6.5)%
Operating expenses for processing in Russia	1,244	1,569	(20.7)%	1,244	1,234	0.8%
Operating expenses for processing outside Russia ⁴	2,021	1,689 ³	19.7%	2,021	1,667	21.2%

¹Refer to "Capital expenditures".

²Calculated from unrounded data.

³Excluding effect of associates

⁴Excluding the expenses of the previous quarters of 2017 recognized in the fourth quarter of 2017 and the pre-turnaround costs related to the turnarounds scheduled for February 2018 at a number of refineries outside Russia.

Downstream EBITDA

	For 3 months ended			For 3 months ended March 31,		
	March, 31 2018	December 31, 2017	% change	2018	2017	% change
Revenues and equity share in profits of associates and joint ventures						
<i>Including equity share in profits of associates and joint ventures</i>	1,735	1,722	0.8%	1,735	1,434	21.0%
	0.4	7	(94.3)%	0.4	2	(80.0)%
Expenses net of depreciation including						
Operating expenses at refineries, cost of additives and materials procured for processing	41	51	(19.6)%	41	39	5.1%
Operating expenses of retail companies	12	13	(7.7)%	12	12	–
Cost of purchased oil, gas, petroleum products and refining costs including intersegment turnover	1,180	1,209	(2.4)%	1,180	956	23.4%
Administrative expenses including doubtful debt allowances	10	12	(16.7)%	10	10	–
Pipeline tariffs and transportation costs and other costs	159	147	8.2%	159	153	3.9%
Taxes other than income tax	94	92	2.2%	94	84	11.9%
Export customs duty	215	182	18.1%	215	166	29.5%
<i>Effect of intragroup oil products inventory and others</i>	6	(12)	–	6	(10)	–
EBITDA	18	28	(35.7)%	18	24	(25.0)%
<i>Effect of intragroup crude oil inventory (income)/expense</i>	3	(9)	–	3	4	(25.0)%
EBITDA adjusted¹	15	37	(59.5)%	15	20	(25.0)%

¹Adjusted for the effect from intragroup crude oil inventory.

Operating indicators

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: the Tuapse refinery on the Black Sea coast in the South of Russia, the Komsomolsk refinery in the Russian Far East, the Achinsk and Angarsk refineries in Eastern Siberia, the Kuibyshevsk, Novokuibyshevsk and Syzran refineries in the Samara region, the Saratov and Ryazan refineries (the European part of Russia), Bashneft refineries and others. Rosneft also processes crude oil in Belarus and in Germany.

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

	For 3 months ended		%	For 3 months ended March 31,		%
	March, 31 2018	December 31, 2017		2018	2017	
	mln of tonnes			mln of tonnes		
Crude oil processing at refineries in Russia [*]	24.70	25.36	(2.6)%	24.70	25.54	(3.3)%
Crude oil processing at refineries outside Russia	2.87	3.11	(7.7)%	2.87	2.76	4.0%
including crude oil processing in German ^{**}	2.87	3.02	(5.0)%	2.87	2.76	4.0%
including crude oil processing in Belarus	0.00	0.09	(100.0)%	0.00	0.00	–
Total Group crude oil processing	27.57	28.47	(3.2)%	27.57	28.30	(2.6)%
Petroleum product output:						
High octane gasoline	3.66	3.85	(4.9)%	3.66	3.85	(4.9)%
Low octane gasoline	0.02	0.02	–	0.02	0.02	–
Naphtha	1.57	1.64	(4.3)%	1.57	1.57	–
Diesel	8.18	8.30	(1.4)%	8.18	8.53	(4.1)%
Fuel oil	5.65	5.76	(1.9)%	5.65	6.13	(7.8)%
Jet fuel	0.81	0.83	(2.4)%	0.81	0.71	14.1%
Petrochemicals	0.43	0.38	13.2%	0.43	0.40	7.5%
Other	3.57	3.58	(0.3)%	3.57	3.38	5.6%
Product output at Rosneft's refineries in Russia	23.89	24.36	(1.9)%	23.89	24.59	(2.8)%
Product output at refineries outside Russia	2.88	3.08	(6.5)%	2.88	2.76	4.3%
including crude oil output in Germany	2.88	2.99	(3.7)%	2.88	2.76	4.3%
including product output in Belarus	0.00	0.09	(100.0)%	0.00	0.00	–
Total Group product output	26.77	27.44	(2.4)%	26.77	27.35	(2.1)%

^{*}Including processing at YANOS refinery.

^{**}Excluding additives received for processing.

Rosneft's total refinery throughput in Russia in the first quarter of 2018 decreased and amounted to 24.70 mln tonnes. If compared to the fourth quarter of 2017 that was mainly due to the regulation of utilisation rate in terms of current demand and scheduled turnarounds.

In the first quarter of 2018, processing at the refineries in Germany decreased by 5.0% in comparison with the fourth quarter of 2017 that is mainly driven by scheduled seasonal turnarounds.

In the first quarter of 2018 crude oil production at the German refineries increased by 4.0% if compared with the same period of 2017, mainly due to unscheduled turnarounds in the first quarter of 2017.

Financial indicators

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

Increase in revenues in RUB terms in the first quarter of 2018 compared with the fourth quarter of 2017 is mainly due to worldwide crude oil price growth (5.0% in RUB terms compared to the fourth quarter of 2017).

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

	For 3 months ended					For 3 months ended March 31,				
	March 31, 2018		December 31, 2017		% change	2018		2017		% change
	% of revenue		% of revenue			% of revenue		% of revenue		
RUB billion, except %										
Crude oil										
International Sales to non-CIS	683	39.6%	668	39.0%	2.2%	683	39.6%	518	36.8%	31.9%
Europe and other directions	342	19.8%	383	22.3%	(10.7)%	342	19.8%	290	20.6%	17.9%
Asia	341	19.8%	285	16.7%	19.6%	341	19.8%	228	16.2%	49.6%
International sales to CIS	44	2.6%	42	2.5%	4.8%	44	2.6%	33	2.3%	33.3%
Domestic sales	29	1.7%	39	2.3%	(25.6)%	29	1.7%	22	1.6%	31.8%
Total crude oil	756	43.9%	749	43.8%	0.9%	756	43.9%	573	40.7%	31.9%
Gas	59	3.4%	61	3.6%	(3.3)%	59	3.4%	59	4.2%	–
Petroleum products										
International Sales to non-CIS	499	28.9%	444	26.0%	12.4%	499	28.9%	426	30.2%	17.1%
Europe and other directions	390	22.6%	338	19.8%	15.4%	390	22.6%	316	22.4%	23.4%
Asia	109	6.3%	106	6.2%	2.8%	109	6.3%	110	7.8%	(0.9)%
International Sales to CIS	27	1.6%	39	2.3%	(30.8)%	27	1.6%	17	1.2%	58.8%
Domestic sales	311	18.1%	330	19.3%	(5.8)%	311	18.1%	278	19.7%	11.9%
Wholesale	194	11.3%	204	11.9%	(4.9)%	194	11.3%	171	12.3%	13.5%
Retail	117	6.8%	126	7.4%	(7.1)%	117	6.8%	107	7.4%	9.3%
Sales of bunker fuel to end-users	12	0.7%	17	1.0%	(29.4)%	12	0.7%	10	0.7%	20.0%
Total petroleum products	849	49.3%	830	48.6%	2.3%	849	49.3%	731	51.8%	16.1%
Sales of LNG	–	–	1	0.1%	–	–	–	–	–	–
Petrochemical products	25	1.5%	24	1.4%	4.2%	25	1.5%	20	1.4%	25.0%
International sales	10	0.6%	9	0.5%	11.1%	10	0.6%	7	0.5%	42.9%
Domestic sales	15	0.9%	15	0.9%	–	15	0.9%	13	0.9%	15.4%
Sales of petroleum products, petrochemicals and LNG	874	50.8%	855	50.1%	2.2%	874	50.8%	751	53.2%	16.4%
Support services and other revenues	21	1.2%	21	1.2%	–	21	1.2%	18	1.3%	16.7%
Equity share in profits of associates and joint ventures	12	0.7%	23	1.3%	(47.8)%	12	0.7%	9	0.6%	33.3%
Total revenues and equity share in profits of associates and joint ventures	1,722	100.0%	1,709	100.0%	0.8%	1,722	100.0%	1,410	100.0%	22.1%

* Under IFRS consolidated financial statements.

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

Sales Volumes

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

	For 3 months ended					For 3 months ended March 31,				
	March 31, 2018		December 31, 2017		% change	2018		2017		% change
	mln bbl	% of total volume	mln bbl	% of total volume		mln bbl	% of total volume	mln bbl	% of total volume	
Crude oil										
International Sales to non-CIS	200.7	45.8%	214.0	47.0%	(6.2)%	200.7	45.8%	191.1	45.1%	5.0%
Europe and other directions	100.7	23.0%	121.4	26.6%	(17.1)%	100.7	23.0%	107.4	25.4%	(6.2)%
Asia	100.0	22.8%	92.6	20.4%	8.0%	100.0	22.8%	83.7	19.7%	19.5%
International Sales to CIS	16.3	3.7%	15.6	3.4%	4.5%	16.3	3.7%	14.1	3.3%	15.6%
Domestic	11.1	2.5%	14.8	3.3%	(25.0)%	11.1	2.5%	10.4	2.4%	6.7%
Total crude oil	228.1	52.0%	244.4	53.7%	(6.7)%	228.1	52.0%	215.6	50.8%	5.8%
	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	27.1	45.8%	28.9	47.0%	(6.2)%	27.1	45.8%	25.8	45.1%	5.0%
Europe and other directions	13.6	23.0%	16.4	26.6%	(17.1)%	13.6	23.0%	14.5	25.4%	(6.2)%
Asia	13.5	22.8%	12.5	20.4%	8.0%	13.5	22.8%	11.3	19.7%	19.5%
International Sales to CIS	2.2	3.7%	2.1	3.4%	4.5%	2.2	3.7%	1.9	3.3%	15.6%
Domestic sales	1.5	2.5%	2.0	3.3%	(25.0)%	1.5	2.5%	1.4	2.4%	6.7%
Total crude oil	30.8	52.0%	33.0	53.7%	(6.7)%	30.8	52.0%	29.1	50.8%	5.8%
Petroleum products										
International Sales to non-CIS	16.9	28.5%	15.6	25.5%	8.3%	16.9	28.5%	17.1	29.8%	(1.2)%
Europe and other directions	13.2	22.3%	11.8	19.3%	11.9%	13.2	22.3%	12.2	21.2%	8.2%
Asia	3.7	6.2%	3.8	6.2%	(2.6)%	3.7	6.2%	4.9	8.6%	(24.5)%
International Sales to CIS	0.9	1.5%	1.3	2.1%	(30.8)%	0.9	1.5%	0.7	1.2%	28.6%
Domestic sales	9.4	15.9%	10.0	16.3%	(6.0)%	9.4	15.9%	9.2	16.1%	2.2%
Wholesale	6.6	11.2%	6.9	11.3%	(4.3)%	6.6	11.2%	6.5	11.4%	1.5%
Retail	2.8	4.7%	3.1	5.0%	(9.7)%	2.8	4.7%	2.7	4.7%	3.7%
Sales of bunker fuel to end-users	0.5	0.8%	0.7	1.1%	(28.6)%	0.5	0.8%	0.5	0.9%	–
Total petroleum products	27.7	46.7%	27.6	45.0%	0.4%	27.7	46.7%	27.5	48.0%	0.7%
Sales of LNG	–	–	0.0	0.0%	–	–	–	–	–	–
Petrochemical products	0.8	1.3%	0.8	1.3%	–	0.8	1.3%	0.7	1.2%	14.3%
International sales	0.3	0.5%	0.3	0.5%	–	0.3	0.5%	0.3	0.5%	–
Domestic sales	0.5	0.8%	0.5	0.8%	–	0.5	0.8%	0.4	0.7%	25.0%
Total crude oil and products, LNG	59.3	100.0%	61.4	100.0%	(3.4)%	59.3	100.0%	57.3	100.0%	3.5%
	bcm		bcm			bcm		bcm		
Gas sales volumes	16.56		17.59		(5.9)%	16.56		17.61		(6.0)%

Average Sales Prices

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

	For 3 months ended				% change	For 3 months ended March 31,				% change
	March 31, 2018		December 31, 2017			2018		2017		
	th.RUB/ barrel	th.RUB/ tonne	th.RUB/ barrel	th.RUB/ tonne		th.RUB/ barrel	th.RUB/ tonne	th.RUB/ barrel	th.RUB/ tonne	
Average prices on foreign markets										
Crude oil, non-CIS	3.59	26.6	3.36	24.9	6.8%	3.59	26.6	2.98	22.0	20.9%
Europe and other directions**	3.49	25.8	3.31	24.5	5.3%	3.49	25.8	2.88	21.3	21.1%
Asia**	3.71	27.5	3.43	25.4	8.3%	3.71	27.5	3.11	23.0	19.6%
Crude oil, CIS	2.71	20.0	2.69	19.9	0.5%	2.71	20.0	2.29	16.9	18.3%
Petroleum products, non- CIS		29.7		28.9	2.8%		29.7		25.1	18.3%
Europe and other directions		29.7		29.3	1.4%		29.7		26.1	13.8%
Asia		29.7		27.7	7.2%		29.7		22.5	32.0%
Petroleum products, CIS		30.5		29.7	2.7%		30.5		26.5	15.1%
Sales of LNG		—		18.9	—		—		—	—
Petrochemical products		34.5		31.5	9.5%		34.5		28.0	23.2%
Average domestic prices										
Crude oil	2.58	19.1	2.61	19.3	(1.0)%	2.58	19.1	2.18	16.1	18.6%
Petroleum products		33.1		33.0	0.3%		33.1		30.2	9.6%
Wholesale		29.4		29.5	(0.3)%		29.4		26.3	11.8%
Retail		41.7		41.2	1.2%		41.7		39.6	5.3%
Gas (th. RUB./the cubic meter)***		3.46		3.44	0.6%		3.46		3.32	4.2%
Petrochemical products		32.0		32.8	(2.4)%		32.0		31.9	0.3%
Sales of bunker fuel to end-users		21.6		21.4	0.9%		21.6		19.7	9.6%

* Average price is calculated from unrounded figures.

** Price excludes revenues under prepaid long-term crude oil supply contracts and revenues from crude oil sales to Transneft (RUB 30 billion and RUB 32 billion in the first quarter of 2018 and in the fourth quarter of 2017 respectively; RUB 28 billion in the first quarter of 2017).

*** Including gas sales outside Russian Federation average gas prices were 3.57 th.RUB./th. cubic meter in the first quarter of 2018 and 3.47 th.RUB./th. cubic meter in the fourth quarter of 2017, 3.35 th.RUB./th. cubic meter in the first quarter of 2017.

International Crude Oil Sales to non-CIS

Revenue growth of international crude oil sales to non-CIS countries in the first quarter of 2018 compared with the fourth quarter of 2017 was due to the 6.8% upturn in average price or RUB 44 billion and was offset by decrease in sales volumes by 6.2% (unfavorable impact on revenue of RUB 44 billion).

Revenue growth of international crude oil sales to non-CIS countries in the first quarter of 2018 compared with the same period of 2017 was due to the average sales price upturn by 20.9% (positive impact on revenue of RUB 119 billion) and also was accompanied by increase in sales volume by 5.0% (favorable impact on revenue of RUB 30 billion).

International Crude Oil Sales to CIS

Revenue growth of international crude oil sales to CIS countries in the first quarter of 2018 compared with the fourth quarter of 2017 was due to the increase in sales volume of 4.5% (positive impact on revenue of RUB 2 billion).

Revenue from international crude oil sales to CIS countries increased in the first quarter of 2018 compared with the same period of 2017 that was due to growth of average sales price of 18.3% (favorable impact on revenues of RUB 6 billion) and was accompanied by sales volume growth of 15.6% (favorable impact on revenue of RUB 5 billion).

Domestic Sales of Crude Oil

Revenue reduction of domestic sales of crude oil in the first quarter of 2018 compared with the fourth quarter of 2017 was due to volume downturn of 25.0% (unfavorable impact on revenue of RUB 10 billion).

Revenue upturn of domestic sales of crude oil in the first quarter of 2018 compared with the same period of 2017 is mainly attributable to growth of crude oil sales volumes of 6.7% (favorable effect on revenues of RUB 2 billion) and was accompanied by upturn of average sales price by 18.6% (positive impact on revenue of RUB 5 billion).

International Petroleum Product Sales to Non-CIS

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold to non-CIS countries in the first quarter of 2018 and in the fourth quarter of 2017*:

	For 3 months ended						% change		
	March 31, 2017			December 31, 2017					
	RUB billion	mln of tonnes	Average price th.RUB/tonne	RUB billion	mln of tonnes	Average price th.RUB/tonne	RUB billion	mln of tonnes	Average price th.RUB/tonne
High octane gasoline	9	0.3	35.5	5	0.1	37.3	80.0%	>100.0%	(4.8)**%
Naphtha	48	1.5	31.5	47	1.4	32.1	2.1%	7.1%	(1.9)**%
Diesel (Gasoil)	139	4.3	31.9	114	3.9	29.8	21.9%	10.3%	7.0%
Fuel oil	126	6.1	21.4	120	6.1	20.8	5.0%	–	2.9%
Other	7	0.2	33.7	7	0.2	32.7	–	–	3.1%
Petroleum products exported to non-CIS	329	12.4	26.8	293	11.7	25.6	12.3%	6.0%	4.7%
Petroleum products sold from German refineries	114	2.7	42.7	116	2.8	41.6	(1.7)%	(3.6)%	2.6%
Petroleum products bought and sold outside Russia	56	1.8	30.5	35	1.1	31.8	60.0%	63.6%	(4.1)%
Trading of petroleum products outside Russia	170	4.5	37.8	151	3.9	38.8	12.6%	15.4%	(2.6)%
Total	499	16.9	29.7	444	15.6	28.9	12.4%	8.3%	2.8%

*Average price is calculated from unrounded figures.

**Change in average price was caused by product mix.

Revenue growth of the international sales of petroleum products to non-CIS countries in the first quarter of 2018 compared with the fourth quarter of 2017 was due to an increase in sales volumes of 8.3% (favorable impact on revenues of RUB 39 billion) and was accompanied by the upturn of average price up to 2.8% (positive impact on revenues of RUB 16 billion).

The table below sets forth Rosneft's revenues, volume and average price per tonne of petroleum products sold to non-CIS countries in the first quarter of 2017 and 2018*:

	For 3 months ended March 31,						% change		
	2018			2017					
	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	35.5	7	0.2	35.0	28.6%	50.0%	1.4%
Naphtha	48	1.5	31.5	44	1.5	28.1	9.1%	–	12.1%
Diesel (Gasoil)	139	4.3	31.9	123	4.5	26.9	13.0%	(4.4)%	18.6%
Fuel oil	126	6.1	21.4	124	7.0	18.4	1.6%	(12.9)%	16.3%
Other	7	0.2	33.7	6	0.2	27.1	16.7%	–	24.4%
Petroleum products exported to non-CIS	329	12.4	26.8	304	13.4	22.8	8.2%	(7.5)%	17.5%
Petroleum products sold from German refineries	114	2.7	42.7	85	2.1	40.9	34.1%	28.6%	4.4%
Petroleum product purchased and sold outside Russia	56	1.8	30.5	37	1.6	23.7	51.4%	12.5%	28.7%
Trading of petroleum products outside Russia	170	4.5	37.8	122	3.7	33.5	39.3%	21.6%	12.8%
Total	499	16.9	29.7	426	17.1	25.1	17.1%	(1.2)%	18.3%

*Average price is calculated from unrounded figures.

Revenue from sales of petroleum products to non-CIS countries increase in the first quarter of 2018 compared with the same period of 2017 mainly attributable to average price upturn of 18.3% (favourable impact on revenues of RUB 76 billion), and was partially offset by sales volumes decrease of 1.2% (unfavorable impact on revenues of RUB 4 billion).

Growth of sales of petroleum products purchased and sold outside Russia resulted from an increased trading activity of the foreign division of the Company.

International Petroleum Product Sales to CIS

Revenue decrease in the international sales of petroleum products to CIS countries in the first quarter of 2018 compared with the fourth quarter of 2017 was due to the downturn in sales volumes of 30.8% (unfavorable impact on revenues of RUB 12 billion).

Revenue from international sales of petroleum products to CIS countries increased in the first quarter of 2018 compared with the same period of 2017 that was mainly attributable to average price upturn by 15.1% (favourable impact on revenues of RUB 5 billion), and sales volumes growth of 28.6% (favorable impact on revenues of RUB 5 billion).

Domestic Sales of Petroleum Products

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russia in the first quarter of 2018 and in the fourth quarter of 2017*:

	For 3 months ended						% change		
	March 31, 2018			December 31, 2017					
	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne	RUB billion	mln of tonnes	Average price th. RUB/tonne
High octane gasoline	135	3.4	39.4	154	3.8	40.9	(12.3)%	(10.5)%	(3.7)%
Diesel (Gasoil)	120	3.1	39.3	114	3.0	38.3	5.3%	3.3%	2.6%
Fuel oil	11	0.9	11.6	13	1.1	12.6	(15.4)%	(18.2)%	(7.9)%
Jet fuel	29	0.8	37.9	31	0.9	34.6	(6.5)%	(11.1)%	9.5%
Other	16	1.2	13.2	18	1.2	14.1	(11.1)%	–	(6.4)%
Total	311	9.4	33.1	330	10.0	33.0	(5.8)%	(6.0)%	0.3%

*Average price is calculated from unrounded figures.

Revenue from sales of petroleum products on the domestic market decrease in the first quarter of 2018 compared with the fourth quarter of 2017 was due to the downturn in sales volumes of 6.0% (unfavorable impact on revenues of RUB 20 billion) which was partially offset by increase in average price up to 0.3% (positive impact on revenues of RUB 1 billion).

The table below sets forth Rosneft's revenue, volume and average price per tonne of petroleum products sold in Russia in the first quarters of 2018 and 2017*:

	For 3 months ended March 31,						% change		
	2018			2017					
	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	135	3.4	39.4	143	3.8	38.2	(5.6)%	(10.5)%	3.1%
Diesel (Gasoil)	120	3.1	39.3	91	2.7	33.1	31.9%	14.8%	18.7%
Fuel oil	11	0.9	11.6	10	0.9	11.1	10.0%	–	4.5%
Jet fuel	29	0.8	37.9	21	0.7	30.4	38.1%	14.3%	24.7%
Other	16	1.2	13.2	13	1.1	12.3	23.1%	9.1%	7.3%
Total	311	9.4	33.1	278	9.2	30.2	11.9%	2.2%	9.6%

*Average price is calculated from unrounded figures.

Revenue from sales of petroleum products on the domestic market increase in the first quarter of 2018 compared with the same period of 2017 was due to sales volume growth of 2.2% (favorable effect on revenue of RUB 6 billion) and average sales price growth of 9.6% (favorable effect on revenue of RUB 27 billion).

Sales of LNG

The Company supplies LNG under a contract with the Egyptian Natural Gas Holding Company, concluded in August of 2015. In the first quarter of 2018 no supplies were made under this contract.

Sales of bunker fuel

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

Revenues from sales of bunker fuel in the first quarter of 2018 compared with the fourth quarter of 2017 decreased mainly due to seasonal reduction of sales volume by 28.6% (unfavorable effect on revenue of RUB 5 billion).

Revenues growth of sales of bunker fuel in the first quarter of 2018 compared with the same period of 2017 was due to average sales price upturn of 9.6% (favorable effect on revenue of RUB 2 billion).

Petrochemical Products Sales

Petrochemical products sales volumes from the German refineries amounted to 0.14 mln tonnes and 0.13 mln tonnes in the first quarter of 2018 and in the fourth quarter of 2017, respectively.

In the first quarter of 2018 compared with the fourth quarter of 2017 international revenues increased due to upturn in average sales price by 9.5% (positive impact on revenues of RUB 1 billion). Domestic sales of petrochemical products in the first quarter of 2018 compared with the fourth quarter of 2017 remained unchanged and amounted to RUB 15 billion.

In the first quarter of 2018 compared with the first quarter of 2017 international revenues increased due to upturn in average sales price by 23.2% (positive impact on revenues of RUB 3 billion). Domestic sales of petrochemical products in the first quarter of 2018 compared with the first quarter of 2017 increased mainly due to increase in sales volumes of 25.0% (positive impact on revenues of RUB 2 billion).

Gas Sales

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
	RUB billion			RUB billion		
Revenue						
In the Russian Federation	55.9	59.8	(6.5)%	55.9	57.7	(3.1)%
Outside the Russian Federation	3.1	1.2	>100%	3.1	1.2	>100%
Total	59.0	61.0	(3.3)%	59.0	58.9	0.2%
Sales volumes	bcm			bcm		
In the Russian Federation	16.17	17.41	(7.1)%	16.17	17.42	(7.2)%
Outside the Russian Federation	0.39	0.18	>100%	0.39	0.19	>100%
Total	16.56	17.59	(5.9)%	16.56	17.61	(6.0)%
Average price	th. RUB/th. of cubic metres			th. RUB/th. of cubic metres		
In the Russian Federation	3.46	3.44	0.6%	3.46	3.32	4.2%
Outside the Russian Federation	8.06	6.93	16.3%	8.06	6.26	28.8%
Average price of the Company	3.57	3.47	2.9%	3.57	3.35	6.6%

*Average price is calculated from unrounded figures.

Decrease in gas sales volumes in the Russian Federation of 7.1% in the first quarter of 2018 compared with the fourth quarter of 2017 was caused by the reduction of gas production and procurement (negative impact on revenues of RUB 4.2 billion) that was partially offset by average sales price upturn of 0.6% (positive impact on revenues of RUB 0.3 billion). Thus, gas revenues in the Russian Federation decreased by 6.5% if compared to the fourth quarter of 2017. Significant growth of gas revenues outside Russia was mainly caused by the production growth at Zohr project.

In the Russian Federation gas sales downturn in the first quarter of 2018 compared with the first quarter of 2017 resulted from decrease in gas sales volumes of 7.2% (negative impact on revenues of RUB 4.1 billion), caused by reduction of gas production and procurement, that was partially offset by the average sales price upturn of 4.2% (positive impact on revenues of RUB 2.3 billion).

Support Services and Other Revenues

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

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

	For 3 months ended					For 3 months ended March 31,				
	March 31, 2018		December 31, 2017		% change	2018		2017		% change
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
	billion RUB, except %									
Drilling services	0.8	3.9%	0.9	4.3%	(11.1)%	0.8	3.9%	1.1	6.1%	(27.3)%
Sales of materials	7.3	35.6%	7.9	37.8%	(7.6)%	7.3	35.6%	5.4	30.1%	35.2%
Repairs and maintenance services	0.5	2.4%	0.6	2.9%	(16.7)%	0.5	2.4%	0.6	3.3%	(16.7)%
Rent services	1.2	5.9%	1.3	6.2%	(7.7)%	1.2	5.9%	1.5	8.3%	(20.0)%
Construction services	0.3	1.5%	0.2	1.0%	50.0%	0.3	1.5%	–	–	–
Transport services	4.1	20.0%	3.7	17.7%	10.8%	4.1	20.0%	3.8	21.1%	7.9%
Electric power sales and transmission	3.1	15.1%	3.0	14.4%	3.3%	3.1	15.1%	2.6	14.4%	19.2%
Other revenues	3.2	15.6%	3.3	15.7%	(3.0)%	3.2	15.6%	3.0	16.7%	6.7%
Total	20.5	100.0%	20.9	100.0%	(1.9)%	20.5	100.0%	18.0	100.0%	13.9%

Equity share in profits of downstream associates and joint ventures

The equity share in net financial results (profits) of downstream¹ associates and joint ventures amounts to RUB 432 million in the first quarter of 2018 (including equity income from the Essar project of RUB 361 million).

Downstream production and operating costs

Downstream operating expenses include*:

	For 3 months ended			For 3 months ended		
	March 31, 2018	December 31, 2017	% change	December 31,		% change
	2018			2018	2017	
	billion RUB, except %					
Operating expenses at refineries in Russia	28.4	36.6	(22.4)%	28.4	29.3	(3.1)%
Operating expenses at refineries and cost of additives and materials procured for processing outside Russia	12.4	14.7	(15.6)%	12.4	9.7	27.8%
Operating expenses of retail companies including:	12.3	13.0	(5.4)%	12.3	11.6	6.0%
<i>operating expenses</i>	9.1	9.4	(3.2)%	9.1	8.5	7.1%
<i>purchase cost of other inventories</i>	3.2	3.6	(11.1)%	3.2	3.1	3.2%
Downstream operating expenses	53.1	64.3	(17.4)%	53.1	50.6	4.9%
<i>Intragroup inventory effect and others</i>	9.0	(21.3)	-	9.0	(5.6)	-
Total Downstream Operating expenses**	62.1	43.0	44.4%	62.1	45.0	38.0%

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

**Cost of materials for blending at the retail companies was presented in the "Cost of Purchased Oil, Gas and Petroleum Products and Refining Costs". The comparative periods were adjusted respectively.

Operating expenses of refineries and retail companies (net of intragroup inventory effect) in the first quarter of 2018 compared with the fourth quarter of 2017 decreased by 17.4% due to the reduction of scheduled volumes of turnarounds and slight decrease in production.

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

Operating expenses of refineries and retail companies (net of intragroup inventory effect) in the first quarter of 2018 compared with the first quarter of 2017 increased by 4.9%, that is mainly due to growth of volumes of scheduled turnarounds at refineries outside Russia, higher electricity expenses and also due to RUB depreciation against EUR.

Operating expenses of Company's refineries

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

	For 3 months ended		%	For 3 months ended		%
	March 31, 2018	December 31, 2017		March 31, 2018	March 31, 2017	
Operating expenses at refineries in Russia (RUB billion)	28.4	36.6	(22.4)%	28.4	29.3	(3.1)%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,284	1,634	(21.4)%	1,284	1,279	0.4%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,244	1,569	(20.7)%	1,244	1,234	0.8%
Operating expenses at refineries outside Russia (RUB billion)*	5.8	8.3	(30.1)%	5.8	4.6	26.1%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	2,014	1,706**	18.1%	2,014	1,667	20.8%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	2,021	1,689**	19.7%	2,021	1,667	21.2%
Total operating expenses at Rosneft's refineries (RUB billion)	34.2	44.9	(23.8)%	34.2	33.9	0.9%

*Refineries outside Russia also procured the additives and materials for processing: in the first quarter of 2018 – RUB 6.6 billion, in the fourth quarter of 2017 – RUB 6.4 billion; in the first quarter of 2017 – RUB 5.1 billion.

**The effect of costs related to expenses of the previous periods of 2017 and recognized in the fourth quarter of 2017, amounted to RUB 3.2 billion, and this amount is excluded for the estimation of operating expenses per tonne for the relevant period of 2017.

Operating expenses of Rosneft's refineries in Russia in the first quarter of 2018 compared with the fourth quarter of 2017 decreased by 22.4% mainly due to scheduled reduction of turnarounds and decrease in the utilization rate in terms of current demand.

Operating expenses of Rosneft's refineries in Russia in the first quarter of 2018 compared with the first quarter of 2017 decreased by 3.1% because of the reduced utilization rate, scheduled decrease in maintenance services which was set off by growth of electricity tariffs and indexation of wages.

In the first quarter of 2018 compared with the fourth quarter of 2017 operating costs per tonne of crude oil throughput at Rosneft's refineries in Russia decreased by 20.7% that was mostly due to lower scheduled turnaround expenses.

Operating expenses of Rosneft's refineries outside Russia amounted to RUB 5.8 billion in the first quarter of 2018. If compared with the RUB 5.1 billion in the fourth quarter of 2017 (net of the RUB 3.2 billion – the effect of recognized expenses of the previous periods of 2017 in the fourth quarter of 2017) the expenses increased by 13.7% due to higher volumes of turnarounds and RUB depreciation against EUR. Operating expenses per tonne of crude oil throughput of Rosneft's refineries outside Russia in the first quarter of 2018 compared with the fourth quarter of 2017 increased by 19.7% mainly due to growth of maintenance and turnaround expenses.

The increase in the operating expenses of Rosneft's refineries outside Russia (and operating costs per tonne) in the first quarter of 2018 compared with the first quarter of 2017 was mainly driven by RUB depreciation of 10.3% against EUR and growth of turnaround expenses.

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

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

	For 3 months ended		%	For 3 months ended		%
	March 31, 2018	December 31, 2017		March 31, 2018	March 31, 2017	
Crude oil and gas procurement						
Cost of crude oil and gas procured (RUB billion)**	166	205	(19.0)%	166	117	41.9%
<i>including Domestic market</i>	86	84	2.4%	86	65	32.3%
<i>International market</i>	80	121	(33.9)%	80	52	53.8%
Volume of crude oil procured (millions of barrels)	51.1	66.5	(23.2)%	51.1	41.7	22.5%
<i>including Domestic market</i>	28.3	28.1	0.7%	28.3	24.7	14.6%
<i>International market</i>	22.8	38.4	(40.6)%	22.8	17.0	34.1%
Volume of gas procured (bcm)	4.60	4.76	(3.4)%	4.60	5.60	(17.9)%
LNG procurement						
Cost of LNG (RUB billion)	–	1	–	–	–	–
Volume of LNG procured (millions of tonnes)	–	0.06	–	–	–	–
Petroleum products procurement						
Cost of petroleum products procured (RUB billion)***	60	44	36.4%	60	45	33.3%
Volume of petroleum products procured (millions of tonnes)	2.03	1.44	41.0%	2.03	1.77	14.7%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil under processing agreements (RUB billion)	6.8	7.7	(11.7)%	6.8	6.3	7.9%
Volumes of crude oil and petroleum products, refined under processing agreements (millions of tonnes)	1.9	2.3	(17.4)%	1.9	2.1	(9.5)%
Volumes of gas refined under processing agreements (bcm)	2.7	2.8	(3.6)%	2.7	2.4	12.5%
Cost of products procured for blending on retail companies (RUB billion)						
<i>Including intercompany purchases (RUB billion)</i>	5.4	6.3	(14.3)%	5.4	5.7	(5.3)%
<i>Including intercompany purchases (RUB billion)</i>	5.4	6.3	(14.3)%	5.4	5.5	(1.8)%
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	233	257	(9.3)%	233	168	38.7%

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

**Including costs of Upstream segment in the amount of RUB 5 billion in the first quarter of 2018, RUB 9 billion in the fourth quarter of 2017 and RUB 11 billion in the first quarter of 2017.

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

Crude oil and Gas procurement

Rosneft purchases crude oil primarily from its associates to process it at own refineries or export. Rosneft procures crude oil on the international market to supply it to the refineries in Germany. In recent period the Company's trading activity has considerably increased, therefore the volumes of oil procurement grow compared to the last year.

The decrease in crude oil and gas procurement of 19.0% in the first quarter of 2018 compared with the previous quarter is mainly attributable to the meeting of demand by the Company's own resources.

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

	For 3 months ended		%	For 3 months ended		%
	March 31, 2018	December 31, 2017		March 31, 2018	March 31, 2017	
	mln barrels			mln barrels		
International market	22.8	38.4	(40.6)%	22.8	17.0	34.1%
Udmurtneft	6.1	5.9	3.4%	6.1	5.6	8.9%
Slavneft	12.1	13.1	(7.6)%	12.1	12.6	(4.0)%
Messoyahaneftgaz	3.7	3.4	8.8%	3.7	3.4	8.8%
Lukoil-Reservnefteproduct	0.2	0.1	100.0%	0.2	0.5	(60.0)%
Others	6.2	5.6	10.7%	6.2	2.6	>100%
Total	51.1	66.5	(23.2)%	51.1	41.7	22.5%

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

The volume of swaps was 8.7 mln barrels, 9.1 mln barrels in the first quarter of 2018 and in the fourth quarter of 2017, respectively, and also 7.4 mln barrels in the first quarter of 2017.

Petroleum products procurement

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

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the first quarter of 2018 and in the fourth quarter of 2017:

	For 3 months ended						% change		
	March 31, 2018			December 31, 2017			RUB billion	mln tonnes	th. RUB/ tonne
	RUB billion	mln tonnes	th. RUB/ tonne*	RUB billion	mln tonnes	th. RUB/ tonne*			
<i>Petroleum products procurement in Russia</i>	7	0.20		10	0.32		(30.0)%	(37.5)%	
High octane gasoline	3	0.09	39.5	3	0.09	39.2	–	–	0.8%
Diesel	3	0.08	40.9	4	0.10	38.8	(25.0)%	(20.0)%	5.4%
Jet fuel	0	0.00	36.5	0	0.01	35.2	–	(100.0)%	3.7%
Others	1	0.03	21.7	3	0.12	25.0	(66.7)%	(75.0)%	(13.2)%
<i>Petroleum products procured outside Russia</i>	53	1.83	28.9	34	1.12	30.7	55.9%	63.4%	(5.9)%
Total	60	2.03		44	1.44		36.4%	41.0%	

*Calculated based on unrounded numbers.

The volume of petroleum products procured in Russia in the first quarter of 2018 compared with the previous quarter decreased by 37.5% due to the meeting of demand by the Company's own resources.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in the first quarters of 2018 and 2017:

	For 3 months ended March 31,						% change		
	2018			2017			RUB billion	mln tonnes	th. RUB/ tonne
	RUB billion	mln tonnes	th. RUB/ tonne*	RUB billion	mln tonnes	th. RUB/ tonne*			
<i>Petroleum products procurement in Russia</i>	7	0.20		7	0.18		–	11.1%	
High octane gasoline	3	0.09	39.5	1	0.02	37.8	>100%	>100.0%	4.5%
Diesel	3	0.08	40.9	4	0.12	33.1	(25.0)%	(33.3)%	23.6%
Jet fuel	0	0.00	36.5	0	0.00	26.8	–	–	36.2%
Others	1	0.03	21.7	2	0.04	29.3	(50.0)%	(25.0)%	(25.9)%
<i>Petroleum products and petrochemicals procured outside Russia</i>	53	1.83	28.9	38	1.59	23.9	39.5%	15.1%	20.9%
<i>Including petroleum products procurement</i>	53	1.83	28.9	37	1.57	23.8	43.2%	16.6%	21.4%
Total	60	2.03		45	1.77		33.3%	14.7%	

*Calculated based on unrounded numbers.

Average purchase prices may be different from average sale prices depending on different regional structure of purchases and mix structure of the petroleum products.

Volume of petroleum products procured in Russia increased in the first quarter of 2018 compared with the first quarter of 2017 due to higher market demand.

Petroleum products and petrochemicals procurement outside Russia

Procurement of petroleum products outside Russia meets the contractual obligations under long-term agreements on sales of petroleum products.

The volume of petroleum products and petrochemicals procured outside Russia in the first quarter of 2018 compared with the previous quarter significantly increased (by 63.4%) and was driven by an upturn in supply under the project in India (procurement from "Essar Oil Limited").

The increase in procurement of petroleum products and petrochemicals outside Russia in the first quarter of 2018 by 39.5% in comparison with the same period of 2017 was driven by average procurement price growth due to mix of crude oil products and the upturn of supply under the project in India (procurement from "Essar Oil Limited") in the first quarter of 2018.

Crude oil and gas processing, petroleum products processing

Starting from April 2014, associated petroleum gas sales to PJSC "Sibur" and purchases of dry stripped gas from PJSC "Sibur" are presented on a net basis in the Company's financial statements in processing costs in the amount of RUB 3.14 billion and RUB 3.81 billion in the first quarter of 2018 and in the fourth quarter of 2017, respectively, and RUB 3.21 billion in the first quarter of 2017.

Pipeline Tariffs and Transportation Costs

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

The growth in transportation costs by 5.3% in the first quarter of 2018 compared with the previous quarter was mainly caused by increase in railroads and pipeline transportation tariffs.

The table below sets forth the comparison of costs per tonne of crude oil and petroleum products transported by pipeline, railroad and mixed transportation and gas transportation costs via gas pipeline system in the first quarter of 2018 and in the fourth quarter of 2017, respectively:

	For 3 months ended								% change		
	March 31, 2018				December 31, 2017						
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB ¹	Cost per tonne, th.RUB/t ¹	Volume, mln tonnes	Share in export volumes	Cost, bln RUB ¹	Cost per tonne, th.RUB/t ¹	Volume	Cost	Cost per tonne
CRUDE OIL											
International sales											
Pipeline	26.9	91.8%	57.3	2.13	26.8	86.5%	54.6	2.03	0.4%	4.9%	4.9%
Railroad and mixed	0.5	1.7%	1.7	3.55	0.6	1.9%	2.0	3.27	(16.7)%	(15.0)%	8.6%
Pipeline and FCA ²	1.9	6.5%			3.6	11.6%			(47.2)%		
Transportation to refineries											
Pipeline ³	25.1		19.4	0.77	25.9		19.1	0.74	(3.1)%	1.6%	4.1%
Railroad and mixed	2.5		8.7	3.51	2.6		9.4	3.66	(3.8)%	(7.4)%	(4.1)%
PETROLEUM PRODUCTS											
International sales											
Pipeline	2.2	11.8%	6.2	2.87	1.9	10.7%	5.1	2.72	15.8%	21.6%	5.5%
Railroad and mixed	13.3	71.5%	36.4	2.75	13.0	73.0%	31.4	2.42	2.3%	15.9%	13.6%
Pipeline and FCA ⁴	3.1	16.7%			2.9	16.3%			6.9%		
GAS	Bcm		RUB/bcm		bcm		RUB/bcm				
Pipeline ⁵	10.8		12.0	1.12	11.6		13.7	1.19	(6.9)%	(12.4)%	(5.9)%
Other transportation expenses⁶			18				17			5.9%	
Total	75.5		160		77.3		152		(2.3)%	5.3%	

¹Calculated based on unrounded data.

²Rosneft exported part of crude oil, on FCA terms, and through the foreign trading subsidiary of the Company, where Rosneft does not bear transportation expenses directly, except for transshipment and dispatching cargo costs.

³Including crude oil purchased on international market, which was delivered to the German refineries.

⁴Rosneft exported part of petroleum products through its own export terminal in Tuapse.

⁵Part of gas volumes was dispatched on terms under which Rosneft does not bear transportation expenses. In the first quarter of 2018 and in the fourth quarter of 2017 the volumes were 5.8 bcm and 6.0 bcm, respectively.

⁶Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling station.

Crude oil railroad and mixed transportation cost per tonne of international sales was 8.6% higher due to change in structure of transportation routes and increase in railroad transportation tariffs.

Crude oil pipeline transportation cost per tonne of supplies to refineries increased by 4.1% in the first quarter of 2018 compared to the fourth quarter of 2017 which was caused by change of transportation structure and the increase in pipeline transportation tariffs.

Crude oil railroad and mixed transportation cost per tonne of supplies to refineries in the first quarter of 2018 decreased by 4.1% compared with the fourth quarter of 2017 due to change in transportation routes.

The increase in pipeline cost per tonne of petroleum products international sales of 5.5% in the first quarter of 2018 compared with the previous quarter was mainly due to change in transportation structure.

In the first quarter of 2018 and in the fourth quarter of 2017 indexation of gas transportation tariffs was not carried out.

The table below sets forth comparison for costs per tonne of crude oil and petroleum products transported by pipeline, railway and mixed transportation and gas transportation costs via gas pipeline system in first quarters of 2017 and 2018, respectively:

	For 3 months ended March 31,								% change		
	2018				2017				Volume	Cost	Cost per tonne
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB ¹	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB ¹	Cost per tonne, th.RUB/t			
CRUDE OIL											
International sales											
Pipeline	26.9	91.8%	57.3	2.13	25.5	92.1%	51.5	2.02	5.5%	11.3%	5.4%
Railroad and mixed	0.5	1.7%	1.7	3.55	0.5	1.8%	1.7	3.34	–	–	6.3%
Pipeline and FCA ²	1.9	6.5%			1.7	6.1%			11.8%		
Transportation to refineries											
Pipeline ³	25.1		19.4	0.77	26.0		19.8	0.76	(3.5)%	(2.0)%	1.3%
Railroad and mixed	2.5		8.7	3.51	2.5		8.0	3.17	–	8.7%	10.7%
PETROLEUM PRODUCTS											
International sales											
Pipeline	2.2	11.8%	6.2	2.87	2.2	12.0%	6.7	2.99	–	(7.5)%	(4.0)%
Railroad and mixed	13.3	71.5%	36.4	2.75	13.6	73.9%	36.8	2.71	(2.2)%	(1.1)%	1.5%
Pipeline and FCA ⁴	3.1	16.7%			2.6	14.1%			19.2%		
GAS											
Pipeline ⁵	bcm		RUB/bcm		bcm		RUB/bcm				
	10.8		12.0	1.12	11.1		12.9	1.16	(2.7)%	(7.0)%	(3.4)%
Other transportation expenses⁶											
			18				16			12.5%	
Total	75.5		160		74.6		153		1.2%	4.6%	

¹Calculated based on unrounded data.

²Rosneft exported part of crude oil, on FCA terms, and through the foreign trading subsidiary of the Company, where Rosneft does not bear transportation expenses directly, except for transshipment and dispatching cargo costs.

³Including crude oil purchased on international market, which was delivered to German refineries.

⁴Rosneft exported part of petroleum products through its own export terminal in Tuapse.

⁵Part of gas volumes was dispatched on terms where Rosneft does not bear transportation expenses. In the first quarter of 2018 and 2017 these volumes amounted to 5.8 bcm and 6.5 bcm, respectively.

⁶Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to fuel filling stations.

The change in transportation costs per tonne of products sold (for crude oil and petroleum products) for the first quarter of 2018 compared with the same period of 2017 mainly resulted from tariffs indexation.

Excise tax

Excise tax in the first quarter of 2018 was RUB 84 billion (including additional costs related to processing outside Russia in the amount of RUB 24 billion) compared with the excise tax of RUB 83 billion in the fourth quarter of 2017. Slight increase was caused by higher rates on certain types of oil products in terms of the reduction of volumes of the oil products produced in the Russian Federation directed to domestic market.

Excise tax in the first quarter of 2018 compared with the same period of 2017 increased by RUB 7 bln due to higher excise tax rate for petroleum products and higher volumes of the oil products produced and directed in the market outside Russia.

Export Customs Duty

Export customs duties include crude oil and petroleum products export customs duties. The export customs duties are also discussed above under section "Taxation".

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
	RUB billion, except %					
Export customs duty for crude oil	158	133	18.8%	158	117	35.0%
Export customs duty for petroleum products	57	49	16.3%	57	49	16.3%
Total export customs duty	215	182	18.1%	215	166	29.5%

Export customs duty growth in the first quarter of 2018 compared with the fourth quarter of 2017 was mainly caused by increased export duty rates (+18.1% in RUB terms) due to higher Urals price and a significant positive duty lag effect in the fourth quarter of 2017.

In the first quarter of 2018 compared with the same period of 2017 an increase in the export customs duty expenses was mainly driven by higher customs duty rates (+30.9% in RUB terms in the first quarter of 2018 compared to the same period of 2017).

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
Enacted export customs duty on crude oil (th. RUB/tonne)	6.65	5.63	18.1%	6.65	5.08	30.9%
Actual customs duty on crude oil exports (th. RUB/tonne)	6.33	5.36	18.1%	6.33	4.91	28.9%

The deviation of an actual average customs duty on exports is caused by irregular monthly export volumes, which are subject to different export customs duty and by application of special formulas of calculation of the export customs duty rates ("preferential" rates) according to provisions of Art. 3.1 of the Act of the Russian Federation "About a customs tariff".

Operating results of segment "Corporate and others"

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
Financial results, RUB billion						
EBITDA	(13)	(28)	53.6%	(13)	(12)	(8.3)%
Capital expenditures*	5	15	(66.7)%	5	10	(50.0)%

*Refer to "Capital expenditures".

Separate indicators of the consolidated financial statements

Costs and Expenses

General and Administrative Expenses

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

General and administrative expenses in the first quarter of 2018 compared with the fourth quarter of 2017 reduced by 38.6%. In comparison with the first quarter of 2017, general and administrative costs reduced by 2.8%. The Company continues the monitoring of general and administrative expenses in view of current inflation level and growth of operating activity.

Depreciation, Depletion and Amortization

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

The growth of DDA in the first quarter of 2018 compared with the fourth quarter of 2017, and the first quarter of 2017, was caused by putting into operation of fixed assets at new projects.

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 set in the section "Taxation" in the Attachment 1.

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

	For 3 months ended		% change	For 3 months ended		% change
	March 31, 2018	December 31, 2017		March 31, 2018	March 31, 2017	
Mineral extraction tax	455	441	3.2%	455	358	27.1%
Excise tax	84	83	1.2%	84	77	9.1%
Social security tax	17	15	13.3%	17	16	6.3%
Property tax	11	10	10.0%	11	8	37.5%
Other taxes, interest, penalties and other payments to budget	1	1	–	1	1	–
Total taxes other than income tax	568	550	3.3%	568	460	23.5%

Taxes other than income tax in the first quarter of 2018 compared with the fourth quarter of 2017 increased due to growth of the mineral extraction tax expense of 3.2% because of the growth of average crude oil tax rate.

In the first quarter of 2018 compared with the same period of 2017 taxes other than income tax increased approximately by 1.2 times due to excise rate and MET base rate growth.

Finance Income and Expenses

In the first quarter of 2018 net finance expenses were RUB 30 billion and did not change if compared to the fourth quarter of 2017.

In the first quarter of 2018 net finance expenses increased to RUB 30 billion compared to RUB 25 billion in the first quarter of 2017 mainly due to the fair value re-measurement of derivative financial instruments.

Other Income and Other Expenses

In the first quarter of 2018 compared with the fourth quarter of 2017 other income significantly decreased due to the recognition of one-off income of RUB 100 billion in the Profit or loss statement in the fourth quarter of 2017 as a result of the achieved out-of-court settlement with AFK "Sistema".

Other expenses include assets impairment, effect of fixed assets disposal in the course of operating activities and other expenses. In the first quarter of 2018 compared with the fourth quarter of 2017 other expenses decreased and amounted to RUB 16 billion.

Foreign Exchange Differences

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

Foreign exchange effects in the first quarter of 2018 was profit in the amount of RUB 1 billion in comparison with the loss in the amount of RUB 6 billion in the fourth quarter of 2017 that was due to positive effect of RUB revaluation of assets nominated in EUR proceeding from the dynamics of exchange rates.

Exchange differences from foreign currency borrowings used for capital construction projects and the acquisition of property, plants and equipment were RUB 0 billion in the first quarter of 2018 and in the fourth quarter of 2017, respectively.

Cash flow hedges reclassified to profit or loss

Cash flow hedges reclassified to profit or loss recognized in the consolidated statement of profit or loss in the first quarter of 2018 and in the fourth quarter of 2017 were RUB 36 billion and RUB 37 billion, respectively. In the first quarter of 2017 cash flow hedges reclassified to profit or loss recognized in the consolidated statement of profit or loss were RUB 36 billion.

Income Tax

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

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
Effective rate of income tax (IFRS)	24.0%	27.1%	24.0%	15.0%

The Company applies the provisions of IAS 12 "Income taxes" to determine income tax in the consolidated profit or loss statement. The effective income tax rate for reported periods differs from the statutory rate of 20% because of differences in recognition of expenses and income for IFRS and tax purposes and due to application of tax relief.

Net Income

In the first quarter of 2018 the net income decreased in comparison with the fourth quarter of 2017 by 19% due to one-off income of RUB 100 billion (with impact to net profit of Company's shareholders – RUB 48 billion) was recognized in the Profit or loss statement in the fourth quarter of 2017 as a result of the achieved out-of-court settlement with JSFC "Sistema".

Liquidity and Capital Resources

Cash Flows

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
	RUB billion			RUB billion		
Net cash received from operating activities	271	125	>100%	271	154	76.0%
Net cash used in investing activities	(221)	(257)	(14.0)%	(221)	(203)	8.9%
Net cash (used in)/received from financing activities	(67)	228	–	(67)	(95)	(29.5)%

Net cash received from operating activities

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
	RUB billion			RUB billion		
Net cash provided by operating activity	271	125	>100%	271	154	76.0%
<i>Offsetting of prepayments received under long term supply contracts at average ex.rate</i>	74	140	(47.1)%	74	118	(37.3)%
<i>Interest expense for prepayments under long term supply contracts¹</i>	20	20	–	20	21	(4.8)%
<i>Financing of future deliveries</i>	–	51	–	–	–	–
Adjusted net cash provided by operating activity	365	336	8.6%	365	293	24.6%

¹ Interest expenses for prepayments under long term supply contracts were included into adjusted operating cash flows for comparative periods. Interest expenses on the prepayment on long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 18 billion and interests paid of RUB 2 billion in the first quarter of 2018; offsetting of RUB 18 billion and interests paid of RUB 2 billion in the fourth quarter of 2017 and offsetting of RUB 18 billion and interests paid of RUB 3 billion in the first quarter of 2017.

The increase in operating cash flow in the first quarter of 2018 is mainly driven by the receipt of funds as a result of the achieved out-of-court settlement with AFK “Sistema”, and decrease in advance payments for current expenses (transportation costs and other) because of the seasonal factor (a significant increase in advance payments takes place in December).

Net cash used in investing activities

In the first quarter of 2018 the Company's investing activity mainly referred to capital expenditures and acquisition of licenses. The reduction in cash used in the investing activity compared to the fourth quarter of 2017 resulted from the decrease in capital expenditures and investments to Zohr project made in the previous quarter (in the amount of RUB 25 billion).

In the first quarter of 2018 compared with the same period of 2017 planned growth of investing activity was mainly due to planned capital expenditures.

Net cash (used in)/received from financing activities

In the first quarters of 2018 and 2017 net cash used in financing activities was mainly used for the scheduled repayment of loans and eurobonds. In early 2018, the Company fully repaid all loans raised earlier for the purchase of TNK assets.

Dividend payments to the non –controlling shareholders were RUB 5 billion in the first quarter of 2018.

In the fourth quarter of 2017 the Company raised long-term and short-term rouble funds. Also in the fourth quarter of 2017 dividend payments were RUB 68 billion (including dividends to the Company's shareholders in the amount of RUB 41 billion).

Capital Expenditures

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

	For 3 months ended		% change	For 3 months ended March 31,		% change
	March 31, 2018	December 31, 2017		2018	2017	
	RUB billion			RUB billion		
RN-Yuganskneftegaz	58	62	(6.5)%	58	45	28.9%
Vankor projects	15	18	(16.7)%	15	11	36.4%
Orenburgneft	8	13	(38.5)%	8	6	33.3%
Samotlorneftegaz	14	15	(6.7)%	14	10	40.0%
Offshore projects	3	2	50.0%	3	1	>100%
RN-Uvatneftegaz	7	7	–	7	7	–
Verkhnechonskneftegaz	4	5	(20.0)%	4	5	(20.0)%
RN-Purneftegaz	5	8	(37.5)%	5	5	–
Rospan International	9	11	(18.2)%	9	11	(18.2)%
Samaraneftegaz	7	10	(30.0)%	7	7	–
Varyoganneftegaz	5	6	(16.7)%	5	4	25.0%
VSNGK	6	7	(14.3)%	6	4	50.0%
Tomskneft VNK	2	2	–	2	2	–
RN-Nyaganneftegaz	6	6	–	6	4	50.0%
RN-Severnaya Neft	4	5	(20.0)%	4	3	33.3%
Tyumenneftegaz	5	7	(28.6)%	5	4	25.0%
Taas-Yuryakh Neftegazodobycha	6	8	(25.0)%	6	10	(40.0)%
Sibneftegaz	1	1	–	1	1	–
Bashneft-Dobycha	4	8	(50.0)%	4	4	–
Bashneft-Polyus	2	4	(50.0)%	2	4	(50.0)%
Sorovskneft	1	2	(50.0)%	1	2	(50.0)%
Kondaneft	6	7	(14.3)%	6	–	–
Upstream projects (Zohr)	10	12	(16.7)%	10	–	–
Other	16	27	(40.7)%	16	17	(5.9)%
Government grants	–	(4)	–	–	–	–
Total upstream segment	204	249	(18.1)%	204	167	22.2%
Tuapse refinery	1	2	(50.0)%	1	1	–
Kuibyshev refinery	1	2	(50.0)%	1	1	–
Novokuibyshevsk refinery	1	2	(50.0)%	1	1	–
Syzran refinery	1	1	–	1	1	–
Angarsk refinery	1	2	(50.0)%	1	1	–
Achinsk refinery	–	1	(100.0)%	–	1	–
Ryazan refinery	1	2	(50.0)%	1	1	–
Komsomolsk refinery	–	–	–	–	–	–
Saratov refinery	–	1	(100.0)%	–	–	–
Bashneft refineries	1	3	(66.7)%	1	2	(50.0)%
Other refineries	3	5	(40.0)%	3	2	50.0%
Marketing Business Units and others	4	7	(42.9)%	4	4	–
Total downstream segment	14	28	(50.0)%	14	15	(6.7)%
Total other activities	5	15	(66.7)%	5	10	(50.0)%
Total capital expenditures	223	292	(23.6)%	223	192	16.1%
Acquisition of licenses	1	5	(80.0)%	1	15	(93.3)%
Return of auction advances	–	–	–	–	–	–

In the first quarter of 2018 total capital expenditures amounted to RUB 223 billion (decrease by 23.6%) compared with RUB 292 billion in the fourth quarter of 2017. The decrease is mainly driven by seasonal factor. In the first quarter of 2018 capital expenditures increased by 16.1% in comparison with the same period of 2017.

In the first quarter of 2018 upstream capital expenditures amounted to RUB 204 billion (decrease by 18.1%) in comparison with RUB 249 billion in the fourth quarter of 2017. The decrease is mainly caused by seasonal factor. Upstream capital expenditures are mainly directed to the production drilling, the development of fields and new projects.

In the first quarter of 2018 downstream capital expenditures were RUB 14 billion, including capital expenditures of investment tariffs, in comparison with RUB 28 billion in the fourth quarter of 2017. Downstream capital expenditures in the first quarter of 2017 were RUB 15 billion.

The capital expenditures of refineries were mainly directed to the planned maintenance of current refining capacities.

Capital expenditures of other activities are mainly related to scheduled purchases of IT equipment, vessels, transport and other equipment assets.

The license acquisition costs of RUB 1 billion in the first quarter of 2018 referred to the acquisition of new licenses for research, exploration and production at Samara region, Republic of Bashkortostan and the Khanty-Mansi Autonomous area.

Financial liabilities and liquid funds

Financial liabilities detailed by currencies and liquid funds are set in the table below¹:

As of the date	March 31, 2018				December 31, 2017				March 31, 2017			
	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)	USD	RUB	Euro	Other (RUB equivalent)
	Financial liabilities	(28.5)	(2,120)	(3.1)	–	(30.1)	(2,028)	(3.6)	–	(36.1)	(1,194)	(0.8)
Liquid funds ²	6.2	327	5.7	2.1	6.5	377	5.4	2.4	13.9	252	5.9	2.3
Net financial liabilities	(22.3)	(1,793)	2.6	2.1	(23.6)	(1,651)	1.8	2.4	(22.2)	(942)	5.1	2.3

¹Calculated based on unrounded data

²Include cash and cash equivalents, short-term financial assets and part of bank deposits

The level of financial liabilities and liquid funds, which generate additional yield to fulfil the Company's commitments, remained at the point which strongly secured the Company's high financial stability.

Key consolidated financial highlights (in RUB terms)

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

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
EBITDA margin	21.9%	22.4%	21.9%	22.8%
Net income margin attributable to Rosneft shareholders	4.7%	5.9%	4.7%	0.8%
Current ratio	0.79	0.60	0.79	0.66
	RUB / bbl			
EBITDA ¹ /bbl	974	945	974	835
Upstream capital expenditures/bbl	532	636	532	431
Upstream operating expenses/bbl	230	248	230	209
Free cash flow /bbl	371	112	371	260
	RUB / boe			
EBITDA ¹ /boe	782	756	782	671
Upstream capital expenditures/boe	428	509	428	346
Upstream operating expenses/boe	185	199	185	168
Free cash flow /boe	298	90	298	209

¹The effect of associates is excluded for calculation.

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.

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

Upstream Measures*

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
Crude oil and NGL production (mln bbl)	383.1	391.7	383.1	387.8
Crude oil, NGL and gas production (mln boe)	476.8	489.3	476.8	482.7

*Excluding share in production of associates and joint ventures.

Calculation of EBITDA

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	RUB billion			
Revenues and equity share in profits of associates and joint ventures	1,722	1,709	1,722	1,410
Effect of prepayments offsetting	33	48	33	50
Costs and expenses	(1,522)	(1,510)	(1,522)	(1,275)
Depreciation, depletion and amortization	152	146	152	148
EBITDA	385	393	385	333

Calculation of Free Cash Flow

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	RUB billion			
Operating cash flow	271	125	271	154
Capital expenditures	(223)	(292)	(223)	(192)
Offsetting of prepayments under long term supply agreements*	74	140	74	118
Interest expense on prepayments under long term supply agreements**	20	20	20	21
Financing of future deliveries	–	51	–	–
Free cash flow (RUB equivalent)	142	44	142	101

* Based on average exchange rates during the reporting periods (monthly basis).

** Free cash flow estimation for comparative periods includes interest expenses on the prepayments under long-term oil and petroleum products supply agreements. Interest expenses on the prepayments under long-term oil and petroleum products supply agreements are composed of interests accrued for the reporting period and offset against crude oil supply under the contracts in the amount of RUB 18 billion and interests paid of RUB 2 billion in the first quarter of 2018; offsetting of RUB 18 billion and interests paid of RUB 2 billion in the fourth quarter of 2017 and offsetting of RUB 18 billion and interests paid of RUB 3 billion in the first quarter of 2017.

Calculation of EBITDA Margin

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	RUB billion (except %)			
EBITDA	385	393	385	333
Revenues and equity share in profits of associates and joint ventures	1,722	1,709	1,722	1,410
Effect of prepayments offsetting	33	48	33	50
Adjusted revenues	1,755	1,757	1,755	1,460
EBITDA margin	21.9%	22.4%	21.9%	22.8%

Calculation of Net Income Margin attributable to Rosneft shareholders

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	RUB billion (except %)			
Net income attributable to Rosneft shareholders	81	100	81	11
Revenues and equity share in profits of associates and joint ventures	1,722	1,709	1,722	1,410
Net income margin	4.7%	5.9%	4.7%	0.8%

Calculation of Current ratio

As of the date	March 31, 2018	December 31, 2017	March 31, 2017
	RUB billion (except ratios)		
Current assets	2,190	2,292	2,047
Current liabilities	2,786	3,836	3,076
Current ratio	0.79	0.60	0.66

Consolidated financial highlights (in USD terms)

Consolidated statement of profit or loss*

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	USD billion			
Total revenues and equity share in profits of associates and joint ventures	30.9	30.1	30.9	24.8
Costs and expenses				
Production and operating expenses	2.8	2.7	2.8	2.4
Cost of purchased oil, gas, petroleum products and refining costs	4.1	4.4	4.1	2.9
General and administrative expenses	0.6	0.9	0.6	0.6
Pipeline tariffs and transportation costs	2.8	2.6	2.8	2.6
Exploration expenses	–	0.1	–	–
Depreciation, depletion and amortization	2.7	2.5	2.7	2.5
Taxes other than income tax	10.0	9.6	10.0	7.8
Export customs duty	3.8	3.1	3.8	2.8
Total costs and expenses	26.8	25.9	26.8	21.6
Operating income	4.1	4.2	4.1	3.2
Finance income	0.5	0.4	0.5	0.6
Finance expenses	(1.1)	(1.0)	(1.1)	(1.0)
Other income	0.1	1.8	0.1	–
Other expenses	(0.3)	(0.5)	(0.3)	(0.2)
Foreign exchange differences	(0.5)	(0.9)	(0.5)	(1.7)
Cash flow hedges reclassified to profit or loss	(0.6)	(0.6)	(0.6)	(0.6)
Income before income tax	2.2	3.4	2.2	0.3
Income tax expense**	(0.5)	(0.8)	(0.5)	–
Net income	1.7	2.6	1.7	0.3
Net income attributable to Rosneft shareholders	1.5	1.8	1.5	0.2

* Calculated using average monthly USD exchange rates based on the Central Bank of Russia data for the reporting period (Appendix 1).

** Income tax expense in the first quarter of 2017 was USD 49 million.

Key consolidated financial highlights (in USD terms)

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

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
EBITDA margin	22.0%	22.3%	22.0%	23.0%
Net income margin	4.9%	6.0%	4.9%	0.8%
Current ratio	0.79	0.60	0.79	0.66
	USD/bbl*			
EBITDA/bbl	17.2	16.1	17.2	14.2
Upstream capital expenditures/bbl	9.3	10.9	9.3	7.3
Upstream operating expenses/bbl	4.1	4.2	4.1	3.6
Free cash flow/bbl	6.6	1.9	6.6	4.1
	USD/boe			
EBITDA/boe	13.8	12.9	13.8	11.4
Upstream capital expenditures/boe	7.5	8.7	7.5	5.9
Upstream operating expenses/boe	3.3	3.4	3.3	2.9
Free cash flow/boe	5.3	1.5	5.3	3.3

* Calculated from unrounded data.

Calculation of Free Cash Flow

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	USD billion			
Operating cash flow	4.7	2.1	4.7	2.5
Capital expenditures	(3.9)	(5.0)	(3.9)	(3.3)
Offsetting of prepayments under long term supply contracts	1.3	2.4	1.3	2.0
Interest expense on prepayments under long term supply contracts	0.4	0.3	0.4	0.4
Financing of future deliveries	–	0.9	–	–
Free cash flow	2.5	0.7	2.5	1.6

Calculation of EBITDA Margin

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	USD billion (except %)			
Revenues and equity share in profits of associates and joint ventures	30.9	30.1	30.9	24.8
Operating expenses	(26.8)	(25.9)	(26.8)	(21.6)
Depreciation, depletion and amortization	2.7	2.5	2.7	2.5
EBITDA	6.8	6.7	6.8	5.7
Revenues and equity share in profits of associates and joint ventures	30.9	30.1	30.9	24.8
EBITDA margin	22.0%	22.3%	22.0%	23.0%

Calculation of Net Income Margin

	For 3 months ended		For 3 months ended March 31,	
	March 31, 2018	December 31, 2017	2018	2017
	USD billion (except %)			
Net income attributable to Rosneft shareholders	1.5	1.8	1.5	0.2
Revenues and equity share in profits of associates and joint ventures	30.9	30.1	30.9	24.8
Net income margin	4.9%	6.0%	4.9%	0.8%

Calculation of Current ratio

As of the date	March 31, 2018	December 31, 2017	March 31, 2017
	USD billion (except ratios)		
Current assets	38.2	39.8	36.3
Current liabilities	48.6	66.6	54.6
Current ratio	0.79	0.60	0.66

Appendix 1: Taxation

Mineral Extraction Tax (MET)

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

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

In accordance with the legislation tax relieves are applicable to certain fields. In 2018 the Company applied different tax relieves and special tax treatment of crude oil MET:

Tax relieves in 2018	Applicable in the Company
Zero rates	Oil fields with hard to recover reserves, including bazhenov, abalak, khadum, domanic formations
Reduced MET by coefficient "Dm", which characterizes crude oil production at a particular oil field	Oil fields located: <ul style="list-style-type: none"> • In Irkutsk region, the republic of Sakha (Yakutia) and Krasnoyarsk territory which is applicable for the first 25 million tonnes of production • On the territory of the Nenets Autonomous district, Yamalo-nenets Autonomous district – for the first 15 million tonnes of production • Okhotsk sea fields subject to zero mineral extraction tax rate which is applicable for the first 30 million tonnes of production Oil fields with reserve depletion rate of over 80%. Oil fields with the volume of initial recoverable reserves being less than 5 million tonnes. Oil fields with high-viscosity crude oil (in-situ viscosity more than 200 mPas and less than 10 000 mPas)
Tax deduction	At production from oil fields located in the region of the Republic of Bashkortostan At fields located entirely within the boundaries of the Nizhnevartovsk region of KHAMAO – Yugra, the initial recoverable oil reserves of each of which amount to 450 million tons or more as of January 1, 2016 (total amount of a deduction in 2018 will be 35 RUB billion)
Special tax regime for offshore projects in the Russian Federation	The offshore projects are categorized into one of four groups depending on its complexity and specify MET rates for each project group ranging from 5% to 30% of hydrocarbon prices
Special tax regime exempting the Company from paying mineral extraction tax.	Exploration projects in the Sakhalin-1 psa.

MET rate calculation for natural gas and gas condensate

The production of gas condensate is mainly subject to MET rate for crude oil because the purification of gas condensate is compounded in the crude oil production. Mineral extraction gas condensate tax rate is applied in separate purification of gas condensate.

In accordance with Tax Code of Russian Federation since July 1, 2014, a calculation formula is determined for MET rate for natural gas and gas condensate. In line with this formula base rate for gas condensate is RUB 42 per 1 tonne and for natural gas – RUB 35 per 1 th. cubic metres. Base rates are multiplied by basic rate of standard fuel unit and reduced coefficient which estimates the difficulty level of natural gas and (or) gas condensate production. Starting from January 1, 2017 mineral extraction gas condensate tax rate is adjusted by the multiplying coefficient 6.5.

¹ The coefficient "Dm" is calculated using base rate and factors which characterize the degree of depletion of a particular field, reserves of a particular field, the degree of difficulty of extraction and region of production and oil properties. Starting from January 2017, additional MET withdrawals are introduced: + RUB/tonne 306 in 2017 (RUB/tonne - 357 in 2018, RUB/tonne - 428 in 2019-2020).

Reduced coefficient in 2018	Applicable in the Company
0.5	License areas: Rospan and Russko-Rechenskoe licensed fields and also at fields of Krasnodar and Stavropol regions
0.64	License areas: Kynsko-Chaselskoye fields and at a number of fields of Sibneftegaz, and also at Nenets Autonomous District, the Chechen republic and Krasnodar region
0.1	License areas: Irkutsk region, in Krasnoyarsk region and in region of Far East or the sea of Okhotsk
0.21	License areas: Turon deposits reserves of the Kharampurskoye field
0.5-1	Fields with reserve depletion rate of over 70%.

Excise duties

Taxpayers on payment of an excise on oil products in the territory of the Russian Federation are producers of oil products. Besides, the tax is paid by legal entities when importing excise goods to the territory of the Russian Federation.

The Company as the owner of raw materials in the cases provided by the legislation applies the raised deductions of excises on separate types of oil products with the raising coefficient 1.7 – since January 1, 2017.

Export Customs Duty on Crude Oil

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

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

Urals price(USD per tonne)	Export customs duty(USD per tonne)
Below and including 109.5 (15 USD per barrel)	Export customs duty is not levied
Above 109.5 to 146 including (15 to 20 USD per barrel)	35% of the difference between the average Urals price in USD per tonne and USD 109.5
Above 146 to 182.5 including (20 to 25 USD per barrel)	USD 12.78 plus 45% of the difference between the average Urals price in USD per tonne and USD 146
Above 182.5 (25 USD per barrel)	USD 29.2 plus 30% of the difference between the average Urals price in USD per tonne and USD 182.5

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

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

In 2016, the exemption was set for the East- Messoyakh field (zero customs duty rate could be applied to the export of 28.9 mln tonnes) and Srednebotuobinskoe field (zero customs duty rate could be applied to the export of 10.8 mln tonnes). Starting from 2017 the exemption was set for Kuyumbinskoe field (zero customs duty rate could be applied to the export of 29.0 mln tonnes)¹. In December, 2017 by results of the annual monitoring which is carried out by the Ministry of Energy of the Russian Federation within an established order of application of special formulas of calculation of rates of the export customs duties, the oil volume which can be exported with application of zero customs duty rate from the East Messoyakh field has been reduced to 21.2 mln tonnes in connection with improvement of investment indicators of development of this field.

Export customs duty on crude oil export to countries that are members of Eurasian Economic Agreement

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

¹ East- Messoyakh and Kuyumbinskoe fields are developed by the Company within the framework of JV projects.

Export duties are not payable on crude oil exports to countries that are members of Eurasian Economic Agreement. At the same time quotes for tax-free sale of crude oil and petroleum products are set. In accordance with agreement with Armenia and the Kyrgyz republic all supplies above the quotes are subject for the duties.

In accordance with agreement between the Governments of Russian Federation and the Kazakhstan Republic on trade and economic cooperation in crude oil and petroleum products supplies dated December 9, 2010 the export ban was set for a specified list of petroleum products exported from Russian Federation to the Kazakhstan Republic.

Export Customs Duty on Petroleum Products

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

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

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

Type of petroleum product	Marginal export customs duty (% of the marginal export customs duty for crude oil) for the period
	Since January 1, 2017
Light and middle distillates (excluding: naphtha and gasoline), benzene, toluene, xylenes, lubricants, diesel	30
Naphtha	55
Gasoline	30
Fuel oil, bitumen oil, other dark oil products	100

In 2018 and 2017 calculation of the export duty rate for petroleum products is based on the above marginal rates for each type of petroleum product.

Appendix 2: Average monthly RUB/USD exchange rates, calculated using the Bank of Russia data

	2018	2017
	RUB/USD	
January	56.79	59.96
February	56.81	58.40
March	57.03	58.11
October	–	57.73
November	–	58.92
December	–	58.59