Consolidated financial statements

***Rosneft Oil Company***

for the year ended December 31, 2014

*with independent auditor's report*

## Contents — Page

Совершенствуя бизнес,
улучшаем мир

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827

# Independent auditor's report

To the Shareholders and the Board of Directors
of Rosneft Oil Company

We have audited the accompanying consolidated financial statements of Rosneft Oil Company and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for 2014, and a summary of significant accounting policies and other explanatory information.

### *Audited entity's responsibility for the consolidated financial statements*

Management of Rosneft Oil Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Совершенствуя бизнес,
улучшаем мир

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rosneft Oil Company and its subsidiaries as at December 31, 2014, and their financial performance and cash flows for 2014 in accordance with International Financial Reporting Standards.

***Other matter***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information accompanying the consolidated financial statements which has been disclosed as Supplementary oil and gas disclosure on page 89 is presented for purposes of additional analysis and is not within the scope of International Financial Reporting Standards. Such information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

R.G. Romanenko
Partner
Ernst & Young LLC

March 4, 2015

***Details of the audited entity***

Name: Rosneft Oil Company
Record made in the State Register of Legal Entities on July 19, 2002, State Registration Number 1027700043502.
Address: Russia 115035, Moscow, Sofiyskaya Embankment, 26/1.

***Details of the auditor***

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of self-regulatory organization of auditors Non Profit partnership "Russian Audit Chamber" ("SRO NP APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

# Rosneft Oil Company

## Consolidated Balance Sheet

*(in billions of Russian rubles)*

| | Notes | As of December 31, 2014 | 2013 (restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 20 | **216** | 275 |
| Restricted cash | 20 | **1** | 1 |
| Other short-term financial assets | 21 | **723** | 232 |
| Accounts receivable | 22 | **554** | 415 |
| Inventories | 23 | **233** | 202 |
| Prepayments and other current assets | 24 | **404** | 330 |
| **Total current assets** | | **2,131** | 1,455 |
| **Non-current assets:** | | | |
| Property, plant and equipment | 25 | **5,666** | 5,275 |
| Intangible assets | 26 | **49** | 35 |
| Other long-term financial assets | 27 | **281** | 37 |
| Investments in associates and joint ventures | 28 | **347** | 327 |
| Bank loans granted | | **14** | 12 |
| Deferred tax assets | 17 | **24** | 14 |
| Goodwill | 26 | **215** | 210 |
| Other non-current non-financial assets | 29 | **9** | 12 |
| **Total non-current assets** | | **6,605** | 5,922 |
| **Assets held for sale** | 8 | **–** | 154 |
| **Total assets** | | **8,736** | 7,531 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities:** | | | |
| Accounts payable and accrued liabilities | 30 | **494** | 488 |
| Loans and borrowings and other financial liabilities | 31 | **1,216** | 701 |
| Income tax liabilities | | **39** | 11 |
| Other tax liabilities | 32 | **162** | 161 |
| Provisions | 33 | **36** | 22 |
| Prepayment on long-term oil supply agreements | 34 | **80** | – |
| Other current liabilities | | **4** | 4 |
| **Total current liabilities** | | **2,031** | 1,387 |
| **Non-current liabilities:** | | | |
| Loans and borrowings and other financial liabilities | 31 | **2,190** | 1,684 |
| Deferred tax liabilities | 17 | **594** | 648 |
| Provisions | 33 | **107** | 116 |
| Prepayment on oil supply agreements | 34 | **887** | 470 |
| Other non-current liabilities | 35 | **46** | 28 |
| **Total non-current liabilities** | | **3,824** | 2,946 |
| **Liabilities associated with assets held for sale** | 8 | **–** | 29 |
| **Equity:** | | | |
| Share capital | 37 | **1** | 1 |
| Additional paid-in capital | 37 | **493** | 477 |
| Other funds and reserves | | **(500)** | (14) |
| Retained earnings | | **2,878** | 2,666 |
| **Rosneft shareholders' equity** | | **2,872** | 3,130 |
| Non-controlling interests | 18 | **9** | 39 |
| **Total equity** | | **2,881** | 3,169 |
| **Total liabilities and equity** | | **8,736** | 7,531 |

President __________________ I.I. Sechin

March 4, 2015

*The accompanying notes to the consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Consolidated Statement of Profit or Loss

*(in billions of Russian rubles, except earnings per share data, and share amounts)*

| | Notes | For the years ended December 31, 2014 | 2013 (restated) |
|---|---|---|---|
| **Revenues and equity share in (losses)/profits of associates and joint ventures** | | | |
| Oil, gas, petroleum products and petrochemicals sales | 9 | **5,440** | 4,624 |
| Support services and other revenues | | **75** | 58 |
| Equity share in (losses)/profits of associates and joint ventures | 28 | **(12)** | 12 |
| **Total revenues and equity share in (losses)/profits of associates and joint ventures** | | **5,503** | 4,694 |
| **Costs and expenses** | | | |
| Production and operating expenses | | **469** | 389 |
| Cost of purchased oil, gas, petroleum products and refining costs | | **495** | 432 |
| General and administrative expenses | | **114** | 111 |
| Pipeline tariffs and transportation costs | | **471** | 392 |
| Exploration expenses | | **19** | 17 |
| Depreciation, depletion and amortization | 25, 26 | **464** | 392 |
| Taxes other than income tax | 10 | **1,195** | 1,024 |
| Export customs duty | 11 | **1,683** | 1,382 |
| **Total costs and expenses** | | **4,910** | 4,139 |
| **Operating income** | | **593** | 555 |
| Finance income | 12 | **30** | 21 |
| Finance expenses | 13 | **(219)** | (56) |
| Other income | 14 | **64** | 246 |
| Other expenses | 14 | **(54)** | (59) |
| Foreign exchange differences | | **64** | (71) |
| **Income before income tax** | | **478** | 636 |
| Income tax expense | 17 | **(128)** | (81) |
| **Net income** | | **350** | 555 |
| Net income attributable to: | | | |
| Rosneft shareholders | | **348** | 549 |
| non-controlling interests | 18 | **2** | 6 |
| **Net income attributable to Rosneft per common share (in RUB) – basic and diluted** | 19 | **32.84** | 53.28 |
| **Weighted average number of shares outstanding (millions)** | | **10,598** | 10,304 |

*The accompanying notes to the consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Consolidated Statement of Other Comprehensive Income

*(in billions of Russian rubles)*

| | Notes | For the years ended December 31, 2014 | 2013 (restated) |
|---|---|---|---|
| **Net income** | | **350** | 555 |
| **Other comprehensive (loss)/income – to be reclassified to profit or loss in subsequent periods** | | | |
| Foreign exchange differences on translation of foreign operations | | **(87)** | (11) |
| Foreign exchange cash flow hedges | 6 | **(498)** | – |
| (Loss)/ gain from changes in fair value of financial assets available-for-sale | | **(1)** | 3 |
| Income tax related to other comprehensive (loss)/income – to be reclassified to profit or loss in subsequent period | | **100** | – |
| **Total other comprehensive loss – to be reclassified to profit or loss in subsequent periods, net of tax** | | **(486)** | (8) |
| **Total comprehensive (loss)/income, net of tax** | | **(136)** | 547 |
| Total comprehensive (loss)/income, net of tax, attributable to: | | | |
| Rosneft shareholders | | **(138)** | 541 |
| non-controlling interests | | **2** | 6 |

*The accompanying notes to the consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Consolidated Statement of Changes in Shareholders' Equity

*(in billions of Russian rubles, except share amounts)*

| | Number of shares (millions) | Share capital | Additional paid-in capital | Treasury shares | Other funds and reserves | Retained earnings | Total shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2013 (restated)** | 9,238 | 1 | 385 | (299) | (6) | 2,202 | 2,283 | 39 | 2,322 |
| Net income | – | – | – | – | – | 549 | 549 | 6 | 555 |
| Other comprehensive loss | – | – | – | – | (8) | – | (8) | – | (8) |
| **Total comprehensive (loss)/income** | – | – | – | – | (8) | 549 | 541 | 6 | 547 |
| Sale of treasury shares (Notes 7, 37) | 1,360 | – | 28 | 299 | – | – | 327 | – | 327 |
| Dividends declared on common stock (Note 37) | – | – | – | – | – | (85) | (85) | – | (85) |
| Acquisition of subsidiaries (Note 7) | – | – | – | – | – | – | – | 114 | 114 |
| Sale of 9.99% of OJSC RN Holding shares (Note 37) | – | – | (125) | – | – | – | (125) | 224 | 99 |
| Voluntary offer to acquire OJSC RN Holding shares (Note 37) | – | – | 189 | – | – | – | 189 | (342) | (153) |
| Other | – | – | – | – | – | – | – | (2) | (2) |
| **Balance at December 31, 2013 (restated)** | 10,598 | 1 | 477 | – | (14) | 2,666 | 3,130 | 39 | 3,169 |
| Net income | **–** | **–** | **–** | **–** | **–** | **348** | **348** | **2** | **350** |
| Other comprehensive loss | **–** | **–** | **–** | **–** | **(486)** | **–** | **(486)** | **–** | **(486)** |
| **Total comprehensive (loss)/income** | **–** | **–** | **–** | **–** | **(486)** | **348** | **(138)** | **2** | **(136)** |
| Acquisition of non-controlling interest in a subsidiary (Note 18) | **–** | **–** | **16** | **–** | **–** | **–** | **16** | **(32)** | **(16)** |
| Dividends declared on common stock (Note 37) | **–** | **–** | **–** | **–** | **–** | **(136)** | **(136)** | **–** | **(136)** |
| **Balance at December 31, 2014** | **10,598** | **1** | **493** | **–** | **(500)** | **2,878** | **2,872** | **9** | **2,881** |

*The accompanying notes to the consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Consolidated Statement of Cash Flows

*(in billions of Russian rubles)*

| | Notes | For the years ended December 31, 2014 | 2013 (restated) |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | | **350** | 555 |
| *Adjustments to reconcile net income to net cash provided by operating activities:* | | | |
| Depreciation, depletion and amortization | 25, 26 | **464** | 392 |
| Loss on disposal of non-current assets | 14 | **18** | 13 |
| Impairment of assets | 14 | **2** | 9 |
| Dry hole costs | | **4** | 5 |
| Foreign exchange loss | | **146** | 94 |
| Equity share in losses/(profits) of associates and joint ventures | 28 | **12** | (12) |
| Loss from disposal of subsidiaries and non-production assets | 14 | **6** | 5 |
| Movements in bad debt provision | | **2** | (1) |
| Gain on notes write-off | 31 | **–** | (32) |
| Non-cash income from acquisition of subsidiaries, net | 7 | **–** | (209) |
| Gain on disposal of investments in associates and joint ventures | 14 | **(56)** | – |
| Finance expenses | 13 | **219** | 56 |
| Finance income | 12 | **(30)** | (21) |
| Income tax expense | 17 | **128** | 81 |
| *Changes in operating assets and liabilities:* | | | |
| Increase in accounts receivable, gross | | **(89)** | (112) |
| Increase in inventories | | **(27)** | (7) |
| Decrease in restricted cash | | **–** | 8 |
| Increase in prepayments and other current assets | | **(72)** | (59) |
| Increase in accounts payable and accrued liabilities | | **145** | 36 |
| Increase in other tax liabilities | | **1** | 16 |
| Increase in current provisions | | **4** | 11 |
| Increase in other current liabilities | | **1** | 3 |
| Increase in other non-current liabilities | | **16** | 4 |
| Increase in long-term prepayment on oil supply agreements | | **497** | 470 |
| Interest paid on long-term prepayment on oil supply agreements | | **(11)** | (5) |
| Long-term loans granted by subsidiary banks | | **(19)** | (24) |
| Repayment of long-term loans granted by subsidiary banks | | **17** | 25 |
| Acquisition of trading securities | | **(19)** | (22) |
| Proceeds from sale of trading securities | | **19** | 21 |
| **Net cash provided by operating activities before income tax and interest** | | **1,728** | 1,300 |
| Income tax payments | | **(115)** | (91) |
| Interest received | | **12** | 7 |
| Dividends received | | **1** | – |
| **Net cash provided by operating activities** | | **1,626** | 1,216 |

*The accompanying notes to the consolidated financial statements are an integral part of these statements.*

# Rosneft Oil Company

## Consolidated Statement of Cash flows (continued)

*(in billions of Russian rubles)*

| | Notes | For the years ended December 31, 2014 | 2013 (restated) |
|---|---|---|---|
| **Investing activities** | | | |
| Capital expenditures | | **(533)** | (560) |
| Acquisition of pipeline capacity rights | | **(16)** | – |
| Acquisition of rights to use trademarks "Sochi 2014" | | **–** | (1) |
| Acquisition of licenses | | **(28)** | (12) |
| Acquisition of short-term financial assets | | **(547)** | (237) |
| Proceeds from sale of short-term financial assets | | **341** | 77 |
| Acquisition of long-term financial assets | | **–** | (9) |
| Proceeds from sale of long-term financial assets | | **–** | 1 |
| Financing of joint venture | | **(173)** | – |
| Acquisition of interest in associates and joint ventures | 28 | **(21)** | (76) |
| Proceeds from sale of investments in associates and joint ventures | 28 | **21** | – |
| Acquisition of subsidiaries, net of cash acquired | 7 | **(28)** | (1,407) |
| Sale of property, plant and equipment | | **3** | 5 |
| Placements under reverse REPO agreements | | **(9)** | (7) |
| Receipts under reverse REPO agreements | | **11** | 6 |
| **Net cash used in investing activities** | | **(979)** | (2,220) |
| | | | |
| **Financing activities** | | | |
| Proceeds from short-term loans and borrowings | 31 | **274** | 96 |
| Repayment of short-term loans and borrowings | | **(215)** | (24) |
| Proceeds from long-term loans and borrowings | 31 | **362** | 1,103 |
| Repayment of long-term loans and borrowings | | **(817)** | (254) |
| Interest paid | | **(96)** | (63) |
| Proceeds from bonds issuance | 31 | **35** | 110 |
| Repayment of other financial liabilities | | **(12)** | (15) |
| Proceeds from sale of subsidiaries stock | 37 | **–** | 97 |
| Dividends paid to shareholders | | **(136)** | (85) |
| Acquisition of non-controlling interests in subsidiaries | | **(169)** | – |
| **Net cash (used in)/provided by financing activities** | | **(774)** | 965 |
| | | | |
| Net decrease in cash and cash equivalents | | **(127)** | (39) |
| Cash and cash equivalents at beginning of period | 20 | **275** | 299 |
| Effect of foreign exchange on cash and cash equivalents | | **68** | 15 |
| **Cash and cash equivalents at end of period** | 20 | **216** | 275 |

*The accompanying notes to the consolidated financial statements are an integral part of these statements.*

*(all amounts in tables are in billions of Russian rubles, except as noted otherwise)*

## 1. General

Open joint stock company ("OJSC") Rosneft Oil Company ("Rosneft") and its subsidiaries (collectively, the "Company") are principally engaged in the exploration, development, production and sale of crude oil and gas and the refining, transportation and sale of petroleum products in the Russian Federation and in certain international markets.

Rosneft State Enterprise was incorporated as an open joint stock company on December 7, 1995. All assets and liabilities previously managed by Rosneft State Enterprise were transferred to the Company at their book value effective on that date together with the Government of the Russian Federation (the "State") ownership in other privatized oil and gas companies. The transfer of assets and liabilities was made in accordance with Russian Government Resolution No. 971 dated September 29, 1995, *On the Transformation of Rosneft State Enterprise into an Open Joint Stock Company "Oil Company Rosneft"*. Such transfers represented a reorganization of assets under the common control of the State and, accordingly, were accounted for at their book value. In 2005, the State contributed the shares of Rosneft to the share capital of OJSC ROSNEFTEGAS. As of December 31, 2005, 100% of the shares of Rosneft less one share were owned by OJSC ROSNEFTEGAS and one share was owned by the Russian Federation Federal Agency for the Management of Federal Property. Subsequently, OJSC ROSNEFTEGAS's ownership interest decreased through additional issuance of shares during Rosneft's Initial Public Offering ("IPO") in Russia, an issuance of Global Depository Receipts ("GDR") for the shares on the London Stock Exchange and the share swap realized during the merger of Rosneft and certain subsidiaries during 2006. In March 2013 in the course of the acquisition of TNK-BP (Note 7), OJSC ROSNEFTEGAS sold 5.66% of Rosneft shares to BP plc. ("BP"). As of December 31, 2014 OJSC ROSNEFTEGAS' ownership interest in Rosneft was 69.50%.

Under Russian legislation, natural resources, including oil, gas, precious metals and minerals and other commercial minerals situated in the territory of the Russian Federation are the property of the State until they are extracted. Law of the Russian Federation No. 2395-1, *On Subsurface Resources*, regulates relations arising in connection with the geological study, use and protection of subsurface resources in the territory of the Russian Federation. Pursuant to the law, subsurface resources may be developed only on the basis of a license. A license is issued by the regional governmental body and contains information on the site to be developed and the period of activity, as well as financial and other conditions. The Company holds licenses issued by competent authorities for the geological study, exploration and development of oil and gas blocks, fields, and shelf in areas where its subsidiaries are located.

The Company is subject to export quotas set by the Russian Federation State Pipeline Commission to allow equal access to the limited capacity of the oil pipeline system owned and operated by OJSC AK Transneft. The Company exports certain quantities of crude oil through bypassing the OJSC AK Transneft system thus achieving higher export capacity. The remaining production is processed at the Company's and third parties' refineries for further sale on domestic and international markets.

## 2. Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, including all International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board ("IASB") and effective in the reporting period, and are fully compliant therewith.

These consolidated financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities measured at fair value (Note 38).

## 2. Basis of preparation (continued)

Rosneft and its subsidiaries maintain their books and records in accordance with statutory accounting and taxation principles and practices applicable in respective jurisdictions. These consolidated financial statements were derived from the Company's statutory books and records.

The Company's consolidated financial statements are presented in billions of Russian rubles ("RUB"), unless otherwise indicated.

The consolidated financial statements were approved and authorized for issue by the President of the Company on March 4, 2015.

Subsequent events have been evaluated through March 4, 2015, the date these consolidated financial statements were issued.

## 3. Significant accounting policies

The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the Company's statutory books, which are appropriate for presenting the financial position, results of operations and cash flows in accordance with IFRS. The principal adjustments relate to: (1) recognition of certain expenses; (2) valuation and depreciation of property, plant and equipment; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) accounting for the time value of money; (6) accounting for investments in oil and gas property and conveyances; (7) consolidation principles; (8) recognition and disclosure of guarantees, contingencies, commitments and certain assets and liabilities; (9) business combinations and goodwill; (10) accounting for derivative instruments; (11) purchase price allocation to the identifiable assets acquired and the liabilities assumed.

The consolidated financial statements include the accounts of majority-owned, controlled subsidiaries and special-purpose entities where the Company holds a beneficial interest. All significant intercompany transactions and balances have been eliminated. The equity method is used to account for investments in associates in which the Company has the ability to exert significant influence over the associates' operating and financial policies. The investments in entities where the Company holds the majority of shares, but does not exercise control, are also accounted for using the equity method. Investments in other companies are accounted for at fair value or cost adjusted for impairment, if any.

### Business combinations, goodwill and other intangible assets

Acquisitions by the Company of controlling interests in third parties (or interest in their charter capital) are accounted for using the acquisition method.

Acquisition date is the date when effective control over the acquiree passes to the Company.

The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

## 3. Significant accounting policies (continued)

### Business combinations, goodwill and other intangible assets (continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, should be recognized within profit or loss for the period if they do not represent measurement-period adjustments. If the contingent consideration is classified as equity, it should not be re-measured.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of net identifiable assets acquired and liabilities assumed. If the aggregate of consideration transferred and the amount of non-controlling interest is lower than the fair value of the net assets of the subsidiary acquired and liabilities assumed, the difference is recognized in profit or loss for the period.

### Associates

Investments in associates are accounted for using the equity method unless they are classified as non-current assets held for sale. Under this method, the carrying value of investments in associates is initially recognized at the acquisition cost.

The carrying value of investments in associates is increased or decreased by the Company's reported share in the profit or loss and other comprehensive income of the investee after the acquisition date. The Company's share in the profit or loss and other comprehensive income of an associate is recognized in the Company's consolidated statement of profit or loss or in the consolidated statement of other comprehensive income, respectively. Dividends paid by the associate are accounted for as a reduction of the carrying value of investments.

The Company's net investment in associates includes the carrying value of the investment in these associates as well as other long-term investments that are, in substance, investments in associates, such as loans. If the share in losses exceeds the carrying value of the investment in associates and the value of other long-term investments related to investments in these associates, the Company ceases to recognize its share in losses when the carrying value reaches zero. Any additional losses are provided for and liabilities are recognized only to the extent that the Company has legal or constructive obligations or has made payments on behalf of the associate.

If the associate subsequently makes profits, the Company resumes recognizing its share in these profits only after its share of the profits equals the share of losses not recognized.

The carrying value of investments in associates is tested for impairment by reconciling its recoverable amount (the higher of its value in use and fair value less costs to sell) to its carrying value, whenever impairment indicators are identified.

### Joint arrangements

The Company participates in joint arrangements either in the form of joint ventures or joint operations.

A joint venture implies that the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture involves establishing a legal entity where the Company and other participants have respective equity interests. Equity interests in joint ventures are accounted for under the equity method.

The Company's share in net profit or loss and in other comprehensive income of joint ventures is recognized in the consolidated statement of profit or loss and in consolidated statement of other comprehensive income, respectively, from the date when joint control commences until the date when joint control ceases.

**3. Significant accounting policies (continued)**

**Joint arrangements (continued)**

A joint operation implies that the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In relation to its interest in a joint operation the Company recognizes its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation, and expenses, including its share of any expenses incurred jointly.

**Cash and cash equivalents**

Cash represents cash on hand, in the Company's bank accounts, in transit and interest bearing deposits which can be effectively withdrawn at any time without prior notice or any penalties reducing the principal amount of the deposit. Cash equivalents are highly liquid, short-term investments that are readily convertible to known amounts of cash and have original maturities of three months or less from their date of purchase. They are carried at cost plus accrued interest, which approximates fair value. Restricted cash is presented separately in the consolidated balance sheet if its amount is significant.

**Financial assets**

The Company recognizes financial assets in its balance sheet when, and only when, it becomes a party to the contractual provisions of the financial instrument. When financial assets are recognized initially, they are measured at fair value, which is usually the price of the transaction, i.e. the fair value of consideration paid or received.

When financial assets are recognized initially, they are classified as one of the following, as appropriate: (1) financial assets at fair value through profit or loss, (2) loans issued and accounts receivable, (3) financial assets held to maturity, or (4) financial assets available for sale.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as financial assets at fair value through profit or loss at initial recognition. Financial assets held for trading are those which are acquired principally for the purpose of sale or repurchase in the near future or are part of a portfolio of identifiable financial instruments that have been commonly managed and for which there is evidence of a recent pattern of actual short term profit taking, or which are derivative instruments (unless the derivative instrument is defined as an effective hedging instrument). Financial assets at fair value through profit or loss are classified in the consolidated balance sheet as current assets and changes in the fair value are recognized in the consolidated statement of profit or loss as Finance income or Finance expenses.

All derivative instruments are recorded in the consolidated balance sheet at fair value in either current financial assets, non-current financial assets, current liabilities related to derivative instruments, non-current liabilities related to derivative instruments. The recognition and classification of a gain or loss that results from recognition of an adjustment of a derivative instrument at fair value depends on the purpose for issuing or holding the derivative instrument. Gains and losses from derivatives that are not accounted for as hedges under International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* are recognized immediately in the profit or loss for the period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent to initial recognition, the fair value of financial assets at fair value that are quoted in an active market is defined as bid prices for assets and ask prices for issued liabilities as of the measurement date.

## 3. Significant accounting policies (continued)

**Financial assets (continued)**

If no active market exists for financial assets, the Company measures the fair value using the following methods:

- analysis of recent transactions with peer instruments between independent parties;
- current fair value of similar financial instruments;
- discounting future cash flows.

The discount rate reflects the minimum return on investment an investor is willing to accept before starting an alternative project, given its risk and the opportunity cost of forgoing other projects.

Loans issued and accounts receivable include non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market, not classified as financial assets held for trading and have not been designated as at fair value through profit or loss or available for sale. If the Company cannot recover all of its initial investment in the financial asset due to reasons other than deterioration of its quality, the financial asset is not included in this category. After initial recognition, loans issued and accounts receivable are measured at amortized cost using the effective interest rate method ("EIR"), less impairment losses. The EIR amortization is included in Finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognized in the consolidated statement of profit or loss in Finance expenses.

The Company does not classify financial assets as held to maturity if, during either the current financial year or the two preceding financial years, the Company has sold, transferred or exercised a put option on more than an insignificant (in relation to the total) amount of such investments before maturity unless: (1) the financial asset was close enough to maturity or the call date so that changes in the market rate of interest did not have a significant effect on the financial asset's fair value; (2) after substantially all of the financial asset's original principal had been collected through scheduled payments or prepayments; or (3) due to an isolated non-recurring event that is beyond the Company's control and could not have been reasonably anticipated by the Company.

Dividends and interest income are recognized in the consolidated statement of profit or loss on an accrual basis. The amount of accrued interest income is calculated using the effective interest rate.

All other financial assets not included in the other categories are designated as financial assets available for sale. Specifically, the shares of other companies not included in the first category are designated as available for sale. In addition, the Company may include any financial asset in this category at the initial recognition.

**Financial liabilities**

The Company recognizes financial liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the financial instrument. When financial liabilities are recognized initially, they are measured at fair value, which is usually the price of the transaction, i.e. the fair value of consideration paid or received.

When financial liabilities are recognized initially, they are classified as one of the following:

- financial liabilities at fair value through profit or loss;
- other financial liabilities.

## 3. Significant accounting policies (continued)

### Financial liabilities (continued)

Financial liabilities at fair value through profit or loss are financial liabilities held for trading unless such liabilities are linked to the delivery of unquoted equity instruments.

At the initial recognition, the Company may include in this category any financial liability, except for equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured. After initial recognition, however, the liability cannot be reclassified.

Financial liabilities not classified as financial liabilities at fair value through profit or loss are designated as other financial liabilities. Other financial liabilities include, inter alia, trade and other accounts payable, and loans and borrowings payable.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the consolidated statement of profit or loss. Other financial liabilities are carried at amortized cost.

The Company writes off a financial liability (or part of a financial liability) from its balance sheet when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying value of a financial liability (or a part of a financial liability) extinguished or transferred to another party and the redemption value, including any transferred non-monetary assets and assumed liabilities, is recognized in profit or loss. Any previously recognized components of other comprehensive income pertaining to this financial liability are also included in the financial result and are recognized as gains and losses for the period.

### Earnings per share

Basic earnings per share is calculated by dividing net earnings attributable to common shares by the weighted average number of common shares outstanding during the corresponding period. In the absence of any securities-to-shares conversion transactions, the amount of basic earnings per share stated in these consolidated financial statements is equal to the amount of diluted earnings per share.

### Inventories

Inventories consisting primarily of crude oil, petroleum products, petrochemicals and materials and supplies are accounted for at the weighted average cost unless net realizable value is less than cost. Materials that are used in the production are not written down below cost if the finished products into which they will be incorporated are expected to be sold above cost.

### Repurchase and resale agreements

Securities sold under repurchase agreements ("REPO") and securities purchased under agreements to resell ("reverse REPO") generally do not constitute a sale for accounting purposes of the underlying securities for accounting purposes, and so are treated as collateralized financing transactions. Interest paid or received on all REPO and reverse REPO transactions is recorded in Finance expense or Finance income, respectively, at the contractually specified rate using the effective interest method.

### Exploration and production assets

Exploration and Production assets include exploration and evaluation assets, mineral rights and oil and gas properties (development assets and production assets).

## 3. Significant accounting policies (continued)

### Exploration and evaluation costs

The Company recognizes exploration and evaluation costs using the successful efforts method as permitted by IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Under this method, costs related to exploration and evaluation (license acquisition costs, exploration and appraisal drilling) are temporarily capitalized in cost centers by field (well) until the drilling program results in the discovery of economically feasible oil and gas reserves.

The length of time necessary for this determination depends on the specific technical or economic difficulties in assessing the recoverability of the reserves. If a determination is made that the well did not encounter oil and gas in economically viable quantities, the well costs are expensed to Exploration expenses in the consolidated statement of profit or loss.

Exploration and evaluation costs, except for costs associated with seismic, topographical, geological, and geophysical surveys, are initially capitalized as exploration and evaluation assets. Exploration and evaluation assets are recognized at cost less impairment, if any, as property, plant and equipment until the existence (or absence) of commercial reserves has been established. The initial cost of exploration and evaluation assets acquired through a business combination is formed as a result of purchase price allocation. The cost allocation to mineral rights to proved properties and mineral rights to unproved properties is performed based on the respective oil and gas reserves information. Exploration and evaluation assets are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, impairment test is performed.

If subsequently commercial reserves are discovered, the carrying value, less losses from impairment of the respective exploration and evaluation assets, is classified as oil and gas properties (development assets). However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

### Development and production

Oil and gas properties (development assets) are accounted for on a field-by-field basis and represent (1) capitalized costs to develop discovered commercial reserves and to put fields into production, and (2) exploration and evaluation costs incurred to discover commercial reserves reclassified from exploration and evaluation assets to oil and gas properties (development assets) following the discovery of commercial reserves.

Oil and gas properties (development assets) costs include the expenditures to acquire such assets, directly identifiable overhead expenses, capitalized financing costs and related asset retirement (decommissioning) obligation costs. Oil and gas properties (development assets) are generally recognized as construction in progress.

Following the commencement of commercial production, oil and gas properties (development assets) are reclassified as oil and gas properties (production assets).

## 3. Significant accounting policies (continued)

### Other property, plant and equipment

Property, plant and equipment are stated at historical cost as of the acquisition date, except for property, plant and equipment acquired prior to January 1, 2009, which is stated at deemed cost, net of accumulated depreciation and impairment. The cost of maintenance, repairs, and the replacement of minor items of property is charged to operating expenses. Renewals and betterments of assets are capitalized.

Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in profit or loss.

### Depreciation, depletion and amortization

Oil and gas properties are depleted using the unit-of-production method on a field-by-field basis starting from the commencement of commercial production.

In applying the unit-of-production method to mineral licenses, the depletion rate is based on total proved reserves. In applying the unit-of-production method to other oil and gas properties, the depletion rate is based on proved developed reserves.

Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives from the time they are ready for use, except for catalysts which are amortized using the unit-of-production method.

Components of other property, plant and equipment and their respective estimated useful lives are as follows:

| Property, plant and equipment | Useful life, not more |
|---|---|
| Buildings and structures | 30-45 years |
| Plant and machinery | 5-25 years |
| Vehicles and other property, plant and equipment | 6-10 years |
| Service vessels | 20 years |
| Offshore drilling assets | 20 years |

Land generally has an indefinite useful life and is therefore not depreciated.

Land leasehold rights are amortized on a straight-line basis over their expected useful life, which averages 20 years.

### Construction grants

The Company recognizes construction grants from local governments when there is a reasonable assurance that the Company will comply with the conditions attached and that the grant will be received. The construction grants are accounted for as a reduction of the cost of the asset for which the grant is received.

### Impairment of non-current assets

The Company assesses at each balance sheet date whether there is any indication that an asset or cash-generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit.

## 3. Significant accounting policies (continued)

### Impairment of non-current assets (continued)

In assessing whether there is any indication that an asset may be impaired, the Company considers internal and external sources of information. It considers at least the following:

External sources of information:

- during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- the carrying amount of the net assets of the Company is more than its market capitalization.

Internal sources of information:

- evidence is available of obsolescence or physical damage of an asset;
- significant changes with an adverse effect on the Company have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used (e.g., the asset becoming idle and reassessing the useful life of an asset as finite rather than indefinite);
- information on dividends from a subsidiary, joint venture or associate;
- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. Such evidence includes the existence of:
  - cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly higher than those originally budgeted;
  - actual net cash flows or operating profit or loss flowing from the asset that are significantly worse than those budgeted;
  - a significant decline in budgeted net cash flows or operating profit, or a significant increase in budgeted loss, flowing from the asset;
  - operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

The following factors indicate that exploration and evaluation assets may be impaired:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

## 3. Significant accounting policies (continued)

**Impairment of non-current assets (continued)**

The recoverable amount of an asset or a cash-generating unit is the higher of:

- the value in use of an asset (cash-generating unit); and
- the fair value of an asset (cash-generating unit) less costs to sell.

If the asset does not generate cash inflows that are largely independent of those from other assets, its recoverable amount is determined for the asset's cash-generating unit.

The Company initially measures the value in use of a cash-generating unit. When the carrying amount of a cash-generating unit is greater than its value in use, the Company measures the unit's fair value for the purpose of measuring the recoverable amount. When the fair value is less than the carrying value impairment loss is recognized.

Value in use is determined by discounting the estimated value of the future cash inflows expected to be derived from the asset or cash-generating unit, including cash inflows from its sale. The value of the future cash inflows from a cash-generating unit is determined based on the forecast approved by management of the business unit to which the unit in question pertains.

**Impairment of financial assets**

At each balance sheet date the Company analyzes whether there is objective evidence of impairment for all categories of financial assets, except those recorded at fair value through profit or loss. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include (but not limited to) indications that the debtors or a group of debtors is experiencing financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Capitalized interest**

Interest expense related to the use of borrowed funds used for capital construction projects and the acquisition of property, plant and equipment is capitalized provided that the interest expense could have been avoided if the Company had not made capital investments. Interest is capitalized only during the period when construction activities are actually in progress and until the resulting properties are put into operation.

Capitalized borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

**Leasing agreements**

Leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the asset, are classified as financial lease and are capitalized at the commencement of the lease at the fair value of the leased property or, if it is lower than the cost, at the present value of the minimum lease payments. Lease payments are apportioned between the finance expenses and reduction of the lease liability in order to achieve a constant rate of interest on the remaining balance of the liabilities. Finance expenses are charged directly to the consolidated statement of profit or loss.

## 3. Significant accounting policies (continued)

### Leasing agreements (continued)

Leased property, plant and equipment are accounted for using the same policies applied to the Company's own assets. In determining the useful life of a leased item of property, plant and equipment, consideration is given to the probability of the title being transferred to the lessee at the end of the lease term.

If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. Where such certainty exists, the asset is depreciated over its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

### Asset retirement (decommissioning) obligations

The Company has asset retirement (decommissioning) obligations associated with its core business activities. The nature of the assets and potential obligations are as follows:

The Company's exploration, development and production activities involve the use of wells, related equipment and operating sites, oil gathering and treatment facilities, tank farms and in-field pipelines. Generally, licenses and other regulatory acts require that such assets be decommissioned upon the completion of production. According to these requirements, the Company is obliged to decommission wells, dismantle equipment, restore the sites and perform other related activities. The Company's estimates of these obligations are based on current regulatory or license requirements, as well as actual dismantling and other related costs. These liabilities are measured by the Company using the present value of the estimated future costs of decommissioning of these assets. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability.

In accordance with IFRS Interpretations Committee ("IFRIC") Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, the provision is reviewed at each balance sheet date as follows:

- upon changes in the estimates of future cash flows (e.g., the costs of and timeframe for abandoning one well) or a discounting rate, changes in the amount of the liability are included in the cost of the item of property, plant, and equipment, whereby such cost may not be negative and may not exceed the recoverable value of the item of property, plant, and equipment;
- any changes in the liability due to its nearing maturity (change in the discount) are recognized in Finance expenses.

The Company's refining and distribution activities involve refining operations, marine and other distribution terminals, and retail sales. The Company's refining operations consist of major petrochemical operations and industrial complexes. Legal or contractual asset retirement (decommissioning) obligations related to petrochemical, oil refining and distribution activities are not recognized due to the limited history of such activities in these segments, the lack of clear legal requirements as to the recognition of obligations, as well as the fact that decommissioning period for such assets are not determinable.

Because of the reasons described above the fair value of an asset retirement (decommissioning) obligation of the refining and distribution segment cannot be reasonably estimated.

Due to continuous changes in the Russian regulatory and legal environment, there could be future changes to the requirements and contingencies associated with the retirement of long-lived assets.

## 3. Significant accounting policies (continued)

### Income tax

From 2012 Russian tax legislation allows income taxes to be calculated on a consolidated basis. The main subsidiaries of the Company were therefore combined into the Consolidated group of taxpayers (Note 41). For subsidiaries which are not included in the Consolidated group of taxpayers, income tax was calculated on an individual subsidiary basis. Deferred income tax assets and liabilities are recognized in the accompanying consolidated financial statements in the amount determined by the Company in accordance with IAS 12 *Income Taxes*.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which:
    - is not a business combination; and
    - affects neither accounting profit, nor taxable profit;
- the investments in subsidiaries when the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A prior period tax loss used to reduce the current amount of income tax is recognized as a deferred tax asset.

A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

The Company recognizes deferred tax assets for all deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures, to the extent that the following two conditions are met:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the taxation authority of the same jurisdiction and the Company intends to settle its current tax assets and liabilities on a net basis.

### 3. Significant accounting policies (continued)

**Income tax (continued)**

The carrying amount of a deferred tax asset is reviewed at each balance sheet date.

The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are classified as Non-current Deferred tax assets and Non-current Deferred tax liabilities, respectively.

Deferred tax assets and liabilities are not discounted.

**Recognition of revenues**

Revenues are recognized when risks and rewards pass to the customer which usually occurs when the title passes to the customer, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. Specifically, domestic sales of crude oil and gas, as well as petroleum products and materials are usually recognized when title passes. For export sales, title generally passes at the border of the Russian Federation and the Company covers transportation expenses (except freight), duties and taxes on those sales (Note 11). Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

**Transportation expenses**

Transportation expenses recognized in the consolidated statement of profit or loss represent all expenses incurred by the Company to transport crude oil for refining and to end customers, and to deliver petroleum products from refineries to end customers (these may include pipeline tariffs and any additional railroad transportation costs, handling costs, port fees, sea freight and other costs).

**Refinery maintenance costs**

The Company recognizes the costs of overhauls and preventive maintenance performed with respect to oil refining assets as expenses when incurred.

**Environmental liabilities**

Expenditures that relate to an existing condition caused by past operations, and do not have a future economic benefit, are expensed. Liabilities for these expenditures are recorded when environmental assessments or clean-ups are probable and the costs can be reasonably estimated.

**Accounting for contingencies**

Certain conditions may exist as of the date of these consolidated financial statements which may further result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management makes an assessment of such contingent liabilities which is based on assumptions and is a matter of opinion. In assessing loss contingencies relating to legal or tax proceedings that involve the Company or unasserted claims that may result in such proceedings, the Company, after consultation with legal or tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

## 3. Significant accounting policies (continued)

**Accounting for contingencies (continued)**

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the Company may disclose contingent liabilities or other uncertainties of an unusual nature which, in the judgment of management after consultation with its legal or tax counsel, may be of interest to shareholders or others.

**Taxes collected from customers and remitted to governmental authorities**

Refundable excise is deducted from revenues. Non-refundable excise and customs duties are not deducted from revenues and are recognized as expenses in Taxes other than income tax in the consolidated statement of profit or loss.

Value-added tax ("VAT") receivable and payable is recognized, respectively, as Prepayments and other current assets and Other tax liabilities in the consolidated balance sheet.

**Functional and presentation currency**

The consolidated financial statements are presented in Russian rubles, which is the functional currency of Rosneft Oil Company and all of its subsidiaries operating in the Russian Federation. A functional currency of the foreign subsidiaries is generally the U.S. dollar.

***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities nominated in foreign currencies at year-end exchange rates are recognized in the profit or loss for the period.

Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities designated as foreign currency cash flow hedging instruments are recognized within other comprehensive income and reclassified to profit or loss in the period when the hedged item affects profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

## 3. Significant accounting policies (continued)

### Functional and presentation currency (continued)

***The Company's subsidiaries***

The results and financial position of all of the Company's subsidiaries, joint ventures and associates that have a functional currency which is different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of profit or loss and each statement of other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of other comprehensive income.

### Prepayment on oil supply contracts

In the course of business the Company enters into long-term oil supply contracts. The contract terms may require the buyer to make a prepayment.

The Company considers long-term oil supply contracts to be a regular way sales entered into and continued to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. A regular way sale contracts are exempted from the scope of IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement*.

Conditions for meeting the definition of a regular way sale are not met if either of the following applies:

- the ability to settle net in cash or another financial instrument, or by exchanging financial instruments, is not explicit in the terms of the contract, but the Company has a practice of settling similar contracts net in cash or another financial instrument or by exchanging financial instruments (whether with the counterparty, by entering into offsetting contracts or by selling the contract before its exercise or lapse);
- for similar contracts, the Company has a practice of taking delivery of the underlying item and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

Prepayments for the delivery of goods or respective deferred revenue are accounted for as non-financial liabilities because the outflow of economic benefits associated with them is the delivery of goods and services rather than a contractual obligation to pay cash or another financial asset.

**3. Significant accounting policies (continued)**

**Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards and interpretations effective as of January 1, 2014.

The application of the following standards and interpretations had no significant impact on the Company's financial position or results of operations:

- *Offsetting Financial Assets and Financial Liabilities* – Amendments to IAS 32 *Financial Instrument: Presentation*. Amendments clarify assets and liabilities offsetting rules and introduce new related disclosure requirements;
- *Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets*. The amendments require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal;
- *Novation of Derivatives and Continuation of Hedge Accounting* – Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met;
- Interpretation 21 *Levies* (IFRIC 21). The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

In 2014 the Company presented separate consolidated statements of profit or loss and other comprehensive income.

Certain prior year balances have been reclassified to conform to the current year presentation.

**4. Significant accounting judgments, estimates and assumptions**

The preparation of consolidated financial statements requires management to make a number of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The actual results, however, could differ from those estimates.

The most significant accounting estimates and assumptions used by the Company's management in preparing the consolidated financial statements include:

- estimation of oil and gas reserves;
- estimation of rights to, recoverability and useful lives of non-current assets;
- impairment of goodwill (Note 26 "Intangible assets and goodwill");
- allowances for doubtful accounts receivable and obsolete and slow-moving inventories (Note 22 "Accounts receivable" and Note 23 "Inventories");
- assessment of asset retirement (decommissioning) obligations (Note 3 "Significant accounting policies", Topic "Asset retirement (decommissioning) obligations" and Note 33 "Provisions");
- assessment of legal and tax contingencies, recognition and disclosure of contingent liabilities (Note 41 "Contingencies");
- assessment of deferred income tax assets and liabilities (Note 3 "Significant accounting policies", Topic "Income tax" and Note 17 "Income tax");
- assessment of environmental remediation obligations (Note 33 "Provisions" and Note 41 "Contingencies");
- fair value measurements (Note 38 "Fair value of financial instruments");
- assessment of ability to renew operating leases and to enter into new lease agreements;
- purchase price allocation to the identifiable assets acquired and the liabilities assumed (Note 7 "Acquisition of subsidiaries").

## 4. Significant accounting judgments, estimates and assumptions (continued)

Significant estimates and assumptions affecting the reported amounts are those used in determining the economic recoverability of reserves.

Such estimates and assumptions may change over time when new information becomes available, e.g.:

- obtaining more detailed information on reserves (either as a result of more detailed engineering calculations or additional exploration drilling activities);
- conducting supplemental activities to enhance oil recovery;
- changes in economic estimates and assumptions (e.g. a change in pricing factors).

Effective January 1, 2014, the Company estimates oil and gas reserves quantities in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. Previously reserve estimates used in unit-of-production depreciation and supplementary oil and gas disclosures were prepared in accordance with the requirements adopted by the U.S. Securities and Exchange Commission (SEC). The change did not have a material impact on the Company's consolidated financial position and results of operations. The reserve quantities in accordance with PRMS are disclosed in the supplementary oil and gas disclosure (Note 43).

## 5. New standards and interpretations issued but not yet effective

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 establishes a single framework for revenue recognition and contains requirements for related disclosures. The new standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts,* and the related interpretations on Revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company is currently assessing the impact of the standard on the consolidated financial statements.

In May 2014, the IASB issued an amendment to IFRS 11 *Joint Arrangements*, entitled *Accounting for Acquisitions of Interests in Joint Operations*. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires the application of IFRS 3 *Business Combinations*, for such acquisitions. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is currently assessing the impact of the amendment on the consolidated financial statements.

In May 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 *Intangible Assets*, entitled *Clarification of Acceptable Methods of Depreciation and Amortization*. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

## 5. New standards and interpretations issued but not yet effective (continued)

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. The final version of IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. IFRS 9 brings together the requirements for the classification and measurement, impairment and hedge accounting of financial instruments. In respect of impairment IFRS 9 replaces the 'incurred loss' model used in IAS 39, with a new 'expected credit loss' model that will require a more timely recognition of expected credit losses. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of the standard on the consolidated financial statements.

In September 2014, the IASB issued amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* entitled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. These narrow scope amendments clarify, that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted. The Company does not expect the amendments to have a material impact on the consolidated financial statements as their requirements are already incorporated in the accounting policy of the Company.

In November 2013, the IASB issued amendments to IAS 19 *Employee Benefits*, entitled *Defined Benefit Plans: Employee Contributions*. The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after July 1, 2014 with earlier application permitted. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

## 6. Capital and financial risk management

### Capital management

The Company's capital management objectives are to secure the ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders.

The Company's management performs regular assessment of the net debt to capital employed ratio to ensure it meets the Company's current rating requirements.

The Company's capital consists of debt obligations, which include long and short-term loans and borrowings, financial lease liabilities, liabilities related to derivative financial instruments and other short-term financial liabilities, equity attributable to equity holders of Rosneft that includes share capital, reserves and retained earnings, as well as non-controlling interest. Net debt is a non-IFRS measure and is calculated as a sum of loans and borrowings and other financial liabilities as reported in the consolidated balance sheet, less cash and cash equivalents and other short-term financial assets. The net debt to capital employed ratio enables the users to see how significant net debt is relative to capital employed.

## 6. Capital and financial risk management (continued)

### Capital management (continued)

The Company's net debt to capital employed ratio was as follows:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013 (restated)** |
| Total debt | **3,406** | 2,385 |
| Cash and cash equivalents | **(216)** | (275) |
| Other short-term financial assets | **(723)** | (232) |
| **Net debt** | **2,467** | 1,878 |
| **Total equity** | **2,881** | 3,169 |
| **Total capital employed** | **5,348** | 5,047 |
| **Net debt to capital employed ratio, %** | **46.1%** | 37.2% |

### Financial risk management

In the normal course of business the Company is exposed to the following financial risks: market risk (including foreign currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Company has introduced a risk management system and developed a number of procedures to measure, assess and monitor risks and select the relevant risk management techniques.

The Company has developed, documented and approved the relevant policies pertaining to market, credit and liquidity risks and the use of derivative financial instruments.

### Foreign currency risk

The Company undertakes transactions nominated in foreign currencies and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the U.S. dollar and Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing nominated in foreign currencies.

The carrying values of monetary assets and liabilities nominated in foreign currencies are presented in the table below:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | As of December 31, | | As of December 31, | |
| | **2014** | **2013** | **2014** | **2013** |
| US$ | **1,150** | 518 | **(2,687)** | (1,966) |
| EUR | **124** | 67 | **(163)** | (133) |
| **Total** | **1,274** | 585 | **(2,850)** | (2,099) |

The Company seeks to identify and manage foreign exchange rate risk in a comprehensive manner, considering an integrated analysis of natural economic hedges, to benefit from the correlation between income and expenses. The Company chooses the currency in which to hold cash, such as the Russian ruble, U.S. dollar or other currency for a short-term risk management purposes.

The long-term risk management strategy of the Company may involve the use of derivative or non-derivative financial instruments in order to minimize foreign exchange rate risk exposure.

## 6. Capital and financial risk management (continued)

### Cash flow hedging of the Company's future exports

The Company is exposed to foreign currency risk on U.S. dollar nominated export revenue. The Company attracted borrowings for its investing activities in the same currency as the forecasted revenue stream to economically hedge the foreign currency risk exposure.

On October 1, 2014, the Company designated certain U.S. dollar nominated borrowings as a hedge of the expected highly probable U.S. dollar nominated export revenue stream in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

On October 1, 2014 a portion of future monthly export revenues expected to be received in U.S. dollars over the period from January 2015 through December 2019 were designated as a hedged item. The Company's U.S. dollar nominated borrowings were designated as hedging instruments. The nominal amounts of the hedged item and the hedging instruments are equal. The cash flow hedge position was US$ 29,490 million as of December 31, 2014 (RUB 1,659 billion at the Central Bank of Russia's ("CBR") official exchange rate as of December 31, 2014). To the extent that a change in the foreign currency rate impacts the fair value of the hedging instrument, the effects are recognized in other comprehensive income or loss and then reclassified to profit or loss in the same period in which the hedged item affects profit or loss.

The impact on other comprehensive income is comprised of the following:

| | **2014** | **2013** |
|---|---|---|
| Foreign exchange cash flow hedges before income tax | **(498)** | – |
| Reclassification to profit or loss | **–** | – |
| Income tax | **100** | – |
| **Total recognized in other comprehensive loss** | **(398)** | – |

A schedule of the expected reclassification of the accumulated loss from the remeasurement of hedging instruments recognized in other comprehensive income or loss to profit or loss as of December 31, 2014 is as follows:

| **Year** | **2015** | **2016** | **2017** | **2018** | **2019** | **Total** |
|---|---|---|---|---|---|---|
| Reclassification | (99.6) | (99.6) | (99.6) | (99.6) | (99.6) | **(498)** |
| Income tax | 20 | 20 | 20 | 20 | 20 | **100** |

The expected reclassification is calculated using the CBR official exchange rate as of December 31, 2014 and may be different using actual exchange rates in the future.

### Sensitivity analysis for foreign exchange risk on financial instruments

The level of currency risk is assessed on a monthly basis using a sensitivity analysis and is maintained within the limits adopted in line with the Company's policy. The table below summarizes the impact on the Company's income before income tax and equity as a result of the depreciation/(appreciation) of the Russian Ruble against the U.S. dollar and Euro.

| | **U.S. dollar effect** | | **Euro effect** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Currency rate change in % | **28.1%** | 9.77% | **28.59%** | 7.86% |
| Gain/(loss) | **267/(267)** | (120)/120 | **(8)/8** | (5)/5 |
| Equity | **(148)/148** | (14)/14 | **(34)/34** | (3)/3 |

## 6. Capital and financial risk management (continued)

### Interest rate risk

Loans and borrowings raised at variable interest rates expose the Company to interest rate risk arising on the possible movement of variable element of the overall interest rate.

As of December 31, 2014, the Company's variable rate liability, based on LIBOR and EURIBOR alone, totaled RUB 2,416 billion (net of interest payable). In 2014 and 2013, variable rate funds raised by the Company were primarily nominated in U.S. dollars and Euros.

The Company analyzes its interest rate exposure, including by performing scenario analysis to measure the impact of an interest rate shift on annual income before income tax.

The table below summarizes the impact of a potential increase or decrease in LIBOR on the Company's profit before tax, as applied to the variable element of interest rates on loans and borrowings. The increase/decrease is based on management estimates of potential interest rate movements.

| | **Increase/decrease in interest rate** | **Effect on income before income tax** |
|---|---|---|
| | **basis points** | **billion RUB** |
| **2014** | **+3** | **(1)** |
| | **-3** | **1** |
| 2013 | +6 | (1) |
| | -6 | 1 |

The potential change in EURIBOR is insignificant.

The sensitivity analysis is limited only to variable rate loans and borrowings and is conducted with all other variables held constant. The analysis is prepared with the assumption that the amount of variable rate liability outstanding at the balance sheet date was outstanding for the whole year. The interest rate on variable rate loans and borrowings will effectively change throughout the year in response to fluctuations in market interest rates.

The impact measured through the sensitivity analysis does not take into account other potential changes in economic conditions, that may accompany the relevant changes in market interest rates.

### Credit risk

The Company controls its own exposure to credit risk. All external customers and their financial guarantors, other than related parties, undergo a creditworthiness check (including sellers, which act on prepayment basis). The Company performs an ongoing assessment and monitoring of the financial position and the risk of default. In the event of a default by the parties on their respective obligations under the financial guarantee contracts, the Company's exposure to credit risk will be limited to the corresponding contract amounts. As of December 31, 2014, management assessed such risk as remote.

In addition, as part of its cash management and credit risk function, the Company regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash and performs trade finance operations. Banking relationships are primarily with the Russian subsidiaries of large international banking institutions and certain large Russian banks. The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized in the consolidated balance sheet.

## 6. Capital and financial risk management (continued)

### Liquidity risk

The Company has mature liquidity risk management processes covering short-term, mid-term and long-term funding. Liquidity risk is controlled through maintaining sufficient reserves and the adequate amount of committed credit facilities and loan funds. Management conducts regular monitoring of projected and actual cash flow information, analyzes the repayment schedules of the existing financial assets and liabilities and performs annual detailed budgeting procedures.

The contractual maturities of the Company's financial liabilities are presented below:

| Year ended December 31, 2013 | On demand | 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Loans and borrowings | – | 721 | 1,359 | 556 | 2,636 |
| Finance lease liabilities | – | 5 | 6 | 3 | 14 |
| Accounts payable to suppliers and contractors | – | 187 | – | – | 187 |
| Salary and other benefits payable | – | 45 | – | – | 45 |
| Voluntary offer to acquire OJSC RN Holding securities (Note 37) | 153 | – | – | – | 153 |
| Banking customer accounts | 36 | – | – | – | 36 |
| Other accounts payable | – | 22 | – | – | 22 |
| Derivative financial liabilities | – | 6 | – | – | 6 |
| Part of other current liabilities | – | 7 | – | – | 7 |

| Year ended December 31, 2014 | On demand | 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Loans and borrowings | **–** | **1,181** | **1,604** | **870** | **3,655** |
| Finance lease liabilities | **–** | **6** | **10** | **7** | **23** |
| Accounts payable to suppliers and contractors | **–** | **272** | **–** | **–** | **272** |
| Salary and other benefits payable | **–** | **55** | **–** | **–** | **55** |
| Banking customer accounts | **62** | **–** | **–** | **–** | **62** |
| Other accounts payable | **–** | **34** | **–** | **–** | **34** |
| Derivative financial liabilities | **–** | **137** | **–** | **–** | **137** |

Loans and borrowings above exclude certain Yukos related borrowings and promissory notes payable that were carried in the books of the former Yukos subsidiaries the Company acquired at auctions for the sale of Yukos's assets. The borrowings and promissory notes payable are being disputed by the Company (Notes 31, 41).

## 7. Acquisition of subsidiaries

### Acquisitions of 2014

#### *Acquisition of LLC Orenburg Drilling Company*

In February 2014 the Company obtained control over LLC Orenburg Drilling Company. The acquisition of a 100% interest in this company was completed in April 2014.

The consideration payable amounted to US$ 247 million (RUB 8.8 billion at the CBR official exchange rate at the date of the transaction).

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2014 (continued)

The following table summarizes the Company's allocation of the LLC Orenburg Drilling Company purchase price:

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Accounts receivable | 2 |
| Inventories | 2 |
| **Total current assets** | **4** |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 6 |
| Intangible assets | 1 |
| **Total non-current assets** | **7** |
| **Total assets** | **11** |
| | |
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 3 |
| Loans and borrowings | 1 |
| **Total current liabilities** | **4** |
| | |
| **Non-current liabilities** | |
| Loans and borrowings | 1 |
| Deferred tax liabilities | 1 |
| **Total non-current liabilities** | **2** |
| **Total liabilities** | **6** |
| **Total identifiable net assets at fair value** | **5** |
| Goodwill | 4 |
| **Total consideration transferred** | **9** |

Goodwill in the amount of RUB 4 billion relates to the expected synergies arising from the improved efficiency of drilling project implementation at the Company's greenfields and brownfields through cost control at each stage of well construction. Accordingly, the goodwill was fully attributed to the Exploration and production segment.

In the fourth quarter of 2014 the allocation of the purchase price of LLC Orenburg Drilling Company was finalized. The acquisition of LLC Orenburg Drilling Company did not contemplate any contingent consideration.

***Acquisition of assets from Weatherford International plc.***

On July 31, 2014 the Company completed the acquisition of a controlling interest in 8 entities engaged in drilling and workover services in Russia and Venezuela from Weatherford International plc ("the Weatherford assets") for a total consideration of RUB 18 billion (US$ 0.5 billion at the CBR official exchange rate at the date of the transaction). The acquisition allows the Company to strengthen its position in the drilling and workover services market and increase the efficiency of drilling and hydrocarbons production.

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2014 (continued)

As of December 31, 2014 the Weatherford assets purchase price allocation was not completed. Preliminary purchase price allocation is based on the historical value of acquired assets and liabilities. Allocation of the purchase price to the fair value of the assets acquired and liabilities assumed will be finalized within 12 months from the acquisition date.

The following table summarizes the Company's preliminary allocation of the Weatherford assets purchase price:

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Accounts receivable | 5 |
| Inventories | 2 |
| **Total current assets** | **7** |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 16 |
| Deferred tax asset | 1 |
| **Total non-current assets** | **17** |
| **Total assets** | **24** |
| | |
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 5 |
| **Total current liabilities** | **5** |
| | |
| **Non-current liabilities** | |
| Deferred tax liabilities | 1 |
| **Total non-current liabilities** | **1** |
| **Total liabilities** | **6** |
| **Total identifiable net assets at fair value** | **18** |
| **Total consideration transferred** | **18** |

The acquisition of the Weatherford assets does not contemplate any contingent consideration, except for working capital adjustments.

***Acquisition of CJSC Bishkek Oil Company***

In September 2014 the Company acquired 100% interest in four entities of the CJSC Bishkek Oil Company ("BOC") engaged in the retail and wholesale of petroleum products in the Republic of Kyrgyzstan through its own network of gas stations and a tank farm. The acquisition consideration amounted to US$ 39 million (RUB 1.5 billion at the CBR official exchange rate at the date of the transaction), including contingent consideration.

As of December 31, 2014 the BOC purchase price allocation was not completed. Preliminary purchase price allocation is based on the historical value of assets and liabilities. The excess of purchase price over fair value of the acquired BOC net assets is recorded as goodwill. This goodwill was fully attributed to the Refining and distribution segment. Allocation of the purchase price to the fair value of the assets acquired and liabilities assumed will be finalized within 12 months from the acquisition date.

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013

***Acquisition of TNK-BP***

On March 21, 2013, the Company completed the acquisition of an aggregate 100% equity interest in TNK-BP Limited, the ultimate holding company of TNK-BP, and of its subsidiary TNK Industrial Holdings Limited (collectively, with their subsidiaries referred to as "TNK-BP").

TNK-BP is a vertically integrated group of companies operating a diversified upstream and downstream portfolio, with assets in Russia, Ukraine, Belarus, Venezuela, Vietnam and Brazil. TNK-BP was Russia's third largest oil producer. TNK-BP operates in Russia's major hydrocarbon regions, including West Siberia, Volga-Urals and East Siberia.

The fair value of consideration paid was RUB 1,767 billion at the acquisition date. The acquisition was effected through two independent transactions with BP and the AAR consortium.

The consideration transferred is presented below:

| | |
|---|---|
| **BP's 50% equity interest in TNK-BP:** | |
| US$16.65 billion in cash at the CBR official exchange rate as of the date of acquisition | 515 |
| 1,360,449,797 Rosneft’s treasury shares (12.84% of share capital) at fair value | 327 |
| **AAR's 50% equity interest in TNK-BP:** | |
| US$27.73 billion in cash at the CBR official exchange rate as of the date of acquisition | 858 |
| **Total cash and equity instruments** | **1,700** |
| Fair value of the Company's investment in OJSC Verkhnechonskneftegaz | 67 |
| **Total consideration transferred** | **1,767** |

The fair value of the Rosneft's treasury shares included in the consideration transferred at the acquisition of TNK-BP was determined at the closing price of the Rosneft's global depository receipts listed on the London Stock Exchange as of March 21, 2013.

As a result of the TNK-BP acquisition, the Company's interest in OJSC Verkhnechonskneftegaz increased from 25.94% to the controlling interest and was accounted for under IFRS 3 *Business Combinations* as a step acquisition.

The corresponding revaluation of the Company's non-controlling interest in OJSC Verkhnechonskneftegaz of RUB 38 billion is included in Other income in the consolidated statement of profit or loss for the year ended December 31, 2013. The fair value of the non-controlling interest in OJSC Verkhnechonskneftegaz of RUB 67 billion is included in the consideration transferred.

The acquisition of TNK-BP did not contemplate contingent consideration.

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

In the course of the transaction the following entities were acquired:

| Name | Country of incorporation | Core activity | Preferred and common shares, % | Voting shares, % |
|---|---|---|---|---|
| **Exploration and production** | | | | |
| OJSC Nizhnevartovskoe Neftegazodobyvayuschee Predpriyatie | Russia | Oil and gas development and production | 94.67 | 96.51 |
| OJSC Varyoganneftegaz | Russia | Oil and gas development and production | 89.34 | 90.91 |
| LLC Vanyoganneft JV | Russia | Oil and gas development and production | 94.67 | 96.51 |
| OJSC TNK-Nyagan | Russia | Oil and gas development and production | 94.67 | 96.51 |
| OJSC Tumenneftegaz | Russia | Oil and gas development and production | 94.67 | 96.51 |
| OJSC Orenburgneft | Russia | Oil and gas development and production | 95.13 | 96.61 |
| LLC Buguruslanneft | Russia | Oil and gas development and production | 95.13 | 96.61 |
| OJSC Yugraneft Corporation | Russia | Oil and gas development and production | 75.30 | 76.77 |
| OJSC Samotlorneftegaz | Russia | Oil and gas development and production | 94.67 | 96.51 |
| OJSC TNK-Nizhnevartovsk | Russia | Oil and gas development and production | 94.67 | 96.51 |
| CJSC ROSPAN INTERNATIONAL | Russia | Oil and gas development and production | 94.67 | 96.51 |
| OJSC Verkhnechonskneftegaz | Russia | Oil and gas development and production | 70.05 | 71.42 |
| LLC TNK-Uvat | Russia | Oil and gas development and production | 94.67 | 96.51 |
| LLC Tagulskoe | Russia | Field survey and exploration | 100.00 | 100.00 |
| OJSC Suzun | Russia | Field survey and exploration | 100.00 | 100.00 |
| TNK Vietnam B.V. | The Netherlands | Oil and gas development and production | 100.00 | 100.00 |
| **Refining, logistics and distribution** | | | | |
| LLC Nizhnevartovskoe Neftepererabatyvayuschee Obedinenie | Russia | Petroleum refining | 94.67 | 96.51 |
| CJSC RORC | Russia | Petroleum refining | 94.67 | 96.51 |
| OJSC Saratov Oil Refinery | Russia | Petroleum refining | 81.01 | 87.98 |
| CJSC Karelyanefteprodukt | Russia | Marketing and distribution | 94.67 | 96.51 |
| LLC Kurskoblnefteprodukt | Russia | Marketing and distribution | 94.67 | 96.51 |
| OJSC Kaluganefteprodukt | Russia | Marketing and distribution | 93.04 | 96.51 |
| OJSC Rjazan Oil Produkt | Russia | Marketing and distribution | 93.55 | 96.51 |
| OJSC Tulanefteprodukt | Russia | Marketing and distribution | 87.51 | 92.29 |
| CJSC PCEC | Russia | Marketing and distribution | 94.67 | 96.51 |
| OJSC TNK-Stolitsa | Russia | Marketing and distribution | 94.67 | 96.51 |
| LLC ZSNP | Russia | Marketing and distribution | 94.67 | 96.51 |
| OJSC Saratovnefteprodukt | Russia | Marketing and distribution | 87.98 | 90.29 |
| LLC TNK-BP Northern Capital | Russia | Marketing and distribution | 94.67 | 96.51 |
| LLC TNK Lubricants | Russia | Marketing and distribution | 97.33 | 98.25 |
| CJSC TNK South Management | Russia | Marketing and distribution | 94.67 | 96.51 |
| LLC TNK-BP Marketing | Russia | Marketing and distribution | 94.67 | 96.51 |
| OJSC TNK-Yaroslavl | Russia | Marketing and distribution | 89.03 | 90.76 |
| FLLC "TNK-BP West" | Belarus | Marketing and distribution | 100.00 | 100.00 |
| LLC TNK-Industries | Russia | Marketing and distribution | 94.67 | 96.51 |
| CJSC Koltsovo Fueling Company | Russia | Marketing and distribution | 94.67 | 96.51 |
| LLC TZK-Aktiv | Russia | Marketing and distribution | 94.67 | 96.51 |
| PRJSC LINIK | Ukraine | Petroleum refining | 95.21 | 95.21 |
| TNK Trade Limited | Cyprus Republic | Marketing and distribution | 100.00 | 100.00 |
| LLC Krasnoleninsky Oil Refinery | Russia | Petroleum refining | 94.67 | 96.51 |
| **Other** | | | | |
| TNK Industrial Holdings Limited | British Virgin Islands | Holding company | 100.00 | 100.00 |
| TNK-BP Limited | British Virgin Islands | Holding company | 100.00 | 100.00 |
| TNK-BP International Limited | British Virgin Islands | Holding company | 100.00 | 100.00 |
| TNK Pipelines Vietnam B.V. | The Netherlands | Transportation services | 100.00 | 100.00 |
| Novy Investments Limited | Cyprus Republic | Holding company | 100.00 | 100.00 |
| TNK Management Company Limited | Cyprus Republic | Holding company | 100.00 | 100.00 |
| OJSC TNK-BP Holding | Russia | Holding company | 94.67 | 96.51 |
| OJSC TNK-BP Management | Russia | Management company | 100.00 | 100.00 |

During the second and the third quarters 2013 several acquired entities were renamed.

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

As a result of the acquisition, the Company significantly increased its crude oil production and refining capacity, accessed new geographical markets and substantially expanded its retail network. Management believes that the acquisition of TNK-BP places the Company in a leading position globally among public companies operating in the oil and gas sector, reinforces its position as a regional upstream leader in Russia and Europe, creates significant synergies arising from joint development activities, optimization of oil and oil product logistics, production and sales of natural gas together with improving internal controls over costs and assets.

The Company accounted for the acquisition of TNK-BP as a business combination. The Company consolidated the operating result of the acquired business from March 21, 2013, the date the control was obtained.

The following table summarizes the Company's allocation of the purchase price to the fair value of assets acquired and liabilities assumed:

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Cash and cash equivalents | 178 |
| Restricted cash | 5 |
| Accounts receivable | 53 |
| Inventories | 60 |
| Prepayments and other current assets | 79 |
| **Total current assets** | **375** |
| **Non-current assets** | |
| Property, plant and equipment | 2,235 |
| Intangible assets | 24 |
| Other financial assets | 13 |
| Investments in associates and joint ventures | 207 |
| Deferred tax assets | 9 |
| Other non-current non-financial assets | 9 |
| **Total non-current assets** | **2,497** |
| **Total assets** | **2,872** |
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 117 |
| Loans and borrowings | 31 |
| Income tax liabilities | 3 |
| Other tax liabilities | 61 |
| Provisions | 7 |
| Other current liabilities | 12 |
| **Total current liabilities** | **231** |
| **Non-current liabilities** | |
| Loans and borrowings | 203 |
| Deferred tax liabilities | 344 |
| Provisions | 39 |
| Other non-current liabilities | 9 |
| **Total non-current liabilities** | **595** |
| **Total liabilities** | **826** |
| **Total identifiable net assets at fair value** | **2,046** |
| Non-controlling interests measured at fair value | (112) |
| Gain on bargain purchase | (167) |
| **Total consideration transferred** | **1,767** |

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

TNK-BP acquisition cash flow:

| | |
|---|---|
| Net cash acquired | 178 |
| Cash paid | (1,373) |
| **Net cash outflow** | **(1,195)** |

The bargain purchase gain, arising from the acquisition of TNK-BP, is a result of the exclusive position of the Company on the Russian market. The Company was the only potential buyer, that was able to offer mainly cash consideration for the business acquired without payment deferrals. Additionally, the Company's bargaining power was further enhanced through two separate transactions with BP and the AAR consortium to acquire a non-controlling ownership interest of 50% in each transaction.

Deferred tax liabilities in the amount of RUB 344 billion are mainly attributable to the revaluation of property, plant and equipment.

The fair value of the accounts receivable approximates its outstanding contractual amounts at the acquisition date. There are no accounts receivable that are not expected to be collected.

Net cash outflow of RUB 1,195 billion was included in Acquisition of subsidiaries, net of cash acquired in the investing activities in the consolidated statement of cash flow for the year ended December 31, 2013.

From March 21, 2013 (the date of acquisition) TNK-BP's revenues and net income included in the consolidated statement of profit or loss for the year ended December 31, 2013 were RUB 1,551 billion and RUB 107 billion, respectively.

Had the TNK-BP acquisition taken place at the beginning of the reporting period (January 1, 2013), the revenues and net income of the combined entity would have been RUB 5,069 billion and RUB 582 billion, respectively, for the year ended December 31, 2013.

### *Acquisition of LLC Basic Jet Fuel Operator and LLC General Avia*

In May 2013, the Company acquired a 100% interest in LLC Basic Jet Fuel Operator and LLC General Avia for a consideration of RUB 6 billion. The entities' main activities are jet fuel sales, storage and fuelling services at airports in Krasnodar, Sochi, Anapa, Gelendzhik and Abakan.

The purchase price allocation of consideration paid for the acquisition of LLC Basic Jet Fuel Operator and LLC General Avia is as follows:

| | |
|---|---|
| **ASSETS** | |
| Property, plant and equipment | 1 |
| **Total non-current assets** | **1** |
| Goodwill | 5 |
| **Total net assets acquired** | **6** |

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

Goodwill in the amount of RUB 5 billion arising on the acquisition of LLC Basic Jet Fuel Operator and LLC General Avia relates primarily to the expected increase in jet fuel sales through direct contracts with domestic air carriers.

***Acquisition of LLC Oil and Gas Company ITERA***

On July 2, 2013 the Company acquired a 49% ownership interest in LLC Oil and Gas Company ITERA, a major independent natural gas producer and supplier in Russia. As a result of this acquisition, the Company's interest in LLC Oil and Gas Company ITERA increased to 100%. This acquisition was accounted for as a step acquisition under IFRS 3 *Business Combinations*.

In the course of the transaction the following entities were acquired:

| **Name** | **Country of incorporation** | **Core activity** | **Preferred and common shares** | **Voting shares** |
|---|---|---|---|---|
| **Exploration and production** | | | **%** | **%** |
| LLC Kynsko-Chaselskoye neftegaz | Russia | Oil and gas development and production | 100.00 | 100.00 |
| OJSC Bratskekogaz | Russia | Oil and gas development and production | 79.00 | 79.00 |
| OJSC Sibneftegaz | Russia | Oil and gas development and production | 48.94 | 48.94 |
| OJSC Purgaz | Russia | Oil and gas development and production | 49.00 | 49.00 |
| **Refining, marketing and distribution** | | | | |
| LLC Sibgastranzit | Russia | Marketing and distribution | 100.00 | 100.00 |
| CJSC Uralsevergas | Russia | Marketing and distribution | 67.00 | 67.00 |
| SIA ITERA Latvija | Latvia | Marketing and distribution | 66.00 | 66.00 |
| **Other** | | | | |
| LLC Oil and Gas Company ITERA | Russia | Holding company | 100.00 | 100.00 |
| LLC Firma Proekt | Russia | Holding company | 100.00 | 100.00 |
| LLC Linko-Optim | Russia | Holding company | 100.00 | 100.00 |
| LLC OVIT | Russia | Holding company | 100.00 | 100.00 |
| LLC ITERA Finance | Russia | Finance services | 100.00 | 100.00 |
| LLC EK ENEKO | Russia | Holding company | 100.00 | 100.00 |
| CJSC Regiongas-Invest | Russia | Heat production | 100.00 | 100.00 |
| OJSC Raschetnij center Urala | Russia | Collecting activity | 99.90 | 99.90 |
| ITERA-Turkmenistan Ltd. | Cyprus | Holding company | 100.00 | 100.00 |
| Davonte Holdings Ltd. | Cyprus | Holding company | 100.00 | 100.00 |

The acquisition of LLC Oil and Gas Company ITERA improves business efficiency and creates new opportunities for its growth. It forms a stable platform for the consistent implementation of the Company's gas strategy.

The fair value of the consideration transferred was RUB 189 billion at the acquisition date and included cash in the amount of RUB 95 billion and the fair value of non-controlling interest in LLC Oil and Gas Company ITERA of RUB 94 billion.

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

The following table summarizes the Company's allocation of the purchase price to the fair value of assets acquired and liabilities assumed:

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Cash and cash equivalents | 1 |
| Accounts receivable | 11 |
| Prepayments and other current assets | 2 |
| **Total current assets** | **14** |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 78 |
| Other financial assets | 1 |
| Investments in associates and joint ventures | 132 |
| Deferred tax assets | 1 |
| **Total non-current assets** | **212** |
| **Total assets** | **226** |
| | |
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 6 |
| Loans and borrowings | 12 |
| **Total current liabilities** | **18** |
| | |
| **Non-current liabilities** | |
| Loans and borrowings | 10 |
| Deferred tax liabilities | 16 |
| **Total non-current liabilities** | **26** |
| **Total liabilities** | **44** |
| **Total identifiable net assets at fair value** | **182** |
| Non-controlling interests measured at fair value | (1) |
| Goodwill | **8** |
| **Total consideration transferred** | **189** |

Goodwill in the amount of RUB 8 billion arising on the acquisition of LLC Oil and Gas Company ITERA relates to the expected multiplier effect that will enhance the Company's gas business expansion through access to the assets and gas marketing channels of LLC Oil and Gas Company ITERA, as well as through synergies from the consolidation of the Company's gas business management in LLC Oil and Gas Company ITERA, which will lead to the consistent implementation of the Company's gas strategy. LLC Oil and Gas Company ITERA's acquisition allows the Company to accelerate development of the Kynsko-Chaselskoe hydrocarbon fields. Goodwill was fully attributed to the Exploration and production segment.

Through the LLC Oil and Gas Company ITERA purchase price allocation the Company recognized goodwill arising on the step acquisition of OJSC Sibneftegas in the amount of RUB 4 billion. Goodwill was fully attributed to the Exploration and production segment.

The acquisition of LLC Oil and Gas Company ITERA did not contemplate contingent consideration.

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

***Acquisition of LLC TNK-Sheremetyevo***

On September 30, 2013 the Company acquired a 50% ownership interest in LLC TNK-Sheremetyevo, a 74.9% shareholder of CJSC TZK Sheremetyevo, for a consideration of US$ 300 million (RUB 9.7 billion at the CBR official exchange rate at the date of the transaction). As a result of the acquisition, the Company's interest in LLC TNK-Sheremetyevo increased to 100%. The main activities of CJSC TZK-Sheremetyevo are jet fuel sales, storage and fuelling services at Sheremetyevo International Airport in Moscow.

The acquisition of the 50% interest in LLC TNK-Sheremetyevo was accounted for under IFRS 3 *Business Combinations* as a step acquisition. The fair value of the previously held non-controlling interest in LLC TNK-Sheremetyevo of RUB 11 billion and a loan to LLC TNK-Sheremetyevo from the Company of RUB 5.5 billion are included in the consideration transferred.

Starting from September 30, 2013, the assets and liabilities of LLC TNK-Sheremetyevo and CJSC TZK Sheremetyevo are included in the Company's consolidated balance sheet. In October 2013, LLC TNK-Sheremetyevo was renamed to LLC RN-Aero Sheremetyevo. The consideration for the acquisition of a 50% interest in LLC TNK-Sheremetyevo was fully paid in October 2013.

The following table summarizes the Company's allocation of the LLC TNK-Sheremetyevo purchase price:

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Cash and cash equivalents | 3 |
| Accounts receivable | 2 |
| Other current assets | 1 |
| **Total current assets** | **6** |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 4 |
| Other non-current assets | 2 |
| **Total non-current assets** | **6** |
| **Total assets** | **12** |
| | |
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 4 |
| Loans and borrowings | 2 |
| **Total current liabilities** | **6** |
| **Total liabilities** | **6** |
| **Total identifiable net assets at fair value** | **6** |
| Non-controlling interests measured at fair value | (1) |
| Goodwill | 21 |
| **Total consideration transferred** | **26** |

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

Goodwill in the amount of RUB 21 billion relates primarily to the expected synergies arising from an access to the premium sales in Moscow International Sheremetyevo Airport, the largest airport in Russia in terms of jet fuel consumption and traffic.

The acquisition of LLC TNK-Sheremetyevo did not contemplate contingent consideration.

***Acquisition of LLC Taas-Yuriakh Neftegazodobycha***

In October 2013 the Company completed a number of transactions to acquire a 65% ownership interest in LLC Taas-Yuriakh Neftegazodobycha, increasing its ownership interest to 100%. The Company also acquired the majority of the entity's debt. The total consideration for the 65% ownership interest amounted to US$ 3,139 million (RUB 101 billion as of the date of the transaction), including the entity's debt. LLC Taas-Yuriakh Neftegazodobycha holds an exploration license for the Central block of the Kurungskoe license field in the Srednebotuobinskoe oil and gas condensate deposit.

The acquisition of an additional 65% ownership interest in LLC Taas-Yuriakh Neftegazodobycha was accounted for under IFRS 3 *Business Combinations*, as a step acquisition. The fair value of previously held non-controlling interest in LLC Taas-Yuriakh Neftegazodobycha of RUB 36 billion is included in the consideration transferred.

The following table summarizes the Company's allocation of the LLC Taas-Yuriakh Neftegazodobycha purchase price:

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Prepayments and other current assets | 2 |
| **Total current assets** | **2** |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 146 |
| **Total non-current assets** | **146** |
| **Total assets** | **148** |
| | |
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 4 |
| **Total current liabilities** | **4** |
| | |
| **Non-current liabilities** | |
| Loans and borrowings | 1 |
| Deferred tax liabilities | 23 |
| **Total non-current liabilities** | **24** |
| **Total liabilities** | **28** |
| **Total identifiable net assets at fair value** | **120** |
| Goodwill | 17 |
| **Total consideration transferred** | **137** |

## 7. Acquisitions of subsidiaries (continued)

### Acquisitions of 2013 (continued)

Goodwill in the amount of RUB 17 billion arising on the acquisition of LLC Taas-Yuriakh Neftegazodobycha relates to the expected effect of improved efficiency of Eastern Siberia fields development as a result of shared infrastructure. Goodwill was fully attributed to Exploration and production segment.

The acquisition of LLC Taas-Yuriakh Neftegazodobycha did not contemplate contingent consideration.

***Acquisition of OJSC Sibneftegas***

In November 2013, the Company completed the acquisition of a 40% ownership interest in Artic Russia B.V. from Enel, an Italian oil and gas company, for a cash consideration of RUB 59 billion. Artic Russia B.V. is a parent company holding a controlling interest in LLC Sever-Energiya, which holds licenses for exploration and production within the Samburgskiy license area and for the geological study, exploration and production of hydrocarbons within the Yevo-Yakhinskiy, Yaro-Yakhinskiy and Severo-Chaselskiy license areas.

In December 2013, the Company and OJSC NOVATEK swapped a 40% ownership interest in Artic Russia B.V., owned by the Company, for a 51% ownership interest in OJSC Sibneftegas, owned by OJSC NOVATEK. The transaction did not involve any cash consideration. Following the swap, the Company accumulated a 100% ownership interest in OJSC Sibneftegas. OJSC Sibneftegas holds licenses for hydrocarbon production within the Pyreinoye gas condensate field and for the geological study, exploration and production of hydrocarbons within the Beregovoy and Khadyryakhinskiy license areas.

The acquisition of an additional 51% interest in OJSC Sibneftegas was accounted for under IFRS 3 *Business Combinations*, as a step acquisition. The fair value of the previously held non-controlling interest in OJSC Sibneftegas of RUB 71 billion and is included in the consideration transferred.

Starting from December 27, 2013, the assets and liabilities OJSC Sibneftegas are included in the Company's consolidated balance sheet.

The consideration transferred is presented below:

| | |
|---|---|
| Fair value of 49% interest in OJSC Sibneftegas, obtained as a result of the acquisition of LLC Oil and Gas Company ITERA | 57 |
| Fair value of 40% interest in Artic Russia B.V. | 58 |
| **Total consideration transferred** | **115** |

## 7. Acquisition of subsidiaries (continued)

### Acquisitions of 2013 (continued)

The following table summarizes the Company's allocation of the consideration transferred to the fair value of assets acquired and liabilities assumed:

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Cash and cash equivalents | 2 |
| Accounts receivable and other current assets | 2 |
| **Total current assets** | **4** |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 136 |
| **Total non-current assets** | **136** |
| **Total assets** | **140** |
| | |
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Loans and borrowings | 15 |
| Deferred tax liabilities | 25 |
| **Total liabilities** | **40** |
| **Total identifiable net assets at fair value** | **100** |
| Goodwill | 15 |
| **Total consideration transferred** | **115** |

Goodwill in the amount of RUB 15 billion arising on the acquisition of OJSC Sibneftegas relates to the expected synergies from developing the Company's fields in close proximity to Sibneftegas' infrastructure.

Goodwill in the amount of RUB 4 billion was previously recognized through finalizing the allocation of the purchase price of LLC Oil and Gas Company ITERA. Goodwill was fully attributed to Exploration and production segment.

The acquisition of OJSC Sibneftegas did not contemplate contingent consideration.

### Finalization of the allocation of the purchase price of LLC Basic Jet Fuel Operator, LLC General Avia, LLC Oil and Gas Company ITERA, LLC TNK-Sheremetyevo, LLC Taas-Yuriakh Neftegazodobycha and OJSC Sibneftegas

At the date of the issuance of the consolidated financial statements for the year ended December 31, 2013 the Company made a preliminary allocation of the purchase price of LLC Basic Jet Fuel Operator, LLC General Avia, LLC Oil and Gas Company ITERA, LLC TNK-Sheremetyevo, LLC Taas-Yuriakh Neftegazodobycha and OJSC Sibneftegas to the fair value of assets acquired and liabilities assumed. In the second quarter of 2014 the allocation of the purchase price of LLC Basic Jet Fuel Operator, LLC General Avia, LLC Oil and Gas Company ITERA, and LLC TNK-Sheremetyevo was finalized. In the fourth quarter of 2014 the allocation of the purchase price of LLC Taas-Yuriakh Neftegazodobycha and OJSC Sibneftegas was finalized.

## 7. Acquisition of subsidiaries (continued)

**Finalization of the allocation of the purchase price of LLC Basic Jet Fuel Operator, LLC General Avia, LLC Oil and Gas Company ITERA, LLC TNK-Sheremetyevo, LLC Taas-Yuriakh Neftegazodobycha and update of allocation of the purchase price of OJSC Sibneftegas (continued)**

The following table summarizes the effect from the finalized estimation on the consolidated balance sheet as of December 31, 2013:

| | | Effect from finalized estimation | | | | | |
|---|---|---|---|---|---|---|---|
| | Before finalized estimation | Basic Jet Fuel Operator and General Avia | ITERA | Shere-metyevo | Taas-Yuriakh Neftegazo-dobycha | Sibneftegas | After finalized estimation |
| **ASSETS** | | | | | | | |
| **Current assets** | **1,455** | **–** | **–** | **–** | **–** | **–** | **1,455** |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 5,330 | (6) | (14) | 1 | – | (36) | 5,275 |
| Intangible assets | 37 | – | – | – | – | (2) | 35 |
| Other long-term financial assets | 40 | – | (3) | – | – | – | 37 |
| Investments in associates and joint ventures | 327 | – | – | – | – | – | 327 |
| Bank loans granted | 12 | – | – | – | – | – | 12 |
| Deferred tax assets | 14 | – | – | – | – | – | 14 |
| Goodwill | 164 | 5 | 12 | 1 | 17 | 11 | 210 |
| Other non-current non-financial assets | 12 | – | – | – | – | – | 12 |
| **Total non-current assets** | **5,936** | **(1)** | **(5)** | **2** | **17** | **(27)** | **5,922** |
| **Assets held for sale** | **147** | **–** | **–** | **–** | **7** | **–** | **154** |
| **Total assets** | **7,538** | **(1)** | **(5)** | **2** | **24** | **(27)** | **7,531** |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Current liabilities** | **1,387** | **–** | **–** | **–** | **–** | **–** | **1,387** |
| **Non-current liabilities** | | | | | | | |
| Loans and borrowings and other financial liabilities | 1,684 | – | – | – | – | – | 1,684 |
| Deferred tax liabilities | 660 | (1) | (3) | – | – | (8) | 648 |
| Provisions | 116 | – | – | – | – | – | 116 |
| Prepayment on oil supply agreements | 470 | – | – | – | – | – | 470 |
| Other non-current liabilities | 28 | – | – | – | – | – | 28 |
| **Total non-current liabilities** | **2,958** | **(1)** | **(3)** | **–** | **–** | **(8)** | **2,946** |
| **Liabilities associated with assets held for sale** | **28** | **–** | **–** | **–** | **1** | **–** | **29** |
| **Equity** | | | | | | | |
| Share capital | 1 | – | – | – | – | – | 1 |
| Additional paid-in capital | 477 | – | – | – | – | – | 477 |
| Other funds and reserves | (14) | – | – | – | – | – | (14) |
| Retained earnings | 2,662 | – | (2) | 2 | 23 | (19) | 2,666 |
| **Rosneft shareholders' equity** | **3,126** | **–** | **(2)** | **2** | **23** | **(19)** | **3,130** |
| Non-controlling interest | 39 | – | – | – | – | – | 39 |
| **Total equity** | **3,165** | **–** | **(2)** | **2** | **23** | **(19)** | **3,169** |
| **Total liabilities and equity** | **7,538** | **(1)** | **(5)** | **2** | **24** | **(27)** | **7,531** |

## 7. Acquisition of subsidiaries (continued)

### Finalization of the allocation of the purchase price of LLC Basic Jet Fuel Operator, LLC General Avia, LLC Oil and Gas Company ITERA, LLC TNK-Sheremetyevo, LLC Taas-Yuriakh Neftegazodobycha and update of the allocation of the purchase price of OJSC Sibneftegas (continued)

The effect from finalized estimation on the consolidated statement of profit or loss for 2013:

| | | **Effect from finalized estimation** | | |
|---|---|---|---|---|
| | **Before finalized estimation** | **Taas-Yuriakh Neftegazo-dobycha** | **Sibneftegas** | **After finalized estimation** |
| Revenues and equity share in (losses)/profits of associates and joint ventures | 4,694 | – | – | 4,694 |
| Costs and expenses | 4,139 | – | – | 4,139 |
| **Operating income** | **555** | **–** | **–** | **555** |
| Finance income | 21 | – | – | 21 |
| Finance expenses | (56) | – | – | (56) |
| Other income | 242 | 23 | (19) | 246 |
| Other expenses | (59) | – | – | (59) |
| Foreign exchange differences | (71) | – | – | (71) |
| **Income before income tax** | **632** | **23** | **(19)** | **636** |
| Income tax expense | (81) | – | – | (81) |
| **Net income** | **551** | **23** | **(19)** | **555** |
| **Net income attributable to:** | | | | |
| Rosneft shareholders | 545 | 23 | (19) | 549 |
| non-controlling interests | 6 | – | – | 6 |

The amounts of goodwill arising from acquisitions, mentioned in the Note 7 above, are not tax deductible.

## 8. Assets held for sale

### Assets and liabilities of LLC Taas-Yuriakh Neftegazodobycha

As of December 31, 2013 the assets and liabilities of LLC Taas-Yuriakh Neftegazodobycha were classified as assets held for sale and liabilities associated with assets held for sale (restated):

| | |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Advances issued and other current assets | 3 |
| **Total current assets** | **3** |
| | |
| **Non-current assets** | |
| Property, plant and equipment | 151 |
| **Total non-current assets** | **151** |
| **Total assets held for sale** | **154** |
| | |
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 3 |
| **Total current liabilities** | **3** |
| | |
| **Non-current liabilities** | |
| Loans and borrowings | 3 |
| Deferred tax liabilities | 23 |
| **Total non-current liabilities** | **26** |
| **Total liabilities associated with assets held for sale** | **29** |

Following a reconsideration of plans and the expected disposal period in the second quarter of 2014, the assets and liabilities of LLC Taas-Yuriakh Neftegazodobycha are no longer classified as assets held for sale and liabilities associated with assets held for sale. This reclassification did not have a material effect on the financial position or results of the operations of the Company.

## 9. Segment information

The Company determines its operating segments based on the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. The Exploration and production segment is engaged in field exploration and the production of crude oil and natural gas. The Refining and distribution segment is engaged in processing crude oil and other hydrocarbons into petroleum products, as well as in the purchase, sale and transportation of crude oil and petroleum products. Corporate and other unallocated activities do not represent the operating segment and include corporate activity, activities involved in field development, the maintenance of infrastructure and the functioning of the first two segments, as well as banking and finance services, and other activities. Substantially all of the Company's operations and assets are located in the Russian Federation.

Segment performance is evaluated based on both revenues and operating income which are measured on the same basis as in the consolidated financial statements, and of revaluation of intersegment transactions at market prices.

## 9. Segment information (continued)

Operating segments in 2014:

| | Exploration and production | Refining and distribution | Corporate and other unallocated activities | Adjustments | Consolidated |
|---|---|---|---|---|---|
| **Revenues and equity share in profits of associates and joint ventures** | | | | | |
| Revenues from external customers | – | 5,440 | 75 | – | 5,515 |
| Intersegment revenues | 2,154 | – | – | (2,154) | – |
| Equity share in losses of associates and joint ventures | (12) | – | – | – | (12) |
| **Total revenues and equity share in profits of associates and joint ventures** | 2,142 | 5,440 | 75 | (2,154) | 5,503 |
| **Costs and expenses** | | | | | |
| Costs and expenses other than depreciation, depletion and amortization | 1,357 | 5,123 | 120 | (2,154) | 4,446 |
| Depreciation, depletion and amortization | 383 | 71 | 10 | – | 464 |
| **Total costs and expenses** | 1,740 | 5,194 | 130 | (2,154) | 4,910 |
| **Operating income** | 402 | 246 | (55) | – | 593 |
| Finance income | | | | | 30 |
| Finance expenses | | | | | (219) |
| **Total finance expenses** | | | | | (189) |
| Other income | | | | | 64 |
| Other expenses | | | | | (54) |
| Foreign exchange differences | | | | | 64 |
| **Income before income tax** | | | | | 478 |
| Income tax | | | | | (128) |
| **Net income** | | | | | 350 |

## 9. Segment information (continued)

Operating segments in 2013 (restated):

| | Exploration and production | Refining and distribution | Corporate and other unallocated activities | Adjustments | Consolidated |
|---|---|---|---|---|---|
| **Revenues and equity share in profits of associates and joint ventures** | | | | | |
| Revenues from external customers | – | 4,624 | 58 | – | 4,682 |
| Intersegment revenues | 1,895 | – | – | (1,895) | – |
| Equity share in profits of associates and joint ventures | 12 | – | – | – | 12 |
| **Total revenues and equity share in profits of associates and joint ventures** | 1,907 | 4,624 | 58 | (1,895) | 4,694 |
| **Costs and expenses** | | | | | |
| Costs and expenses other than depreciation, depletion and amortization | 1,097 | 4,431 | 114 | (1,895) | 3,747 |
| Depreciation, depletion and amortization | 329 | 56 | 7 | – | 392 |
| **Total costs and expenses** | 1,426 | 4,487 | 121 | (1,895) | 4,139 |
| **Operating income** | 481 | 137 | (63) | – | 555 |
| Finance income | | | | | 21 |
| Finance expenses | | | | | (56) |
| **Total finance expenses** | | | | | (35) |
| Other income | | | | | 246 |
| Other expenses | | | | | (59) |
| Foreign exchange differences | | | | | (71) |
| **Income before income tax** | | | | | 636 |
| Income tax | | | | | (81) |
| **Net income** | | | | | 555 |

## 9. Segment information (continued)

Oil and gas and petroleum products sales comprise the following (based on the country indicated in the bill of lading):

| | 2014 | 2013 |
|---|---|---|
| **Oil and gas sales** | | |
| International sales of crude oil | **2,458** | 2,116 |
| International sales of crude oil – CIS, other than Russia | **100** | 128 |
| Domestic sales of crude oil | **112** | 81 |
| Sales of gas | **168** | 103 |
| **Total oil and gas sales** | **2,838** | 2,428 |
| | | |
| **Petroleum products and petrochemical sales** | | |
| International sales of petroleum products | **1,544** | 1,201 |
| International sales of petroleum products – CIS, other than Russia | **70** | 84 |
| Domestic sales of petroleum products | **882** | 817 |
| International sales of petrochemical products – Europe | **88** | 82 |
| Domestic sales of petrochemical products | **18** | 12 |
| **Total petroleum products and petrochemicals sales** | **2,602** | 2,196 |

The Company is not dependent on any of its major customers or any one particular customer as there is a liquid market for crude oil and petroleum products. As of December 31, 2014, the amount of current receivable from the Company's major customer totaled RUB 52 billion, or around 13% of the Company's trade receivables.

## 10. Taxes other than income tax

Taxes other than income tax for the years ended December 31 comprise the following:

| | 2014 | 2013 |
|---|---|---|
| Mineral extraction tax | **982** | 829 |
| Excise tax | **139** | 136 |
| Property tax | **28** | 22 |
| Social charges | **38** | 31 |
| Other | **8** | 6 |
| **Total taxes** | **1,195** | 1,024 |

## 11. Export customs duty

Export customs duty for the years ended December 31 comprises the following:

| | 2014 | 2013 |
|---|---|---|
| Export customs duty on oil sales | **1,224** | 1,025 |
| Export customs duty on gas sales | **–** | 1 |
| Export customs duty on petroleum products and petrochemicals sales | **459** | 356 |
| **Total export customs duty** | **1,683** | 1,382 |

## 12. Finance income

Finance income for the years ended December 31 comprises the following:

| | **2014** | **2013** |
|---|---|---|
| **Interest income on** | | |
| Deposits and certificates of deposit | **12** | 5 |
| Loans issued | **10** | 6 |
| Notes receivable | **2** | 2 |
| Bonds | **3** | 3 |
| Current/settlement accounts | **1** | 1 |
| Other interest income | **1** | 1 |
| **Total interest income** | **29** | 18 |
| Gain from changes in fair value of non-derivative short-term financial assets at fair value recognized in profit or loss | **–** | 3 |
| Gain from disposal of financial assets | **1** | – |
| **Total finance income** | **30** | 21 |

## 13. Finance expenses

Finance expenses for the years ended December 31 comprise the following:

| | **2014** | **2013** |
|---|---|---|
| **Interest expense on:** | | |
| Loans and borrowings | **(57)** | (38) |
| Use of funds under terms of prepayment agreements (Note 34) | **(28)** | (5) |
| Other interest expenses | **(2)** | (1) |
| **Total interest expenses** | **(87)** | (44) |
| Net loss from operations with derivative financial instruments | **(122)** | (4) |
| Loss from disposal of financial assets | **(1)** | – |
| Increase in provision due to the unwinding of discount | **(9)** | (8) |
| **Total finance expenses** | **(219)** | (56) |

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization is 5.42% and 3.97% p.a. in 2014 and 2013, respectively.

## 14. Other income and expenses

Other income for the years ended December 31 comprises the following:

| | **2014** | **2013 (restated)** |
|---|---|---|
| Gain from the sale of LLC "Yugragazpererabotka" (Note 28) | **56** | – |
| Non-cash income from acquisition of subsidiaries, net (Note 7) | **–** | 209 |
| Compensation payment for licenses from joint venture parties | **1** | 2 |
| Other | **7** | 35 |
| **Total other income** | **64** | 246 |

## 14. Other income and expenses (continued)

Other expenses for the years ended December 31 comprise the following:

| | 2014 | 2013 |
|---|---|---|
| Sale and disposal of property, plant and equipment and intangible assets | **18** | 13 |
| Disposal of companies and non-production assets | **6** | 5 |
| Impairment of assets | **2** | 9 |
| Social payments, charity, sponsorship, financial aid | **12** | 12 |
| Other | **16** | 20 |
| **Total other expenses** | **54** | 59 |

Impairment of assets relate to a number of market quoted financial assets and certain other assets which were impaired due to sustained decrease in market prices.

## 15. Personnel expenses

Personnel expenses for the years ended December 31 comprise the following:

| | 2014 | 2013 |
|---|---|---|
| Salary | **178** | 144 |
| Statutory insurance contributions | **39** | 31 |
| Expenses for non-statutory defined contribution plan | **5** | 4 |
| Other employee benefits | **9** | 6 |
| **Total personnel expenses** | **231** | 185 |

Personnel expenses are included in Production and operating expenses, General and administrative expenses and Other expenses in the consolidated statement of profit or loss.

## 16. Operating leases

Operating lease agreements have various terms and conditions and primarily consist of indefinite tenancy agreements for the lease of land plots under oilfield pipelines and petrol stations, agreements for the lease of rail cars and rail tank cars for periods over 12 months, and agreements for the lease of land plots for industrial sites of the Company's oil refining plants. The agreements provide for an annual revision of the rental rates and contractual terms and conditions.

Total operating lease expenses for the years ended December 31, 2014 and 2013 amounted to RUB 15 billion and RUB 16 billion, respectively. The expenses were recognized within Production and operating expenses, General and administrative expenses and Other expenses in the statement of profit or loss.

Future minimum lease payments under non-cancellable operating leases as of December 31 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Less than 1 year | **15** | 16 |
| From 1 to 5 years | **49** | 50 |
| Over 5 years | **164** | 163 |
| **Total future minimum lease payments** | **228** | 229 |

## 17. Income tax

Income tax expenses for the years ended December 31 comprise the following:

| | 2014 | 2013 |
|---|---|---|
| Current income tax | **223** | 98 |
| Prior period adjustments | **(5)** | (16) |
| **Current income tax expense** | **218** | 82 |
| Deferred tax relating to origination and reversal of temporary differences | **(90)** | (1) |
| **Deferred income tax benefit** | **(90)** | (1) |
| **Total income tax expense** | **128** | 81 |

Except for the applicable regional tax reliefs, the Russian income tax rate of 20% was applied to companies domiciled in Russian Federation in 2014 and 2013. The income tax rate may vary from 20% for subsidiaries incorporated in other jurisdictions. The rate is calculated according to local fiscal regulations.

Temporary differences between these consolidated financial statements and tax records gave rise to the following deferred income tax assets and liabilities:

| | Consolidated balance sheet as of December 31, | | Consolidated statement of profit or loss for the years, ended December 31, | |
|---|---|---|---|---|
| | 2014 | 2013 (restated) | 2014 | 2013 (restated) |
| Short-term financial assets | **6** | 4 | **2** | 1 |
| Short-term accounts receivable, net of allowance | **3** | 2 | **1** | (1) |
| Inventories | **–** | 2 | **(2)** | – |
| Prepayments and other current assets | **–** | 1 | **(1)** | 1 |
| Long-term financial assets | **1** | 2 | **(1)** | – |
| Long-term accounts receivable, net of allowance | **1** | 1 | **–** | 1 |
| Property, plant and equipment | **8** | 5 | **3** | – |
| Other non-current assets | **1** | – | **1** | – |
| Short-term accounts payable and accrued liabilities | **12** | 7 | **5** | 1 |
| Current financial liabilities | **–** | 1 | **(1)** | 1 |
| Other current liabilities | **31** | 5 | **26** | 3 |
| Long-term accounts payable and accrued liabilities | **3** | 3 | **–** | – |
| Long- term accrued provisions | **12** | 12 | **–** | 2 |
| Tax loss carry forward | **67** | 8 | **58** | – |
| Valuation allowance for deferred income tax assets | **(5)** | (7) | **2** | (5) |
| *Less: deferred tax liabilities offset* | **(116)** | (32) | **–** | – |
| **Deferred tax assets** | **24** | 14 | **93** | 4 |
| Property, plant and equipment | **(447)** | (437) | **(6)** | (4) |
| Mineral rights | **(263)** | (243) | **3** | 1 |
| *Less: deferred tax assets offset* | **116** | 32 | **–** | – |
| **Deferred tax liabilities** | **(594)** | (648) | **(3)** | (3) |
| **Deferred income tax benefit** | | | **90** | 1 |
| **Net deferred tax liabilities** | **(570)** | (634) | | |
| **Recognized in the consolidated balance sheet as following** | | | | |
| Deferred tax assets | **24** | 14 | | |
| Deferred tax liabilities | **(594)** | (648) | | |
| **Net deferred tax liabilities** | **(570)** | (634) | | |

## 17. Income tax (continued)

Net deferred tax liabilities reconciliation is as follows:

| | 2014 | 2013 (restated) |
|---|---|---|
| **As of January 1** | **(634)** | (260) |
| Deferred income tax benefit, recognized in the consolidated statement of profit or loss | **90** | 1 |
| Acquisition of subsidiaries (Note 7) | **(1)** | (398) |
| Reclassification (from)/to assets held for sale | **(23)** | 23 |
| Deferred tax expenses recognized in other comprehensive income | **(2)** | – |
| **As of December 31** | **(570)** | (634) |

A reconciliation between tax expense and the product of accounting profit multiplied by 20% tax rate for the years ended December 31 is as follows:

| | 2014 | 2013 (restated) |
|---|---|---|
| Income before income tax | **478** | 636 |
| **Income tax at statutory rate of 20%** | **96** | 127 |
| *Increase/(decrease) resulting from:* | | |
| Effect of income tax rates in other jurisdictions | **5** | 3 |
| Effect of income tax reliefs | **(15)** | (13) |
| Effect of non-taxable income from acquisition of subsidiaries (Note 7) | **–** | (41) |
| Effect of tax on dividends received from non-resident company | **32** | – |
| Effect of non-taxable income and non-deductible expenses | **10** | 5 |
| **Income tax** | **128** | 81 |

Unrecognized deferred tax assets in the consolidation balance sheet for the years ended December 31, 2014 and 2013 amounted to RUB 14 billion and RUB 5 billion, respectively, related to unused tax losses. Tax loss carry forwards available for utilization by the Company expire in 2015-2024.

## 18. Non-controlling interests

Non-controlling interests include:

| | As of December 31, 2014 | | 2014 | As of December 31, 2013 | | 2013 |
|---|---|---|---|---|---|---|
| | Non-controlling interest (%) | Non-controlling interest in net assets | Non-controlling interest in net income | Non-controlling interest (%) | Non-controlling interest in net assets | Non-controlling interest in net income |
| CJSC Vankorneft | – | – | 3 | 6.04 | 29 | 3 |
| OJSC Grozneftegaz | 49.00 | 3 | – | 49.00 | 3 | (3) |
| OJSC Rosneft Sakhalin | 45.00 | 2 | – | 45.00 | 2 | – |
| OJSC Russian Regional Development Bank (VBRR) | 15.33 | 1 | – | 15.33 | 1 | – |
| SIA ITERA Latvija (Note 7) | 34.00 | 1 | – | 34.00 | 1 | – |
| CJSC TZK Sheremetyevo (Note 7) | 25.10 | 1 | – | 25.10 | 1 | – |
| OJSC RN Holding (Notes 7, 37) | – | – | – | – | – | 2 |
| OJSC Verkhnechonskneftegaz (Notes 7, 37) | – | – | – | – | – | 1 |
| OJSC Samotlorneftegaz (Notes 7, 37) | – | – | – | – | – | 1 |
| LLC RN-Uvatneftegaz (Notes 7, 37) | – | – | – | – | – | 1 |
| OJSC Orenburgneft (Notes 7, 37) | – | – | – | – | – | 1 |
| Non-controlling interests in other entities | various | 1 | (1) | various | 2 | – |
| **Non-controlling interests as of the end of the reporting period** | | **9** | **2** | | **39** | **6** |

## 19. Earnings per share

For the years ended December 31 basic earnings per share comprise the following:

| | 2014 | 2013 (restated) |
|---|---|---|
| Net income attributable to shareholders of Rosneft | **348** | 549 |
| Weighted average number of issued common shares outstanding (millions) | **10,598** | 10,304 |
| **Total basic earnings per share (RUB)** | **32.84** | 53.28 |

## 20. Cash and cash equivalents

Cash and cash equivalents consist of the following:

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Cash on hand and in bank accounts in RUB | **117** | 58 |
| Cash on hand and in bank accounts in foreign currencies | **84** | 172 |
| Deposits | **12** | 43 |
| Other | **3** | 2 |
| **Total cash and cash equivalents** | **216** | 275 |

Cash accounts nominated in foreign currencies represent primarily cash in U.S. dollars.

Deposits are interest bearing and nominated primarily in RUB.

Restricted cash comprises the obligatory reserve of subsidiary banks with the CBR in the amount of RUB 1 billion as of December 31, 2014 and 2013.

## 21. Other short-term financial assets

Other short-term financial assets comprise the following:

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **Financial assets available-for-sale** | | |
| Bonds and promissory notes | **65** | 21 |
| Stocks and shares | **61** | 22 |
| **Financial assets held-to-maturity** | | |
| Bonds | **6** | – |
| **Loans and accounts receivable** | | |
| Loans granted | **1** | 17 |
| Loans issued to associates | **7** | 4 |
| Notes receivable, net of allowance | **57** | 21 |
| Loans granted under reverse repurchase agreements | **–** | 1 |
| Deposits and certificates of deposit | **512** | 131 |
| **Held-for-trading financial assets at fair value through profit or loss** | | |
| Corporate bonds | **9** | 11 |
| State bonds | **5** | 4 |
| **Total other short-term financial assets** | **723** | 232 |

## 21. Other short-term financial assets (continued)

As of December 31, 2014 and 2013 available-for-sale bonds and notes comprise the following:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Type of security** | **Balance** | **Interest rate p.a.** | **Date of maturity** | **Balance** | **Interest rate p.a.** | **Date of maturity** |
| State bonds (federal loan bonds issued by the Ministry of Finance of the Russian Federation) | – | | | 6 | 7.0-8.1% | March 2014 – June 2015 |
| Municipal bonds | – | | | 2 | 8.35-9.0% | December 2014 – November 2018 |
| Corporate bonds | **7** | 3.72-11.0% | February 2015 – October 2026 | 13 | 3.72-10.0% | February 2014 – November 2024 |
| Promissory notes | **58** | 9.5%-15.0% | September 2015 – September 2019 | – | | |
| **Total** | **65** | | | 21 | | |

As of December 31, 2014 and 2013 held-to-maturity bonds comprise the following:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Type of security** | **Balance** | **Interest rate p.a.** | **Date of maturity** | **Balance** | **Interest rate p.a.** | **Date of maturity** |
| State bonds (federal loan bonds issued by the Ministry of Finance of the Russian Federation) | **3** | 7.0% | June 2015 | – | – | – |
| Corporate bonds | **3** | 8.75-10.5% | March 2015 – November 2015 | – | – | – |
| **Total** | **6** | | | – | | |

As of December 31, 2014, notes receivable include corporate notes receivable that are nominated in Euro with a nominal interest rate of 2.843% p.a. and with a maturity through April 2016 and nominally interest-free corporate notes receivable that are nominated in RUB with weighted average effective interest rate of 8.62% p.a. with maturities through September 2015.

As of December 31, 2013, notes receivable include corporate notes receivable that are primarily nominated in RUB with nominal interest rates ranging from 4.25% to 10.7% p.a. with maturities to December 2014 and nominally interest-free corporate notes receivable with a weighted average effective interest rate of 4.8% p.a. with maturities to December 2014.

As of December 31, 2014, deposits and certificates of deposit nominated in U.S. dollars amount to RUB 468 billion and bear interest rates ranging from 0.45% to 4.0% p.a. Deposits and certificates of deposit nominated in RUB amount to RUB 44 billion and bear interest rates ranging from 8.0% to 10.65% p.a.

As of December 31, 2014 and 2013 trading securities comprise the following:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Type of security** | **Balance** | **Interest rate p.a.** | **Date of maturity** | **Balance** | **Interest rate p.a.** | **Date of maturity** |
| Corporate bonds | **9** | 5.375-11.3% | February 2015 – September 2044 | 11 | 1.99-13.5% | February 2014 – October 2026 |
| State and municipal bonds | **5** | 6.9-12.0% | August 2015 – February 2036 | 4 | 5.5-12.0% | April 2014 – February 2036 |
| **Total** | **14** | | | 15 | | |

## 22. Accounts receivable

Accounts receivable include the following:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013** |
| Trade receivables | **413** | 378 |
| Banking loans to customers | **32** | 16 |
| Other accounts receivable | **120** | 30 |
| **Total** | **565** | 424 |
| Allowance for doubtful accounts | **(11)** | (9) |
| **Total accounts receivable, net of allowance** | **554** | 415 |

The allowance for doubtful accounts is recognized at each balance sheet date based on estimates of the Company's management regarding the expected cash inflows to repay accounts receivable.

The Company recognized allowance for doubtful accounts for all significant past due accounts receivable as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013 accounts receivable were not pledged as collateral for loans and borrowings provided to the Company.

## 23. Inventories

Inventories comprise the following:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013** |
| Crude oil and associated gas | **70** | 69 |
| Petroleum products and petrochemicals | **115** | 96 |
| Materials and supplies | **48** | 37 |
| **Total** | **233** | 202 |

Materials and supplies mostly include spare parts. Petroleum products and petrochemicals include those designated both for sale and for own use.

For the years ended December 31:

| | **2014** | **2013** |
|---|---|---|
| Cost of inventories recognized as an expense during the period | **640** | 581 |

Cost of inventories recognized as an expense during the period is included in Production and operating expenses, Cost of purchased oil, gas, petroleum products and refining costs and General and administrative expenses in the consolidated statement of profit or loss.

## 24. Prepayments and other current assets

Prepayments comprise the following:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013** |
| Value added tax and excise receivable | **162** | 183 |
| Prepayments to suppliers | **40** | 36 |
| Settlements with customs | **142** | 80 |
| Profit tax advance payments | **49** | 23 |
| Other | **11** | 8 |
| **Total prepayments and other current assets** | **404** | 330 |

## 24. Prepayments and other current assets (continued)

Settlements with customs primarily represent export duties related to the export of crude oil and petroleum products (Note 11).

## 25. Property, plant and equipment and construction in progress

| | Exploration and production | Refining and distribution | Corporate and other unallocated activities | Total |
|---|---|---|---|---|
| ***Cost as of January 1, 2013 (restated)*** | **2,593** | **701** | **68** | **3,362** |
| Depreciation, depletion and impairment losses as of January 1, 2013 (restated) | **(630)** | **(145)** | **(17)** | **(792)** |
| ***Net book value as of January 1, 2013 (restated)*** | **1,963** | **556** | **51** | **2,570** |
| Prepayments for property, plant and equipment as of January 1, 2013 | 4 | 46 | 9 | 59 |
| **Total as of January 1, 2013 (restated)** | **1,967** | **602** | **60** | **2,629** |
| ***Cost*** | | | | |
| Acquisition of subsidiaries (Note 7) | 2,327 | 272 | 1 | 2,600 |
| Additions | 355 | 226 | 14 | 595 |
| Disposals | (38) | (6) | (2) | (46) |
| Reclassification to assets held for sale (Note 8) | (151) | – | – | (151) |
| Foreign exchange differences | 11 | 4 | – | 15 |
| Cost of asset retirement (decommissioning) obligations | 7 | – | – | 7 |
| ***As of December 31, 2013 (restated)*** | **5,104** | **1,197** | **81** | **6,382** |
| ***Depreciation, depletion and impairment losses*** | | | | |
| Depreciation and depletion charge | (335) | (53) | (4) | (392) |
| Disposals and other movements | 17 | 4 | 3 | 24 |
| Impairment of assets | – | (1) | – | (1) |
| Foreign exchange differences | (7) | (1) | – | (8) |
| ***As of December 31, 2013 (restated)*** | **(955)** | **(196)** | **(18)** | **(1,169)** |
| ***Net book value as of December 31, 2013 (restated)*** | **4,149** | **1,001** | **63** | **5,213** |
| Prepayments for property, plant and equipment as of December 31, 2013 | 4 | 49 | 9 | 62 |
| **Total as of December 31, 2013 (restated)** | **4,153** | **1,050** | **72** | **5,275** |
| ***Cost*** | | | | |
| Acquisition of subsidiaries (Note 7) | 22 | – | – | 22 |
| Additions | 411 | 226 | 16 | 653 |
| Disposals | (41) | (6) | (3) | (50) |
| Reclassification from assets held for sale (Note 8) | 151 | – | – | 151 |
| Foreign exchange differences | 138 | 48 | 11 | 197 |
| Cost of asset retirement (decommissioning) obligations | (17) | – | – | (17) |
| ***As of December 31, 2014*** | **5,768** | **1,465** | **105** | **7,338** |
| ***Depreciation, depletion and impairment losses*** | | | | |
| Depreciation and depletion charge | (385) | (71) | (7) | (463) |
| Disposals and other movements | 21 | 5 | 1 | 27 |
| Impairment of assets | (1) | (2) | – | (3) |
| Foreign exchange differences | (103) | (17) | (2) | (122) |
| ***As of December 31, 2014*** | **(1,423)** | **(281)** | **(26)** | **(1,730)** |
| ***Net book value as of December 31, 2014*** | **4,345** | **1,184** | **79** | **5,608** |
| Prepayments for property, plant and equipment as of December 31, 2014 | 6 | 47 | 5 | 58 |
| **Total as of December 31, 2014** | **4,351** | **1,231** | **84** | **5,666** |

## 25. Property, plant and equipment and construction in progress (continued)

The cost of construction in progress included in property, plant and equipment was RUB 1,083 billion and RUB 928 billion as of December 31, 2014 and 2013, respectively.

Depreciation charge for the years ended December 31, 2014 and 2013 includes depreciation which was capitalized as part of the construction cost of property, plant and equipment and the cost of inventory in the amount of RUB 4 billion and RUB 4 billion, respectively .

The Company capitalized RUB 54 billion and RUB 33 billion of interest expenses on loans and borrowings in 2014 and 2013, respectively.

During 2014 and 2013 the Company received government grants for capital expenditures in the amount of RUB 10 billion and RUB 7 billion, respectively. Grants are accounted for as a reduction of additions in the Exploration and production segment.

### Exploration and evaluation assets

Exploration and evaluation assets included in the Exploration and production segment, including mineral rights to unproved properties, comprise the following:

| | **2014** | **2013** |
|---|---|---|
| ***Cost as of January 1 (restated)*** | **175** | 109 |
| ***Impairment losses as of January 1*** | **(10)** | (10) |
| **Net book value as of January 1 (restated)** | **165** | 99 |
| Acquisition of subsidiaries (Note 7) | **–** | 121 |
| Capitalized expenditures | **26** | 16 |
| Reclassified to development assets | **(13)** | (16) |
| Reclassification to assets held for sale (Note 8) | **–** | (53) |
| Reclassification from assets held for sale (Note 8) | **53** | – |
| Expensed | **(3)** | (2) |
| Foreign exchange differences | **8** | – |
| ***Cost as of December 31 (restated)*** | **246** | 175 |
| ***Impairment losses as of December 31*** | **(10)** | (10) |
| **Net book value as of December 31(restated)** | **236** | 165 |

### Provision for asset retirement (decommissioning) obligations

The provision for asset retirement (decommissioning) obligations was RUB 37 billion and RUB 64 billion as of December 31, 2014 and 2013, respectively, and included in Property, plant and equipment.

## 26. Intangible assets and goodwill

Intangible assets and goodwill comprise the following:

| | Rights for land lease | Other intangible assets | Total intangible assets | Goodwill |
|---|---|---|---|---|
| ***Cost as of January 1, 2013*** | **18** | **9** | **27** | **144** |
| ***Amortization as of January 1, 2013*** | **(5)** | **(3)** | **(8)** | **–** |
| **Net book value as of January 1, 2013** | **13** | **6** | **19** | **144** |
| ***Cost*** | | | | |
| Additions | 1 | 3 | 4 | – |
| Disposals | (6) | (4) | (10) | – |
| Acquisition of subsidiaries (Note 7) | 10 | 14 | 24 | 66 |
| ***As of December 31, 2013 (restated)*** | **23** | **22** | **45** | **210** |
| ***Amortization*** | | | | |
| Amortization charge | (2) | (2) | **(4)** | – |
| Disposal of amortization | 2 | – | **2** | – |
| **As of December 31, 2013 (restated)** | **(5)** | **(5)** | **(10)** | **–** |
| **Net book value as of December 31, 2013 (restated)** | **18** | **17** | **35** | **210** |
| ***Cost*** | | | | |
| Additions | – | 17 | **17** | – |
| Acquisition of subsidiaries (Note 7) | – | 1 | **1** | 5 |
| Disposals | – | (3) | **(3)** | – |
| Foreign exchange differences | 4 | – | **4** | – |
| ***As of December 31, 2014*** | **27** | **37** | **64** | **215** |
| ***Amortization*** | | | | |
| Amortization charge | (2) | (3) | **(5)** | – |
| Disposal of amortization | – | 1 | **1** | – |
| Foreign exchange differences | (1) | – | **(1)** | – |
| ***As of December 31, 2014*** | **(8)** | **(7)** | **(15)** | **–** |
| **Net book value as of December 31, 2014** | **19** | **30** | **49** | **215** |

The Company performed its annual goodwill impairment test as of October 1 of each year. The impairment test was carried out at the beginning of the fourth quarter of each year using the data that was appropriate at that time. Considering the significance of macroeconomic changes in the fourth quarter of 2014, the Company re-performed the test as of December 31, 2014 applying revised macroeconomic forecasts. The excess of fair value over identified net assets comprised RUB 3,767 billion and RUB 1,106 billion for the Exploration and production and Refining and distribution segments, respectively. As a result of the annual test, no impairment of goodwill was identified in 2014 and 2013.

Goodwill acquired through business combinations has been allocated to related groups of cash generating units being its operating segments – the Exploration and production segment and the Refining and distribution segment. In assessing whether goodwill has been impaired, the current values of the operating segments (including goodwill) were compared with their estimated value in use.

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013 (restated)** |
| **Goodwill** | | |
| Exploration and production | **75** | 71 |
| Refining and distribution | **140** | 139 |
| **Total** | **215** | 210 |

The Company has estimated the value in use of the operating segments using a discounted cash flow model.

## 26. Intangible assets and goodwill (continued)

Future cash flows have been adjusted for risks specific to the segment and discounted using a rate, that reflects current market assessments of the time value of money and the risks specific to the segment for which the future cash flow estimates have not been adjusted.

The Company's business plan, approved by the Company's Board of Directors, is the primary source of information for the determination of the operating segments' value in use. The business plan contains internal forecasts of oil and gas production, refinery throughputs, sales volumes of various types of refined products, revenues, operating and capital expenditures. As an initial step in the preparation of these plans, various assumptions, such as oil prices, natural gas prices, refining margins, petroleum product margins and cost inflation rates, are set. These assumptions take into account existing prices, U.S. dollar and RUB inflation rates, other macroeconomic factors and historical trends, as well as markets volatility.

In determining the value in use for each of the operating segments, cash flows have been discounted and aggregated with the segments' terminal value. In determining the terminal value of the Company's segments in the post-forecast period the Gordon model was used.

**Key assumptions applied to calculation**

Changes in these factors have the biggest effect on the sensitivity of discounted cash flows:

- Discount rate

  The discount rate calculation is based on the Company's weighted average cost of capital adjusted to reflect the pre-tax discount rate and amounts to 11.0% p.a. in 2014 (6.9% p.a. in 2013).

- Estimated average annual RUB/U.S. dollar exchange rate

  The average annual RUB/U.S. dollar exchange rate applied was as follows: RUB 50.0, RUB 55.5 and RUB 52.5 for 2015, 2016 and 2017, respectively.

- Oil price

  The forecasted Urals oil price applied was as follows: RUB 2,950, RUB 3,219 and RUB 3,832.5 per barrel for 2015, 2016 and 2017, respectively.

- Production volumes

  Estimated production volumes were based on detailed data for the fields and take into account fields' development plan approved by management through the long-term planning process. The model has used average rates of operation decline equal to natural rates of production decline for the existing assets provided that there is no production drilling. These rates were 8.0% of annual decline for the period after 2026.

As of December 31, 2014 and 2013 the Company did not have any intangible assets with indefinite useful lives. As of December 31, 2014 and 2013 no intangible assets have been pledged as collateral.

## 26. Intangible assets and goodwill (continued)

### Sensitivity to changes in assumptions

The effects of changes in key assumptions are as follows:

*Changes in pre-tax weighted average cost of capital* – The long-term increase of weighted average cost of capital over 14.8% may have a significant effect on the discounted cash flows of the Refining and distribution segment and may likely lead to the segment's goodwill impairment.

*Changes in oil prices* – The long-term decrease of oil prices below RUB 3,265 per barrel for the periods 2017 – onwards may have a significant effect on the discounted cash flows of the Refining and distribution segment and may likely lead to the segment's goodwill impairment.

## 27. Other long-term financial assets

Other long-term financial assets comprise the following:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013 (restated)** |
| Bonds | **4** | 1 |
| Bank deposits | **6** | 6 |
| Financial assets available for sale: | | |
| Shares of OJSC INTER RAO UES | **1** | 1 |
| Shares of OJSC Russian Grids | **1** | 1 |
| Shares of AS Latvijas Gaze, ASE esti GAAS | **3** | 2 |
| Long-term loans issued to associates and joint ventures | **259** | 20 |
| Long-term borrowings | **–** | 3 |
| Loans to employees | **2** | 1 |
| Derivative financial instruments | **–** | 1 |
| Other | **5** | 1 |
| **Total other long-term financial assets** | **281** | 37 |

Pursuant to contracts, long-term loans issued to associates and joint ventures are mostly US$ nominated and have a maturity of three to nine years and bear interest rate ranging from 3.5% to 14.5% p.a. In 2014 the Company provided a long-term loan to its joint venture in the amount of US$ 4 billion (RUB 226 billion at the CBR official exchange rate at the date of loan issuance) earning an interest of 3.5% to 6% p.a. and maturing in 5 years.

Pursuant to contracts, long-term RUB nominated deposits have a maturity period of 5 years and bear interest rate of 8% p.a.

As of December 31, 2014 and 2013, there were no overdue long-term financial assets for which no impairment provision was created.

As of December 31, 2014 and 2013, shares were impaired in the amount of RUB 1 billion and RUB 2 billion.

No long-term financial assets were pledged as collateral as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013, no long-term financial assets were received by the Company as collateral.

## 28. Investments in associates and joint ventures

Investments in associates and joint ventures comprise the following:

| Name of an investee | Country | The Company's share as of December 31, 2014 % | As of December 31, 2014 | As of December 31, 2013 (restated) |
|---|---|---|---|---|
| *Joint ventures* | | | | |
| Polar Lights Company LLC | Russia | 50.00 | **1** | 1 |
| Rosneft Shell Caspian Vent. | Russia | 51.00 | **1** | 1 |
| Taihu Ltd (OJSC Udmurtneft) | Cyprus | 51.00 | **21** | 20 |
| Lanard Holdings Ltd | Cyprus | 50.00 | **18** | 18 |
| CJSC Arktikshelfneftegaz | Russia | 50.00 | **3** | 3 |
| National Oil Consortium LLC | Russia | 80.00 | **27** | 12 |
| Saras S.p.A. | Italy | 20.99 | **17** | 13 |
| OJSC NGK Slavneft | Russia | 49.94 | **143** | 166 |
| Boqueron S.A., Petroperija S.A., PetroMonagas S.A. | Venezuela | various | **9** | 17 |
| PETROVICTORIA S.A. | Venezuela | 40.00 | **25** | – |
| NVGRES Holdings Limited (NVGRES LLC) | Cyprus | 25.01 | **4** | 5 |
| CJSC Messoyakhaneftegaz | Russia | 50.00 | **–** | 2 |
| CJSC STS | Russia | 50.00 | **4** | 4 |
| Petrocas | Cyprus | 49.00 | **8** | – |
| Pipeline consortiums | various | various | **3** | 2 |
| *Associates* | | | | |
| CJSC Purgaz | Russia | 49.00 | **55** | 56 |
| Other associates | various | various | **8** | 7 |
| **Total associates and joint ventures** | | | **347** | 327 |

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

| | The Company's share as of December 31, 2014 % | Share in income/(loss) of equity investees 2014 | Share in income/(loss) of equity investees 2013 |
|---|---|---|---|
| OJSC Verkhnechonskneftegaz | Note 7 | **–** | 3 |
| Taihu Ltd | 51.00 | **11** | 9 |
| NGK ITERA LLC | Note 7 | **–** | 2 |
| OJSC NGK Slavneft | 49.94 | **(17)** | (4) |
| CJSC Purgaz | 49.00 | **–** | – |
| National Oil Consortium LLC | 80.00 | **–** | – |
| Lanard Holdings Ltd | 50.00 | **–** | – |
| Other | various | **(6)** | 2 |
| **Total equity share in (losses)/profits of associates and joint ventures** | | **(12)** | 12 |

Unrecognized share of losses of associates and joint ventures comprise the following:

| Name of an investee | As of December31, 2014 | As of December31, 2013 |
|---|---|---|
| Veninneft LLC | **4** | – |
| Adai Petroleum Company LLP | **4** | 2 |
| **Total unrecognized share of losses of associates and joint ventures** | **8** | **2** |

## 28. Investments in associates and joint ventures (continued)

Financial information of significant associates and joint ventures as of December 31, 2014 and 2013 is presented below:

| Taihu Ltd | As of December 31, 2014 | 2013 |
|---|---|---|
| Cash and cash equivalents | **1** | 1 |
| Accounts receivable | **24** | 18 |
| Other current assets | **2** | 1 |
| Other non-current assets | **82** | 80 |
| **Total assets** | **109** | 100 |
| Short-term loans and borrowings | **(11)** | (7) |
| Income tax liabilities | **(1)** | (1) |
| Other current liabilities | **(16)** | (10) |
| Long-term loans and borrowings | **(27)** | (31) |
| Deferred tax liabilities | **(6)** | (5) |
| Other non-current liabilities | **(7)** | (6) |
| **Total liabilities** | **(68)** | (60) |
| **Net assets** | **41** | 40 |
| **The Company's share, %** | **51.00** | 51.00 |
| **Total Company's share in net assets** | **21** | 20 |

| Taihu Ltd | 2014 | 2013 |
|---|---|---|
| Revenues | **116** | 111 |
| Finance income | **6** | 1 |
| Finance expenses | **(1)** | (1) |
| Depreciation, depletion and amortization | **(4)** | (3) |
| Other expenses | **(90)** | (8) |
| **Income before income tax** | **27** | 23 |
| **Income tax** | **(6)** | (5) |
| **Net income** | **21** | 18 |
| **The Company's share, %** | **51.00** | 51.00 |
| **Total Company's share in net income** | **11** | 9 |

## 28. Investments in associates and joint ventures (continued)

The Company's share of currency translation effect amounted to a loss of RUB 10 billion and RUB 2 billion for the years ended December 31, 2014 and 2013, respectively, which was included in foreign exchange differences on translation of foreign operations in the consolidated statement of other comprehensive income.

| | As of December 31, | |
|---|---|---|
| **OJSC NGK Slavneft** | **2014** | **2013** |
| Cash and cash equivalents | **14** | 28 |
| Accounts receivable | **7** | 11 |
| Other current assets | **10** | 7 |
| Other non-current assets | **415** | 407 |
| **Total assets** | **446** | 453 |
| Short-term loans and borrowings | **(44)** | (24) |
| Tax liabilities | **(15)** | (17) |
| Other current liabilities | **(30)** | (23) |
| Long-term loans and borrowings | **(47)** | (33) |
| Deferred tax liabilities | **(11)** | (10) |
| Other non-current liabilities | **(13)** | (14) |
| **Total liabilities** | **(160)** | (121) |
| **Net assets** | **286** | 332 |
| **The Company's share, %** | **49.94** | 49.94 |
| **Total Company's share in net assets** | **143** | 166 |

| **OJSC NGK Slavneft** | **2014** | **2013** |
|---|---|---|
| Revenues | **197** | 193 |
| Finance income | **1** | 2 |
| Finance expenses | **(30)** | (2) |
| Depreciation, depletion and amortization | **(31)** | (26) |
| Other expenses | **(173)** | (170) |
| **Loss before income tax** | **(36)** | (3) |
| **Income tax** | **1** | (5) |
| **Net loss** | **(35)** | (8) |
| **The Company's share, %** | **49.94** | 49.94 |
| **Total Company's share in net loss** | **(17)** | (4) |

In 2014 OJSC NGK Slavneft and its subsidiaries declared dividends of RUB 6 billion which were recognized as a reduction of the investment in OJSC NGK Slavneft.

## 28. Investments in associates and joint ventures (continued)

| CJSC Purgaz | As of December 31, 2014 | 2013 |
|---|---|---|
| Current assets | **3** | 2 |
| Non-current assets | **8** | 11 |
| **Total assets** | **11** | 13 |
| Current liabilities | **(1)** | (2) |
| Non-current liabilities | **(1)** | – |
| **Total liabilities** | **(2)** | (2) |
| **Net assets** | **9** | 11 |
| **The Company's s share, %** | **49.00** | 49.00 |
| **Total Company's share in net assets** | **4** | 5 |
| Goodwill | 51 | 51 |
| **Total investment** | **55** | 56 |

| CJSC Purgaz | 2014 | 2013 |
|---|---|---|
| Revenue | **12** | 6 |
| Cost of sales | **(11)** | (5) |
| **Gross profit** | **1** | 1 |
| Other expenses | **(1)** | – |
| **Profit before tax** | **–** | 1 |
| **Income tax** | **–** | – |
| **Net income** | **–** | 1 |
| **The Company's share, %** | **49.00** | 49.00 |
| **Total Company's share in net income** | **–** | – |

In 2014 CJSC Purgaz declared dividends of RUB 1 billion which were recognized as a reduction of the investment in CJSC Purgaz.

Investments in Lanard Holdings LTD include goodwill of RUB 17 billion.

***OJSC NGK Slavneft***

As a result of TNK-BP acquisition (Note 7) the Company obtained 49.9% interest in OJSC NGK Slavneft. The investment in OJSC NGK Slavneft of RUB 173 billion at the acquisition date is accounted for as an investment in a joint venture using the equity method.

OJSC NGK Slavneft holds licenses for the exploration and production of oil and gas at 31 license areas located in West Siberia and the Krasnoyarsk region. The annual production of OJSC NGK Slavneft is 17 million toness of crude oil. The crude oil produced (excluding export) is processed at OJSC NGK Slavneft's refineries. The OJSC NGK Slavneft's refineries process over 26 million tonnes of hydrocarbons and produce over 5 million tonnes of gasoline annually.

**28. Investments in associates and joint ventures (continued)**

***Investments in Venezuela***

As a result of the TNK-BP acquisition (Note 7) the Company obtained equity interests in certain assets in Venezuela. The most significant of these investments is in PetroMonagas S.A. in which the Company holds a 16.7% interest. The investment in Venezuela of RUB 17 billion is accounted for as an investment in joint venture using the equity method.

PetroMonagas S.A. is engaged in the exploration and development of oil and gas fields in the eastern part of Orinoko Basin. In 2014 PetroMonagas S.A. produced 53.4 million barrels of oil equivalent. PetroMonagas S.A. is an integrated project involving the extra-heavy crude oil extraction and the upgrading, production and export of synthetic crude oil.

On May 23, 2013 the Company entered into a joint venture agreement with Corporacion Venezolana del Petroleo, a subsidiary of Petróleos de Venezuela S.A. ("PDVSA"), Venezuelan state oil company. On November 14, 2013 the Petrovictoria S.A. joint venture was incorporated to effect the exploration of heavy oil of Project Carabobo-2 in Venezuela. On August 27, 2014 the Company paid a 40% of bonus in the amount of $440 million (RUB 16 billion at the CBR official exchange rate at the transaction date) for participation in Petrovictoria S.A. as a minority partner.

***National Oil Consortium LLC***

In January 2013, the Company acquired an additional 20% ownership interest in LLC National Oil Consortium ("NOC") for RUB 6 billion. As a result of this acquisition and the TNK-BP acquisition (Note 7), the Company's interest in NOC increased to 60%. NOC provides financing for the exploration project at Junin-6 block in Venezuela jointly with a subsidiary of PDVSA. The interest in NOC continues to be accounted for as an equity investment due to joint control under the shareholder's agreement.

On December 23, 2014 the Company and OJSC Lukoil entered into an agreement on the Company's acquisition of 20% share in the NOC. The acquisition was completed in January 2015. Following the transaction, the Company's ownership interest in NOC increased to 80%, with the remaining 20% interest owned by OJSC Gazprom Neft.

***Acquisition of interest in refining assets***

On April 23, 2013 the Company acquired a 13.70% interest in Saras S.p.A. ("Saras") for a total consideration of EURO 178.5 million (RUB 7 billion at the CBR official exchange rate at the acquisition date) from Angelo Moratti S.a.p.a., Gian Marco Moratti and Massimo Moratti.

On June 14, 2013 as a result of a voluntary public offer with respect to 69,310,933 ordinary shares the Company acquired an additional 7.29% interest in Saras for the total consideration of EURO 95 million (RUB 4 billion at the CBR official exchange rate at the acquisition date).

As a result of this acquisition, the Company's interest in the equity of Saras increased to 20.99% and is accounted for as an equity investment.

Saras is a leading Italian and European crude oil refiner which sells and distributes petroleum products in Italy and in international markets. Saras is also engaged in electric power production and sale, industrial engineering and scientific research services to the oil, electric power and environment sectors, and hydrocarbons exploration.

## 28. Investments in associates and joint ventures (continued)

***Sale of interest in LLC Yugragazpererabotka***

In February 2014, the Company and OJSC Sibur-Holding entered into an agreement to sell 49% of LLC Yugragazpererabotka, owned through OJSC RN Holding, a subsidiary of the Company. The transaction was completed in March 2014. Proceeds from the disposal of interest in the LLC Yugragazpererabotka amounted to RUB 56 billion at the CBR official exchange rate as of the date of the disposal. During the first quarter of 2014, the Company received a cash payment of RUB 21 billion. The gain on the disposal of investments in LLC Yugragazpererabotka amounting to RUB 56 billion is included in the Other income in the consolidated statement of profit or loss for 2014.

***Acquisition of interest in Petrocas Energy Limited and creation of a joint venture***

In December 2014 the Company established a joint venture with Petrocas Energy International Limited ("Petrocas") by acquiring a 49% interest in its share capital. The payment of US$144 million (RUB 9.3 billion at the CBR official exchange rate as of the date of transaction) was made in January 2015.

Petrocas owns and operates high-technology storage assets in oil and oil products logistics as well as the largest retail network of 140 branded gas stations in Georgia and conducts trading activities in the Caspian and Black Sea regions.

## 29. Other non-current non-financial assets

Other non-current non-financial assets comprise the following:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013** |
| Long-term advances issued | **6** | 6 |
| Prepaid insurance | **–** | 1 |
| Other | **3** | 5 |
| **Total other non-current non-financial assets** | **9** | 12 |

## 30. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013** |
| **Financial liabilities** | | |
| Accounts payable to suppliers and contractors | **272** | 187 |
| Voluntary offer to acquire OJSC RN Holding securities (Note 37) | **–** | 153 |
| Salary and other benefits payable | **55** | 45 |
| Banking customer accounts | **62** | 36 |
| Other accounts payable | **34** | 22 |
| **Total financial liabilities** | **423** | 443 |
| **Non-financial liabilities** | | |
| Short-term advances received | **71** | 45 |
| **Total accounts payable and accrued liabilities** | **494** | 488 |

In 2014 current accounts payable were settled within 41 days (2013: 47 days) on average. Interest rates on banking customer accounts amount to 0-7.5% p.a. Trade and other payables are non-interest bearing.

## 31. Loans and borrowings and other financial liabilities

Loans and borrowings comprise the following:

| | | As of December 31, | |
|---|---|---|---|
| | **Currency** | **2014** | **2013** |
| **Long-term** | | | |
| Bank loans | RUB | **143** | 115 |
| Bank loans | US$, Euro | **2,067** | 1,711 |
| Bonds | RUB | **138** | 131 |
| Eurobonds | US$ | **408** | 247 |
| Customer deposits | RUB | **6** | 12 |
| Customer deposits | US$, Euro | **5** | 5 |
| Borrowings | Euro | **6** | – |
| Promissory notes payable | US$ | **2** | – |
| Other borrowings | US$ | **278** | – |
| *Less: current portion of long-term loans and borrowings* | | **(877)** | (545) |
| **Long-term loans and borrowings** | | **2,176** | 1,676 |
| Finance lease liabilities | US$ | **18** | 12 |
| *Less: Current portion of long-term finance lease liabilities* | | **(4)** | (4) |
| **Total loans and borrowings and other financial liabilities** | | **2,190** | 1,684 |
| **Short-term** | | | |
| Bank loans | RUB | **53** | 2 |
| Bank loans | US$, Euro | **–** | 88 |
| Customer deposits | RUB | **18** | 11 |
| Customer deposits | US$, Euro | **6** | 2 |
| Borrowings | Euro | **–** | 3 |
| Borrowings – Yukos related | RUB | **–** | 11 |
| Promissory notes payable – Yukos related | RUB | **20** | 20 |
| Promissory notes payable | RUB | **–** | 1 |
| Obligations under a repurchase agreement | RUB | **13** | 1 |
| Other borrowings | RUB | **15** | – |
| Other borrowings | US$ | **73** | – |
| *Current portion of long-term loans and borrowings* | | **877** | 545 |
| **Short-term loans and borrowings and current portion of long-term loans and borrowings** | | **1,075** | 684 |
| Current portion of long-term finance lease liabilities | | **4** | 4 |
| Short-term liabilities related to derivative financial instruments | | **137** | 6 |
| Other short-term financial liabilities | | **–** | 7 |
| **Total short-term loans and borrowings and other financial liabilities** | | **1,216** | 701 |
| **Total loans and borrowings and other financial liabilities** | | **3,406** | 2,385 |

## 31. Loans and borrowings and other financial liabilities (continued)

### *Long-term loans and borrowings*

Long-term bank loans comprise the following:

| Currency | Interest rate p.a. | Maturity date | As of December 31, 2014 | 2013 |
|---|---|---|---|---|
| US$ | LIBOR + 1.00% − LIBOR + 4.50% | 2015-2029 | **1,964** | 1,634 |
| EUR | EURIBOR + 0.35% − EURIBOR + 2.40% | 2016-2020 | **108** | 86 |
| RUB | 7.20%-11.00% | 2015-2018 | **143** | 115 |
| **Total** | | | **2,215** | 1,835 |
| Debt issue costs | | | **(5)** | (9) |
| **Total long-term bank loans** | | | **2,210** | 1,826 |

Long-term bank loans from foreign banks to finance special-purpose business activities nominated in US$ are partially secured by oil export contracts. If the Company fails to make timely debt repayments, the terms of such contracts are normally provide the lender with the express right of claim for contractual revenue in the amount of failing loan repayments which purchaser generally remit directly through transit currency accounts in lender banks. The outstanding balance of Accounts receivable arising from such contracts amounts to RUB 22 billion and RUB 24 billion as of December 31, 2014 and 2013, respectively, and is included in Trade receivables of purchasers and customers.

Certain US$ nominated loans raised for the replenishment of working capital were assumed through the acquisition of TNK-BP (Note 7). As of December 31, 2014 the total outstanding debt for the above mentioned loans amounted to US$ 0.88 billion (RUB 49 billion at the CBR official exchange rate as of December 31, 2014).

In March 2013, the Company drew down four long-term unsecured loans from a group of international banks for a total of US$ 31.04 billion to finance the acquisition of TNK-BP (Note 7). The first debt agreement of US$ 4.09 billion was entered into with a syndicate of foreign banks for 5 years at floating rates. The second debt agreement was entered into with a syndicate of foreign banks at floating rates in the amount of US$ 12.74 billion for 2 years. The third debt agreement was entered into with a syndicate of foreign banks at floating rates for 2 years in the amount of US$ 11.88 billion. The fourth debt agreement in the amount of US$ 2.33 billion was entered into with a syndicate of foreign banks for 5 years at floating rates. In December 2013 the Company partially repaid a long-term loan from international banks in the amount of US$ 5.1 billion. In 2014, the Company partially repaid two out of four unsecured long-term loans from international banks in the amount of US$ 12.40 billion (RUB 603 billion at the CBR official exchange rate at the transaction date), including US$ 0.76 billion (RUB 28 billion at the CBR official exchange rate at the transaction date) repaid as early repayment. As of December 31, 2014 the total debt for the above mentioned loans amounted to US$ 13.55 billion (RUB 762 billion at the CBR official exchange rate as of December 31, 2014).

In June 2013, the Company drew down funds under long-term floating rate collateralized loan agreement with a foreign bank in the amount of US$ 2 billion (RUB 113 billion at the CBR official exchange rate as of December 31, 2014). The loan is repayable within 16 years and is secured by oil export contracts.

In November 2013, the Company drew down funds under floating rate unsecured long-term loan from an international bank in the amount of US$ 0.75 billion (RUB 42 billion at the CBR official exchange rate as of December 31, 2014) for 5 years.

In December 2013, the Company drew down funds under a long-term floating rate unsecured loan from the group of international banks for a total amount of US$ 0.50 billion (RUB 28 billion at the CBR official exchange rate as of December 31, 2014) for 5 years.

## 31. Loans and borrowings and other financial liabilities (continued)

***Long-term loans and borrowings (continued)***

In March 2014, the Company drew down funds under a long-term fixed rate unsecured loan from a Russian bank for a total amount of RUB 12.5 billion repayable in the first quarter of 2017.

In July-August 2014, the Company drew down funds under a floating rate long-term unsecured loans from Russian banks in the total amount of equivalent RUB 18.1 billion at the CBR official exchange rate as of December 31, 2014 for a term of 5 to 10 years.

In November 2014, the Company drew down funds under a fixed rate in the total amount of RUB 15 billion repayable in the fourth quarter of 2018.

In February 2014, the Company placed two issues of documentary interest-bearing non-convertible bearer bonds with a total nominal value of RUB 35 billion and a term of 10 years. Coupon payments are made on a semi-annual basis at a fixed rate of 8.9% p.a. for the first 10 coupon periods.

Non-convertible interest-bearing RUB nominated bearer bonds in circulation comprise the following:

| | Security ID | Date of issue | Total volume in RUB billions | Coupon (%) | As of December 31, 2014 | As of December 31, 2013 |
|---|---|---|---|---|---|---|
| Bonds | 04,05 | October 2012 | 20 | 8.6% | **20** | 20 |
| Bonds | 07,08 | March 2013 | 30 | 8.0% | **31** | 31 |
| Bonds | 06,09,10 | June 2013 | 40 | 7.95% | **40** | 40 |
| SE Bonds* | БО-05, БО-06 | December 2013 | 40 | 7.95% | **11** | 40 |
| SE Bonds | БО-01,БО-07 | February 2014 | 35 | 8.90% | **36** | – |
| SE Bonds* | БО-02, БО-03, БО-04 БО-08, БО-09, БО-10 БО-11, БО-12, БО-13 БО-14, БО-15, БО-16 БО-17, БО-24 | December 2014 | 625 | 11.90%** | **–** | – |
| **Total long-term RUB bonds** | | | | | **138** | 131 |

* On the reporting date these issues are partially used as an instrument under REPO transactions.

** For the first coupon period.

All of the above mentioned bonds are issued with the a maturity period of 6 and 10 years with quarterly and semi-annual coupon payments, respectively. Bonds are provided for early repurchase at the request of a bond holder as set in the respective offering documents. In addition, the issuer, at any time and at its discretion, may early purchase/repay the bonds with the possibility of subsequent bonds circulation. Such purchase/repayment of the bonds does not constitute an early redemption.

## 31. Loans and borrowings and other financial liabilities (continued)

***Long-term loans and borrowings (continued)***

Corporate Eurobonds comprise the following:

| | Coupon rate (%) | Currency | Maturity | As of December 31, 2014 | 2013 |
|---|---|---|---|---|---|
| Eurobonds (Series 1) | 3.149% | US$ | 2017 | **57** | 33 |
| Eurobonds (Series 2) | 4.199% | US$ | 2022 | **114** | 66 |
| Eurobonds (Series 7) | 6.250% | US$ | 2015 | **29** | 17 |
| Eurobonds (Series 2) | 7.500% | US$ | 2016 | **61** | 38 |
| Eurobonds (Series 4) | 6.625% | US$ | 2017 | **48** | 30 |
| Eurobonds (Series 6) | 7.875% | US$ | 2018 | **68** | 43 |
| Eurobonds (Series 8) | 7.250% | US$ | 2020 | **31** | 20 |
| **Total long-term Eurobonds** | | | | **408** | 247 |

In the fourth quarter of 2012, the Company raised the funds through Eurobonds placement in the total amount of US$ 3.0 billion. Eurobonds were placed in two tranches at a nominal value: one in the amount of US$ 1.0 billion (RUB 56 billion at the CBR official exchange rate as of December 31, 2014) with the coupon of 3.149% p.a. to mature in March 2017, and the other one in the amount of US$ 2.0 billion (RUB 113 billion at the CBR official exchange rate as of December 31, 2014) with the coupon of 4.199% p.a. to mature in March 2022. The funds received will be used for general corporate purposes.

Eurobonds of the second, the forth, the sixth, the seventh and the eighth series were assumed through the acquisition of TNK-BP (Note 7)

Customer deposits represent fixed-term deposits placed by customers with the Company's subsidiary banks, nominated in RUB and foreign currencies. As of December 31, 2014, RUB nominated deposits bear interest rates ranging from 0.10% to 12.80% p.a. and deposits nominated in foreign currencies bear interest rates ranging from 0.10% to 7.90% p.a.

In December 2014 the Company attracted other long-term floating rate borrowing funds in total amount of equivalent RUB 278 billion at the CBR official exchange rate as of December 31, 2014 repayable in the fourth quarter of 2017 under repurchasing agreements operations. Own corporate bonds were used as an instrument for those deals.

The Company is obliged to comply with a number of restrictive financial and other covenants contained in several of its loan agreements. Such covenants include maintaining certain financial ratios.

As of December 31, 2014 and 2013 the Company was in compliance with all restrictive financial and other covenants contained in its loan agreements.

***Short-term loans and borrowings***

In November 2013, the Company drew down two floating rates tranches of unsecured loan from international bank in the total amount of US$ 1.5 billion (RUB 49 billion at the CBR official exchange rate as of December 31, 2013): the first in the amount of US$ 0.5 billion (RUB 16 billion at the CBR official exchange rate as of December 31, 2013) for 1 year and the second in the amount of US$ 1.0 billion (RUB 33 billion at the CBR official exchange rate as of December 31, 2013) maturing within 6 months. During 2014, the Company repaid the US$ 0.5 billion tranche in accordance with the repayment schedule and repaid the US$ 1 billion tranche in full ahead of schedule.

## 31. Loans and borrowings and other financial liabilities (continued)

***Short-term loans and borrowings (continued)***

In the third quarter of 2014, the Company drew down funds from a Russian bank under a fixed rate debt agreements of RUB 51.96 billion. The debt is due in the third quarter of 2015.

Customer deposits represent fixed-term deposits placed by customers with the Company's subsidiary banks, nominated in RUB and foreign currencies. As of December 31, 2014 the RUB nominated deposits bear interest rates ranging from 0.01% to 17.00% p.a. and deposits nominated in foreign currencies bear interest rates ranging from 0.01% to 9.50% p.a.

Promissory notes payable – Yukos related comprise amounts that were carried in the books of the former Yukos subsidiaries the Company acquired through the auctions for the sale of Yukos's assets. The promissory notes are being disputed by the Company. The promissory notes are claimed to be primarily payable on demand and bear interest rates ranging from 0% to 18% p.a. (Note 41).

In 2013-2014 the Company received cash under repurchase agreements and recognized these transactions as a collateralized loan. As of December 31, 2014 and 2013, the liabilities of the Company under repurchase agreements amounted to RUB 13 billion and RUB 1 billion, respectively, and the fair value amounted to RUB 13.5 billion and RUB 1.1 billion, respectively.

In November 2014, the Company drew down other short-term fixed rate borrowing funds in total amount of RUB 15 billion repayable in the fourth quarter of 2015 under repurchasing agreements operations. Own corporate bonds were used as an instrument for those deals.

In December 2014, the Company drew down other short-term floating rate borrowing of equivalent RUB 73.33 billion at the CBR official exchange rate as of December 31, 2014 with the repayment in the first quarter of 2015 under repurchasing agreements operations. Own corporate bonds were used as an instrument for the deal.

In 2014 the Company had neither delays in payments under loan agreements nor overdue interest payments.

***Finance lease***

Repayments of finance lease obligations comprise the following:

| | As of December 31, 2014 | | |
|---|---|---|---|
| | **Minimum lease payments** | **Finance expense** | **Present value of minimum lease payments** |
| Less than 1 year | **6** | **(2)** | **4** |
| From 1 to 5 years | **10** | **(2)** | **8** |
| Over 5 years | **7** | **(1)** | **6** |
| **Total** | **23** | **(5)** | **18** |

| | As of December 31, 2013 | | |
|---|---|---|---|
| | **Minimum lease payments** | **Finance expense** | **Present value of minimum lease payments** |
| Less than 1 year | 5 | (1) | 4 |
| From 1 to 5 years | 6 | (1) | 5 |
| Over 5 years | 3 | − | 3 |
| **Total** | 14 | (2) | 12 |

## 31. Loans and borrowings and other financial liabilities (continued)

### *Finance lease (continued)*

Finance leases entered into by the Company do not contain covenants and are entered into over the long-term, with certain leases having purchase options at the end of the lease term. Finance leases are nominated in RUB and US$.

The following is the analysis of the property, plant and equipment under capital leases recognized in Property, plant and equipment (Note 25):

| | As of December 31, 2014 | As of December 31, 2013 |
|---|---|---|
| Plant and machinery | **18** | 12 |
| Vehicles | **6** | 6 |
| **Total cost** | **24** | 18 |
| Less: accumulated depreciation | **(12)** | (9) |
| **Total net book value of leased property** | **12** | 9 |

### *Liabilities related to derivative financial instruments*

Short-term liabilities related to derivative financial instruments include liabilities related to cross-currency rate swaps and currency forward transactions.

In accordance with the foreign currency and interest rate risk management policy the Company entered into cross-currency rate swap transactions and currency forward transactions to sell US$. The transactions balance the currency of revenues and liabilities and reduce the overall interest rates on borrowings.

The cross-currency rate swaps and the currency forward transactions are recorded in the consolidated balance sheet at fair value. The measurement of the fair value of the transactions is based on discounted cash flow model and consensus-forecast of foreign currency rates. The consensus-forecast takes into account the forecast of the key international banks and agencies. The Bloomberg system is the main information source for the model.

Open derivative financial instruments comprise the following:

| | Issue date | Expiry date | Nominal amount as of December 31, 2014 US$ million | Nominal amount as of December 31, 2014 RUB billion* | Interest rate type | Fair value of the liabilities as of December 31, 2014 | Fair value of the liabilities as of December 31, 2013 |
|---|---|---|---|---|---|---|---|
| Swaps | 2012 | 2015 | 1,982 | 111 | fixed | **54** | 4 |
| Swaps | 2012 | 2017 | 641 | 36 | floating | **9** | 1 |
| Swaps | 2013 | 2018 | 2,138 | 120 | floating | **14** | 1 |
| Swaps | 2014 | 2015 | 1,440 | 81 | fixed | **29** | – |
| Swaps | 2014 | 2019 | 1,010 | 57 | floating | **6** | – |
| Forwards | 2012 | 2015 | 1,072 | 60 | – | **25** | – |
| **Total** | | | **8,283** | **465** | | **137** | 6 |

* the equivalent nominal amount at the CBR official exchange rate as of December 31, 2014.

In accordance with the schedule of the currency forward transactions, opened in 2012, the Company executed transactions in 2012-2014 for the nominal amount of US$ 187 million (RUB 11 billion at the CBR official exchange rate as of December 31, 2014).

In 2014 the Company entered into a cross-currency rate swap transaction with one bank for a term of less than twelve months for the nominal amount of US$ 320 million (RUB 18 billion at the CBR official exchange rate as of December 31, 2014) at the fixed interest rate. The transaction was executed in 2014.

## 32. Other short-term tax liabilities

Other short-term tax liabilities comprise the following:

| | As of December 31, 2014 | As of December 31, 2013 |
|---|---|---|
| Mineral extraction tax | **69** | 81 |
| VAT | **55** | 50 |
| Excise duties | **11** | 14 |
| Personal income tax | **1** | 1 |
| Property tax | **7** | 6 |
| Other | **19** | 9 |
| **Total other tax liabilities** | **162** | 161 |

## 33. Provisions

| | Asset retirement obligations | Environmental remediation provision | Legal, tax and other claims | Total |
|---|---|---|---|---|
| **As of January 1, 2013 (restated), including** | **58** | **15** | **3** | **76** |
| *Non-current* | *58* | *13* | *–* | *71* |
| *Current* | *–* | *2* | *3* | *5* |
| Provisions charged during the year | 15 | 4 | 2 | 21 |
| Increase/(decrease) in the liability resulting from: | | | | |
| Changes in estimates | (5) | – | 3 | (2) |
| Change in the discount rate | (3) | – | – | (3) |
| Unwinding of discount | 6 | 2 | – | 8 |
| Utilized | (2) | (5) | (1) | (8) |
| Acquisition of TNK-BP (Note 7) | 25 | 17 | 4 | 46 |
| **As of December 31, 2013, including** | **94** | **33** | **11** | **138** |
| *Non-current* | *91* | *24* | *1* | *116* |
| *Current* | *3* | *9* | *10* | *22* |
| Provisions charged during the year (Note 41) | 4 | 4 | 16 | 24 |
| Increase/(decrease) in the liability resulting from: | | | | |
| Changes in estimates | (6) | 2 | (1) | (5) |
| Change in the discount rate | (15) | (1) | – | (16) |
| Unwinding of discount | 7 | 2 | – | 9 |
| Utilized | (1) | (5) | (1) | (7) |
| **As of December 31, 2014, including** | **83** | **35** | **25** | **143** |
| *Non-current* | *80* | *24* | *3* | *107* |
| *Current* | *3* | *11* | *22* | *36* |

Asset retirement (decommissioning) obligations represent an estimate of costs for wells liquidation, reclamation of sand pits, slurry ponds, disturbed lands and dismantling pipelines and power transmission lines. The budget for payments under asset retirement obligations is prepared on an annual basis. Depending on the current economic environment the entity's actual expenditures may vary from the budgeted amounts.

## 34. Long-term prepayment on oil supply agreements

During 2013-2014 the Company entered into a number of long-term crude oil supply contracts which involve the receipt of prepayment. The total minimum delivery volume approximates 400 million tonnes of crude oil.

The contracts include the following main terms:

- prepayment amounts shall not to exceed 30% of the total contracted volume;
- the crude oil price is calculated based on current market prices;
- prepayment is settled through the physical deliveries of crude oil.

The prepayments will be reimbursed starting from 2015. The Company considers these contracts to be a regular way sale contracts which were entered into for the purpose of the delivery of a non-financial item in accordance with the Company's expected sale requirements.

| | **2014** | **2013** |
|---|---|---|
| **As of January 1** | **470** | – |
| Received | **497** | 470 |
| Less current portion | **(80)** | – |
| **As of December 31** | **887** | 470 |

## 35. Other non-current liabilities

Other non-current liabilities comprise the following:

| | **As of December 31,** | |
|---|---|---|
| | **2014** | **2013** |
| Ruhr Oel GmbH liabilities due BP | **24** | 16 |
| Shelf projects liabilities | **19** | 10 |
| Liabilities for investing activities | **1** | 1 |
| Other | **2** | 1 |
| **Total other non-current liabilities** | **46** | 28 |

Other non-current liabilities mostly comprise the Ruhr Oel GmbH pension and other liabilities due to BP group relating to BP group employees of Ruhr Oel GmbH plants.

## 36. Pension benefit obligations

### *Defined contribution plans*

The Company makes payments to the State Pension Fund of the Russian Federation. These payments are calculated by the employer as a percentage of Salary expense and are expensed as accrued.

The Company also maintains a defined contribution corporate pension plan to finance the non-state pensions of its employees.

Pension contributions recognized in the consolidated statement of profit or loss were as follows:

| | **2014** | **2013** |
|---|---|---|
| State Pension Fund | **34** | 23 |
| NPF Neftegarant | **5** | 4 |
| **Total pension contributions** | **39** | 27 |

## 37. Shareholders' equity

### *Common shares*

As of December 31, 2014 and 2013:

| | |
|---|---|
| **Authorized common shares** | |
| quantity, millions | 10,598 |
| amount, billions of RUB | 0.6 |
| **Issued and fully paid shares** | |
| quantity, millions | 10,598 |
| amount, billions of RUB | 0.6 |
| **Nominal value of 1 common share, RUB** | 0.01 |

Starting from 2011 the Company distributes dividends in the amount of 25% of IFRS net income, attributable to the Company's shareholders. According to Russian legislation the basis of distribution is identified as the current period net profit of OJSC Rosneft Oil Company calculated in accordance with Russian accounting standards.

On June 20, 2013, the annual General Meeting of Shareholders approved dividends on the Company's common shares for 2012 in the amount of RUB 85 billion or RUB 8.05 per share. In the third quarter of 2013, the approved dividends were paid.

On June 27, 2014, the annual General Meeting of Shareholders approved dividends on the Company's common shares for 2013 in the amount of RUB 136 billion or RUB 12.85 per share. In the third quarter of 2014, the approved dividends were paid.

### *Treasury shares*

In March 2013, the Company transferred 1,360,449,797 of its own shares to BP as a consideration for the acquisition of TNK-BP (Note 7).

### *Additional paid-in capital*

| | **2014** | **2013** |
|---|---|---|
| **Additional paid-in capital as of January 1** | **477** | **385** |
| Sale of treasury shares (Note 7) | **–** | 28 |
| Sale of 9.99% of OJSC RN Holding shares | **–** | (125) |
| Voluntary offer to acquire OJSC RN Holding shares | **–** | 189 |
| Change in ownership interests in subsidiaries (Note 18) | **16** | – |
| **Additional paid-in capital as of December 31** | **493** | 477 |

In the third quarter of 2013 9.99% of interest in OJSC RN Holding, a subsidiary of the Company, was sold to certain unrelated third parties for a cash consideration of an aggregate RUB 97 billion. As these transactions did not result in a loss of control over OJSC RN Holding, the difference between the fair value of consideration transferred and the carrying amount of the disposed share of net assets is recognized in the additional paid-in capital.

## 37. Shareholders' equity (continued)

### *Additional paid-in capital (continued)*

On November 6, 2013, the Company announced a voluntary offer to acquire OJSC RN Holding shares held by minority shareholders. The voluntary offer was announced for 1,918,701,184 ordinary and 450,000,000 preferred shares of OJSC RN Holding. The offer price was set at RUB 67 (US$ 2.07 at the CBR official exchange rate as of the date of offering) per one ordinary share and RUB 55 (US$ 1.70 at the CBR official exchange rate as of the date of offering) per one preferred share of OJSC RN Holding. The voluntary offer term of 75 days expired on January 20, 2014. As a result of the voluntary offer, a total of 2,298,025,633 shares, including 1,873,812,294 ordinary shares and 424,213,339 preferred were purchased from OJSC RN Holding non-controlling shareholders. These amounted to 14.88% of OJSC RN Holding's share capital. During the first quarter of 2014, the Company settled its liabilities to OJSC RN Holding shareholders in full and paid RUB 149 billion in cash for the purchase of these shares. As a result of the voluntary offer, the Company became the owner of more than 95% of OJSC RN Holding shares. In May 2014, the Company executed its statutory right to purchase the remaining OJSC RN Holding shares. As a result the Company became the owner of 100% of OJSC RN Holding shares. The RUB 4 billion paid in cash for the purchase of the shares has been transferred directly to the shareholders and nominal shareholders or deposited with a public notary.

During the third quarter of 2014, the Company’s additional paid-in capital increased by RUB 16 billion as a result of the acquisition of non-controlling interests in subsidiaries.

## 38. Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- the fair value of financial assets and liabilities quoted on active liquid markets is determined in accordance with the market prices;
- the fair value of other financial assets and liabilities is determined in accordance with generally accepted models and is based on discounted cash flow analysis that relies on prices used for existing transactions in the current market;
- the fair value of derivative financial instruments is based on market quotes. In illiquid and highly volatile markets fair value is determined on the basis of valuation models that rely on assumptions confirmed by observable market prices or rates as of the reporting date.

Assets and liabilities of the Company that are measured at fair value on a recurring basis in accordance with the fair value hierarchy are presented in the table below.

| | Fair value measurement as of December 31, 2014 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| **Current assets** | | | | |
| Held-for-trading | **8** | **6** | **–** | **14** |
| Available-for-sale | **1** | **125** | **–** | **126** |
| **Non-current assets** | | | | |
| Available-for-sale | **–** | **5** | **–** | **5** |
| Derivative financial instruments | **–** | **–** | **–** | **–** |
| **Total assets measured at fair value** | **9** | **136** | **–** | **145** |
| Derivative financial instruments | **–** | **(137)** | **–** | **(137)** |
| **Total liabilities measured at fair value** | **–** | **(137)** | **–** | **(137)** |

## 38. Fair value of financial instruments (continued)

| | Fair value measurement as of December 31, 2013 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| **Current assets** | | | | |
| Held-for-trading | 3 | 12 | – | 15 |
| Available-for-sale | 11 | 32 | – | 43 |
| **Non-current assets** | | | | |
| Available-for-sale | – | 4 | – | 4 |
| Derivative financial instruments | – | 1 | – | 1 |
| **Total assets measured at fair value** | 14 | 49 | – | 63 |
| Derivative financial instruments | – | (6) | – | (6) |
| **Total liabilities measured at fair value** | – | (6) | – | (6) |

There have been no transfers between Level 1 and Level 2 during the period.

The fair value of financial assets available for sale, held-for-trading financial assets at fair value through profit or loss and derivative financial instruments included in Level 2 is measured at the present value of future estimated cash flows, using inputs such as market interest rates and market quotes of forward exchange rates.

The carrying value of cash and cash equivalents and derivative financial instruments recognized in this consolidated financial statement equal their fair value. The carrying value of accounts receivable, accounts payable, loans issued and other financial assets recognized in this consolidated financial statement approximate their fair value.

There have been no transfers between Level 1 and Level 2 during the period.

| | **Carrying value** | | **Fair value (Level 2)** | |
|---|---|---|---|---|
| | **As of December 31,** | | **As of December 31,** | |
| | **2014** | **2013** | **2014** | **2013** |
| **Financial liabilities** | | | | |
| Financial liabilities at amortized cost: | | | | |
| Loans and borrowings with a variable interest rate | **(2,413)*** | (1,717) | **(1,994)*** | (1,722) |
| Loans and borrowings with a fixed interest rate | **(838)** | (643) | **(736)** | (639) |
| Financial lease liabilities | **(18)** | (12) | **(18)** | (12) |

* including the financial instruments designated as hedging instruments with caring value of RUB 1,659 billion and fair value RUB 1,371 billion.

## 39. Related party transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In 2013 and 2014 the Company entered into transactions with the following related parties: joint ventures and associates, enterprises directly or indirectly controlled by the Russian Government, key management, and pension funds (Note 36).

Related parties may enter into transactions which unrelated parties may not, and transactions between related parties may not be effected on the same terms as transactions between unrelated parties.

Disclosure of related party transactions is presented on an aggregate basis for the companies directly or indirectly controlled by the Russian Government, joint ventures and associates, non-state pension funds. In addition, there may be an additional disclosure of certain significant transactions (balances and turnovers) with certain related parties.

## 39. Related party transactions (continued)

In the course of its ordinary business, the Company enters into transactions with other companies controlled by the Russian Government. In the Russian Federation, electricity and transport tariffs are regulated by the Federal Tariff Service, an authorized governmental agency of the Russian Federation. Bank loans are recorded based on the market interest rates. Taxes are accrued and paid in accordance with the applicable tax law. The Company sells crude oil and petroleum products to related parties in the ordinary course of business at the prices close to average market prices. Gas sales prices in the Russian market are regulated by the Federal Tariff Service.

### Transactions with companies directly or indirectly controlled by the Russian Government

***Revenues and income***

| | 2014 | 2013 |
|---|---|---|
| Oil, gas, petroleum products and petrochemicals sales | **171** | 160 |
| Support services and other revenues | **–** | 2 |
| Finance income | **2** | 2 |
| | **173** | 164 |

***Costs and expenses***

| | 2014 | 2013 |
|---|---|---|
| Production and operating expenses | **8** | 13 |
| Cost of purchased oil, gas and petroleum products and refining costs | **9** | 2 |
| Pipeline tariffs and transportation costs | **395** | 318 |
| Other expenses | **6** | 8 |
| Financial expenses | **44** | 2 |
| | **462** | 343 |

***Other operations***

| | 2014 | 2013 |
|---|---|---|
| Purchase of financial assets and investments in associates | **(1)** | (8) |
| Sale of financial assets and investments in associates | **–** | 15 |
| Loans received | **13** | 22 |
| Loans repaid | **(26)** | – |
| Repayment of loans and borrowings issued | **–** | 1 |
| Deposits placed | **(187)** | (56) |
| Deposits repaid | **83** | 10 |

***Settlement balances***

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **Assets** | | |
| Cash and cash equivalents | **24** | 135 |
| Accounts receivable | **18** | 15 |
| Prepayments and other current assets | **38** | 25 |
| Other financial assets | **283** | 66 |
| | **363** | 241 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **8** | 9 |
| Loans and borrowings and other financial liabilities | **159** | 125 |
| | **167** | 134 |

## 39. Related party transactions (continued)

### Transactions with joint ventures

Crude oil is purchased from joint ventures at Russian domestic market prices.

***Revenues and income***

| | 2014 | 2013 |
|---|---|---|
| Oil, gas, petroleum products and petrochemicals sales | **10** | 8 |
| Support services and other revenues | **2** | 6 |
| Finance income | **2** | 1 |
| | **14** | 15 |

***Costs and expenses***

| | 2014 | 2013 |
|---|---|---|
| Production and operating expenses | **1** | 2 |
| Cost of purchased oil, gas and petroleum products and refining costs | **115** | 108 |
| Pipeline tariffs and transportation costs | **10** | 8 |
| Other expenses | **2** | 4 |
| | **128** | 122 |

***Other operations***

| | 2014 | 2013 |
|---|---|---|
| Purchase of financial assets and investments in associates | **–** | (4) |
| Loans received | **5** | – |
| Loans and borrowings issued | **(11)** | (4) |
| Repayment of loans and borrowings issued | **–** | 4 |

***Settlement balances***

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **Assets** | | |
| Accounts receivable | **15** | 5 |
| Prepayments and other current assets | **1** | 1 |
| Other financial assets | **20** | 4 |
| | **36** | 10 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **23** | 17 |
| Loans and borrowings and other financial liabilities | **5** | 1 |
| | **28** | 18 |

### Transactions with associates

***Revenues and income***

| | 2014 | 2013 |
|---|---|---|
| Oil, gas, petroleum products and petrochemicals sales | **11** | 6 |
| Support services and other revenues | **1** | 1 |
| Finance income | **2** | 1 |
| | **14** | 8 |

## 39. Related party transactions (continued)

### Transactions with associates (continued)

***Costs and expenses***

| | 2014 | 2013 |
|---|---|---|
| Production and operating expenses | **6** | 7 |
| Other expenses | **3** | 2 |
| | **9** | 9 |

***Other operations***

| | 2014 | 2013 |
|---|---|---|
| Loans and borrowings issued | **(1)** | (1) |

***Settlement balances***

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **Assets** | | |
| Accounts receivable | **17** | 1 |
| Other financial assets | **19** | 13 |
| | **36** | 14 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **2** | 2 |
| | **2** | 2 |

### Transactions with non-state pension funds

***Costs and expenses***

| | 2014 | 2013 |
|---|---|---|
| Other expenses | **3** | 3 |

***Settlement balances***

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | **1** | – |
| | **1** | – |

### Compensation to key management personnel

For the purpose of these consolidated financial statements key management personnel includes: President of Rosneft, Vice-Presidents, members of the Board of Directors, members of the Management Board, members of the Audit Committee, directors of departments and heads of independent units, as well as others charged with governance.

Short-term benefits of the key management personnel, including payroll, bonuses, personal income tax and social taxes, severance payments and contributions to insurance programs of the key management personnel amounted to RUB 7 billion and RUB 8 billion in 2014 and 2013, respectively.

## 39. Related party transactions (continued)

### Compensation to key management personnel (continued)

On June 27, 2014, the Annual General Shareholders Meeting approved the remuneration to the following members of the Company's Board of Directors for the period of their service in the following amounts: Mr. Matthias Warnig – US$ 580,000 (RUB 19.6 million at the CBR official exchange rate on June 27, 2014); Mr. Andrey Kostin – US$ 560,000 (RUB 18.9 million at the CBR official exchange rate on June 27, 2014); Mr. Nikolai Laverov – US$ 550,000 (RUB 18.6 million at the CBR official exchange rate on June 27, 2014); Mr. John Mack – US$ 580,000 (RUB 19.6 million at the CBR official exchange rate on June 27, 2014); Mr. Alexander Nekipelov – US$ 630,000 (RUB 21.3 million at the CBR official exchange rate on June 27, 2014); Mr. Donald Humphreys – US$ 560,000 (RUB 18.9 million at the CBR official exchange rate on June 27, 2014); Mr. Sergey Chemezov – US$ 530,000 (RUB 17.9 million at the CBR official exchange rate on June 27, 2014).

On June 20, 2013, the Annual General Shareholders Meeting decided to transfer to each of the following independent members of the Board of Directors of Rosneft as a compensation for their services in the capacity of the Company's directors for the periods June 20, 2012 – November 30, 2012 and November 30, 2012 – June 20, 2013: 76,373 shares of Rosneft to Mr. Mattias Warnig and Mr. Michail Kuzovlev, each, 75,009 shares of Rosneft to Mr. Nikolay Laverov, 85,920 shares of Rosneft to Mr. Alexander Nekipelov, 79,101 shares of Rosneft to Mr. Hans-Joerg Rudloff and Mr. Sergey Shishin, each, 72,282 shares of Rosneft to Mr. Dmitry Shugaev and Mr. Ilia Scherbovich, each.

## 40. Key subsidiaries

| | | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| **Name** | **Country of incorporation** | **Core activity** | **Preferred and common shares %** | **Voting shares %** | **Preferred and common shares %** | **Voting shares %** |
| **Exploration and production** | | | | | | |
| OJSC Orenburgneft | Russia | Oil and gas development and production | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Samotlorneftegaz | Russia | Oil and gas development and production | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Tumenneftegaz | Russia | Oil and gas development and production | **100.00** | **100.00** | 100.00 | 100.00 |
| PJSC Verkhnechonskneftegaz | Russia | Oil and gas development and production | **99.94** | **99.94** | 100.00 | 100.00 |
| CJSC Vankorneft | Russia | Oil and gas development and production | **100.00** | **100.00** | 93.96 | 93.96 |
| RN-Yuganskneftegaz LLC | Russia | Oil and gas production operator services | **100.00** | **100.00** | 100.00 | 100.00 |
| **Refining, marketing and distribution** | | | | | | |
| CJSC RORC | Russia | Petroleum refining | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Angarsk Petrochemical Company | Russia | Petroleum refining | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Novokuybyshev Refinery | Russia | Petroleum refining | **100.00** | **100.00** | 100.00 | 100.00 |
| RN-Komsomolsky Refinery LLC | Russia | Petroleum refining | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Syzran Refinery | Russia | Petroleum refining | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Achinsk Refinery | Russia | Petroleum refining | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Kuybyshev Refinery | Russia | Petroleum refining | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Saratov Oil Refinery | Russia | Petroleum refining | **85.48** | **91.13** | 85.48 | 91.13 |
| CJSC PCEC | Russia | Marketing and distribution | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC RN-Stolitsa | Russia | Marketing and distribution | **100.00** | **100.00** | 100.00 | 100.00 |
| Rosneft Trading S.A. | Switzerland | Marketing and distribution | **100.00** | **100.00** | 100.00 | 100.00 |
| Rosneft Trade Limited | Cyprus Republic | Marketing and distribution | **100.00** | **100.00** | 100.00 | 100.00 |
| **Other** | | | | | | |
| OJSC RN Holding | Russia | Holding company | **100.00** | **100.00** | 100.00 | 100.00 |
| Neft-Aktiv LLC | Russia | Investing activity | **100.00** | **100.00** | 100.00 | 100.00 |
| Rosneft Finance S.A. | Luxemburg | Finance services | **100.00** | **100.00** | 100.00 | 100.00 |
| OJSC Russian Regional Development Bank (VBRR) | Russia | Banking | **84.67** | **84.67** | 84.67 | 84.67 |

As of December 31, 2013, the ownership percentage was calculated based on the terms of the voluntary public offering of RN Holding shares (Note 37).

## 41. Contingencies

### Russian business environment

Russia continues economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of the economic, financial and monetary measures taken by the government. Management believes it is taking the appropriate measures to support the sustainability of the Company's business in the current circumstances.

In 2014, the Russian economy was impacted by a significant drop in crude oil prices and a significant devaluation of the Russian rouble, as well as by sanctions imposed on Russia by several countries. In December 2014, the rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%.The combination of the above resulted in a higher cost of capital, increased inflation and uncertainty regarding further economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management believes it is taking the appropriate measures to support the sustainability of the Company's business in the current circumstances.

In 2014, the USA and EU issued a number of sectorial sanctions. These sanctions restrict certain U.S. and EU persons from providing financing, goods and services in support of exploration or production of deep water, Arctic offshore, or shale projects that have a potential to produce oil in the Russian Federation to certain entities. The Company considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Company's financial position and results of operations.

During 2014 economic and political instability in Ukraine was increasing. The Company's assets and operations in Ukraine are not significant. The Company's assets and liabilities, related to its activities in Ukraine are recognized based on the appropriate measurements as of December 31, 2014. The Company continues to monitor the situation in Ukraine and to execute a number of measures in order to minimize the effects of possible risks. The risk assessment is constantly reviewed in order to reflect the current situation.

### Guarantees and indemnities issued

In 2013, the Company provided an unconditional unlimited guaranty in favor of the Government and municipal authorities of Norway for the potential ongoing ecological liabilities of RN Nordic Oil AS with respect to its operating activities on the Norwegian continental shelf. A parent company guarantee is required by the Norway Legislation and is an imperative condition for licensing the operations of RN Nordic Oil AS on the Norwegian continental shelf jointly with Statoil ASA.

The Company's 2012 agreements with Eni S.p.A, Statoil ASA and the ExxonMobil Oil Corporation entered into in line with the Russian Federation shelf exploration program came into force in 2013. These agreements contain mutual guarantees that are unconditional, unlimited and open-ended and also provide that the partners will pay a commercial discovery bonus to the Company.

In the second quarter of 2014, the partner agreement with the ExxonMobil Oil Corporation signed in 2013 for seven new offshore projects came into force. These agreements contain mutual guarantees that are unconditional, unlimited and open-ended and that also provide for a commercial discovery bonus to be paid to the Company.

The partner agreement with the ExxonMobil Oil Corporation for difficult to extract oil reserves in Western Siberia also contain mutual guarantees that are unconditional, unlimited and open-ended, and that provide for production bonus payments to the Company starting from the moment of commercial production.

## 41. Contingencies (continued)

### Legal claims

In 2006, Yukos Capital S.a.r.l. ("Yukos Capital"), a former subsidiary of the Yukos Oil Company, initiated separate international commercial arbitration proceedings against each of OJSC Yuganskneftegaz, OJSC Samaraneftegaz and OJSC Tomskneft VNK alleging defaults under various RUB nominated loans.

During 2006-2007, the arbitration tribunals in the proceedings issued awards in favor of Yukos Capital. According to these awards OJSC Yuganskneftegaz was ordered to pay approximately RUB 12.9 billion in loan principal and interest, plus arbitration charges and legal costs; OJSC Samaraneftegaz was ordered to pay RUB 3.1 billion in loan principal and interest plus post-award interest of 9% p.a. on the amount of loan principal and interest; and OJSC Tomskneft VNK was ordered to pay RUB 4.35 billion plus interest at 9% p. a., plus default penalties of 0.1% per day (from December 1, 2005, through the date of the award), in addition to legal costs.

During 2007-2013 various Russian arbitration courts declared the above loan agreements between Yukos Capital and each of OJSC Yuganskneftegaz, OJSC Samaraneftegaz and OJSC Tomskneft VNK void including (in certain cases) on public policy grounds.

During 2007-2010, Yukos Capital initiated proceedings in various Russian and non-Russian courts to seek recognition and enforcement of the international arbitration awards. Russian courts have annulled the arbitration awards against OJSC Yuganskneftegaz, and declined recognition and enforcement in Russia of the arbitration awards against OJSC Tomskneft VNK and OJSC Samaraneftegaz.

On June 25, 2010 in respect of arbitral awards to OJSC Yuganskneftegaz the Supreme Court of the Netherlands held that Rosneft's lawsuit concerning the judgment of the Amsterdam Court of Appeal was inadmissible. That judgment of the Amsterdam Court of Appeal enforced ICAC awards in the Netherlands (the Court of first instance dismissed the enforcement) despite that they had been properly set aside by a competent court. Although the Company does not agree with the decisions of the abovementioned Dutch courts, on August 11, 2010 it implemented them and made payments in respect of the claim.

Yukos Capital is currently pursuing a lawsuit in England against the Company, as successor to OJSC Yuganskneftegaz for interest on the annulled awards in the amount of approximately RUB 4.6 billion as of the date of its particulars of claim. The Company will continue to defend its position vigorously.

In the United States the U.S. District Court for the Southern District of New York enforced the arbitration award against OJSC Samaraneftegaz and judged in favor of Yukos Capital in 2013 in the amount of approximately US$ 186 million (RUB 10 billion at the CBR official exchange rate at December 31, 2014). OJSC Samaraneftegaz continues to defend its position in the United States vigorously, including by challenging any requirement that it take actions in Russia that violate Russian law and conflict with the earlier Russian arbitration court decisions that declared the underlying loans by Yukos Capital to be void and that denied the enforcement of the underlying arbitration award.

Yukos Capital is pursuing lawsuits in France, Ireland, and Singapore seeking the recognition and enforcement of the international arbitration award against OJSC Tomskneft VNK. OJSC Tomskneft VNK will continue to defend its position vigorously in each of those jurisdictions.

Yukos International (UK) B.V. has initiated proceedings in the Amsterdam District Court claiming damages of up to US$ 333 million (RUB 18,7 billion at the CBR official exchange rate at December 31, 2014), plus statutory interest in effect from February 7, 2011, plus costs, against the Company and other co-respondents unrelated to the Company with respect to the alleged injury supposedly caused by the entry of a freezing order in 2008 that Yukos International (UK) B.V. claims restricted its ability to invest certain funds as it chose. The Company filed its Statement of Defense where asserts various defenses including that the court properly granted the freezing order and that Yukos International (UK) B.V. suffered no damages as a result of having its funds deposited in an interest bearing account of its choice.

**41. Contingencies (continued)**

**Legal claims (continued)**

A hearing on the merits was held in January 2014. On 11 February 2015, the Amsterdam District Court issued a judgment granting the claim of Yukos International (UK) B.V. that the freezing orders were improper. The Court, however, rejected the claimant's request that its damages be based on the hypothetical investment in gold commodities or in the alternative measure of statutory interest. Yukos International (UK) B.V. will have to bring separate court proceedings in which the Dutch court will consider a proper measure of damages, if any are to be awarded at all, and any responsibility on the part of Yukos International (UK) B.V. for its alleged damages.

The Company and its subsidiary participate in arbitral proceedings related to the bankruptcy of OJSC Sakhaneftegaz and OJSC Lenaneftegaz for the recovery of certain loans and guarantees of indemnity in the amount of RUB 1.3 billion, stated above account receivable was reserved in full.

During 2009-2012, the Federal Antimonopoly Service ("FAS Russia") and its regional bodies claimed that the Company and some of its subsidiaries (associates) violated certain antimonopoly regulations with respect to petroleum products trading and passed respective decisions on administrative liability. As of December 31, 2014, the total amount of administrative fines levied by FAS Russia and its regional bodies against Rosneft and its subsidiaries is immaterial.

On March 7, 2011, Norex Petroleum Limited ("Norex") filed a lawsuit against OJSC Tyumen Oil Company ("TNK"), a predecessor of OJCS TNK-BP Holding, subsequently renamed to OJSC RN Holding, and certain other defendants in the amount of US$ 1.5 billion (RUB 84 billion at the CBR official exchange rate on December 31, 2014) claiming the recovery of damages and compensation of moral damage caused by allegedly illegal takeover of the shares of LLC Corporation Yugraneft owned by Norex. The lawsuit was accepted by the Supreme Court of the State of New York (first instance court). On September 17, 2012, the Court dismissed Norex's action holding that it was time-barred. Norex filed an appeal against this judgment.

On April 25, 2013, the New York Appeal department confirmed that the dismissal of Norex's claim was justified. On May 28, 2013, Norex filed a motion for leave to appeal the decision affirming the lower court's dismissal of Norex's complaint to the New York Court of Appeals.

On September 12, 2013, the New York Court of Appeals accepted Norex's claim. The hearing was held on May 6, 2014. On June 27, 2014 the New York Court of Appeals issued a decision, satisfying Norex's complaint and sent the case to the Court of First Instance. The hearing was held on January 12, 2015. The Court's decision is expected.

In 2013, several individuals, non-controlling shareholders of OJSC RN Holding, filed a number of lawsuits against the Company, claiming the right to receive an offer from the Company to acquire the shares of OJSC RN Holding according to the Russian legislation. On October 25, 2013 Moscow Arbitration Court dismissed these claims. These decisions were upheld by the Court of Appeals on January 15 and 20, 2014. On one of court decisions a shareholder filed a cassation appeal. Court decisions of First and Appeal Instance are left unchanged by the Federal Arbitration Court of Moscow district order from May 8, 2014. The definition of the Supreme Court from September 11, 2014 barred the plaintiff (one of the shareholders) from transferring the request for the hearing to the Board on Economic Disputes of the Supreme Court of the Russian Federation.

In October-November 2014 a former minority shareholder of OJSC RN Holding filed a lawsuit against the Company claiming the recovery of damages caused by the forced redemption of shares. Cases are pending before the Court of First Instance.

## 41. Contingencies (continued)

### Legal claims (continued)

From September 2013, Federal Service for Supervision of Nature Resources Usage ("Rosprirodnadzor") performed inspections of Rosneft. Inspections were conducted to ensure compliance with legislation on geological exploration, rational use and protection of mineral resources, mandatory requirements of legislation concerning protection of environmental and natural resources. In December 2013 as a result of procedures performed the regulator issued a report.

The administrative procedures were completed in the second quarter of 2014. The Company was held administratively liable to a fine. The total amount of the fines did not have a material impact on the Company's financial position or results of operations.

The amount and timing of any outflow related to the above claims cannot be estimated reliably.

Rosneft and its subsidiaries are involved in other litigations which arise from time to time in the course of their business activities. Management believes that the ultimate result of those litigations will not materially affect the performance or financial position of the Company.

### Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual.

The current regime of penalties and interest with respect to reported and discovered violations of Russian laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

Effective January 1, 2012, the rules of market price defining for the fiscal control purposes were changed and the list of entities that could be recognized as interdependent entities and the list of managed deals were expanded. Due to the absence of law enforcement precedents based on the new rules and certain contradictions in the provisions of the new law, these rules cannot be considered clear and precise. To eliminate significant risks posed by related party transactions to the consolidated financial statements, the Company developed methods for pricing all types of controlled transactions between related parties and a standard for preparing the reporting documentation. The Company also researches databases to determine the market price levels (ROIs) for the controlled transactions annually.

In 2013 and 2014 the Company and the Federal Tax Service signed a pricing agreement with respect to the taxation of oil sales transactions in Russia. The agreements were signed as part of the new order of fiscal control over the pricing of related party transactions to match the market parameters.

On June 30, 2014 the period for the Federal Tax Service to make a decision to conduct an examination of calculation and payment of the taxes on related party transactions made during 2012 has expired. Due to the fact that earlier the Company provided the Russian Federal Tax Service and the regional tax authorities with the sufficient explanations concerning the related party transactions, according to the received individual requests, the Company believes that the risks concerning the related party transactions in 2012 will not have a material effect on the Company's financial position or results of operations.

## 41. Contingencies (continued)

### Taxation (continued)

In line with the additions to part one of the Tax Code of the Russian Federation, instituted by the Federal Law of the Russian Federation of November 16, 2011 No. 321-FZ, the Company created the consolidated group of taxpayers which included Rosneft and its 22 subsidiaries. Rosneft became a responsible taxpayer of the group. In 2013 the number of members of the consolidated group of taxpayers increased to 44 including Rosneft, and in 2014 it increased to 58. Since January 1, 2015 under the terms of the agreement, the number of members of the consolidated group of taxpayers decreased to 51.

The Company management believes that the creation of the consolidated group of taxpayers does not significantly change the tax burden of the Company for the purpose of these consolidated financial statements.

In 2014, amendments to the tax legislation aimed at the fiscal stimulation of decreasing the number of the entities registered abroad in the Russian economy were issued, and took effect on January 1, 2015. In particular these amendments in the Russian tax legislation included terms of beneficial ownership, fiscal residence of legal entities, and income tax rules for the controlled foreign companies.

During the reporting period, the tax authorities continued their examinations of Rosneft and certain of its subsidiaries for the fiscal years 2010-2013. Rosneft and its subsidiaries dispute a number of claims in pre-trial and trial appeal in federal tax service. The Company management does not expect the results of the examinations to have a material impact on the Company's consolidated balance sheet or results of operations.

Overall, management believes that the Company has paid or accrued all taxes that are applicable. For taxes other than income tax, where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources, that will be required to settle these liabilities. Potential liabilities that management identified at the reporting date as those that can be subject to different interpretations of tax laws and regulations are not accrued in the consolidated financial statements.

### Capital commitments

The Company and its subsidiaries are engaged in ongoing capital projects for the exploration and development of production facilities and the modernization of refineries and the distribution network. The budgets for these projects are generally set on an annual basis.

The total amount of contracted but not yet performed deliveries related to the construction and acquisition of property, plant and equipment amounted to RUB 351 billion and RUB 328 billion as of December 31, 2014 and December 31, 2013, respectively.

### Environmental liabilities

The Company periodically evaluates its environmental liabilities pursuant to environmental regulations. Such liabilities are recognized in the consolidated financial statements as identified. Potential liabilities, that could arise as a result of changes in existing regulations or regulation of civil litigation or of changes in environmental standards cannot be reliably estimated but may be material. With the existing system of control, management believes that there are no material liabilities for environmental damage other than those recorded in these consolidated financial statements.

In June 2014 an accident took place at the Company's Achinsk refinery. The Company is currently evaluating the potential impact of the accident and consulting with international insurance companies. Additionally, the Company is working on a model for the calculation of insurance payments, recovering the Company's business risk caused by the production break at the Achinsk refinery as well as the payments under Achinsk property insurance contracts. Management believes that the damages will not have a material effect on the Company's financial position or results of operations.

## 41. Contingencies (continued)

### Long-term contracts

In June 2013 the Company signed a crude oil supply agreement with PKN ORLEN S.A. to supply the Czech Republic via Druzhba pipeline. The agreement provides a total amount of not more than 8.3 million tonnes of crude oil to be supplied at market prices during the period through June 30, 2016. In the third quarter of 2013 the Company started deliveries under the contract.

In June 2013 the Company and CNPC signed long-term agreements for the supply of crude oil to China for a period of 25 years. The price of each delivery will be determined by a formula based on the quoted market prices during the delivery period. Crude oil supplies under these agreements started in July 2013.

In September 2013 the Company and OJSC Enel OGK-5 signed an agreement for providing long-term gas supplies to Enel OGK-5. As part of the agreement the Company will deliver gas during the period from 2014 to 2025 to Konakovskaya, Sredneuralskaya and Nevinnomysskaya Power Stations of OGK-5. The agreement provides a total amount of approximately 51.4 billion cubic meters of gas.

### Other matters

In August 2014, the Company and North Atlantic Drilling Limited ("NADL") signed a framework agreement anticipating the Company’s acquisition of shares in NADL through an exchange of assets and investments in NADL share capital. As of December 31, 2014 the parties have not yet received all corporate and regulatory approvals required to complete the transaction.

## 42. Events after the reporting period

In February 2015, the Company fully repaid unsecured long-term loan (borrowed to finance the acquisition of TNK-BP) from international banks in the total amount of US$ 7.13 billion (RUB 467 billion at the CBR official exchange rate at the transaction date).

In February 2015, the Company fully matured Eurobonds (Series 7) in the amount of US$ 500 million (RUB 34.5 billion at the CBR official exchange rate at the transaction date) assumed under acquisition of TNK-BP.

## 43. Supplementary oil and gas disclosure (unaudited)

IFRS do not require information on oil and gas reserves to be disclosed. While this information was developed with reasonable care and disclosed in good faith, it is emphasized that the data represents management's best estimates. Accordingly, this information may not necessarily represent the current financial condition of the Company and its future financial results.

The Company's activities are conducted primarily in Russia, which is considered as one geographic area.

## 43. Supplementary oil and gas disclosure (unaudited) (continued)

### Presented below are capitalized costs relating to oil and gas production

*Consolidated subsidiaries and joint operations*

| | December 31, | | |
|---|---|---|---|
| | **2014** | **2013 (restated)** | **2012 (restated)** |
| Oil and gas properties related to proved reserves | **5,522** | 4,929 | 2,484 |
| Oil and gas properties related to proved reserves for resale | **–** | 98 | – |
| Oil and gas properties related to unproved reserves for resale | **–** | 53 | – |
| Oil and gas properties related to unproved reserves | **246** | 175 | 109 |
| **Total capitalized costs** | **5,768** | 5,255 | 2,593 |
| Accumulated depreciation and depletion | **(1,423)** | (955) | (630) |
| **Net capitalized costs** | **4,345** | 4,300 | 1,963 |

### Presented below are costs incurred in oil and gas property acquisition, exploration and development activities

*Consolidated subsidiaries and joint operations*

For the years ended December 31:

| | **2014** | **2013 (restated)** |
|---|---|---|
| Acquisition of properties − proved oil and gas reserves | **28** | 2,206 |
| Acquisition of properties − unproved oil and gas reserves | **15** | 130 |
| Exploration costs | **27** | 22 |
| Development costs | **379** | 339 |
| **Total costs incurred** | **449** | 2,697 |

### Presented below are the results of operations relating to oil and gas production

*Consolidated subsidiaries and joint operations*

For the years ended December 31:

| | **2014** | **2013 (restated)** |
|---|---|---|
| **Revenue** | **2,154** | 1,895 |
| Production costs (excluding production taxes) | **(257)** | (204) |
| Selling, general and administrative expenses | **(46)** | (20) |
| Exploration expense | **(19)** | (17) |
| Depreciation, depletion and amortization | **(383)** | (329) |
| Unwinding of discount | **(7)** | (6) |
| Taxes other than income tax | **(1,018)** | (856) |
| Income tax | **(81)** | (96) |
| **Results of operations relating to oil and gas production** | **343** | 367 |

## 43. Supplementary oil and gas disclosure (unaudited) (continued)

### Reserve quantity information

Beginning from 2014 the Company discloses its reserves calculated in accordance with the Petroleum Resources Management System (PRMS). The comparative information as of December 31, 2013 and for year ended December 31, 2013 has also been restated to PRMS. For the purposes of the evaluation of reserves as of December 31, 2014 and 2013 the Company used the oil and gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers. Proved reserves are those estimated quantities of petroleum which, through the analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions and operating methods. In certain cases, the recovery of such reserves may require considerable investments in wells and related equipment. Proved reserves also include additional oil and gas reserves that will be extracted after the expiry date of license agreements or may be discovered as a result of secondary and tertiary extraction which have been successfully tested and checked for commercial benefit. Proved developed reserves are the quantities of crude oil and gas expected to be recovered from existing wells using existing equipment and operating methods.

Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Due to inherent industry uncertainties and the limited nature of deposit data, estimates of reserves are subject to change as additional information becomes available.

The Company management included in proved reserves those reserves which the Company intends to extract after the expiry of the current licenses. The licenses for the development and production of hydrocarbons currently held by the Company generally expire between 2015 and 2058, and the licenses for the most important deposits expire between 2017 and 2044. In accordance with the effective version of the law of the Russian Federation, On Subsurface Resources (the "Law"), licenses are currently granted for a production period determined on the basis of technological and economic criteria applied to the development of a mineral deposit which guarantee the rational use of subsurface resources and necessary environmental protection. In accordance with the Law and upon the gradual expiration of old licenses issued under the previous version of the Law, the Company extends its hydrocarbon production licenses for the whole productive life of the fields. Extension of the licenses depends on compliance with the terms set forth in the existing license agreements. As of the date of these consolidated financial statements, the Company is generally in compliance with all the terms of the license agreements and intends to continue complying with such terms in the future.

The Company's estimates of net proved oil and gas reserves and changes thereto for the years ended December 31, 2014 and 2013 are shown in the table below and expressed in million barrels of oil equivalent (oil production data was recalculated from tonnes to barrels using a field specific coefficients; gas production data was recalculated from cubic meters to barrels of oil equivalent ("boe") using average ratio).

## 43. Supplementary oil and gas disclosure (unaudited) (continued)

### Reserve quantity information (continued)

*Consolidated subsidiaries and joint operations*

| | 2014<br>mln boe | 2013 (restated)<br>mln boe |
|---|---|---|
| Beginning of year | **39,330** | 22,078 |
| Beginning of year – reserves of associated companies as of December 31, 2012* | **–** | 1,353 |
| Revisions of previous estimates | **2,398** | (346) |
| Extensions and discoveries | **566** | 286 |
| Improved recovery | **–** | 57 |
| Purchase of new reserves (Note 7) | **–** | 17,449 |
| Sale of reserves | **–** | – |
| Production | **(1,687)** | (1,547) |
| **End of year** | **40,607** | 39,330 |
| of which: | | |
| Proved reserves under PSA Sakhalin 1 | **220** | 248 |
| Proved reserves of assets in Canada | **5** | 5 |
| Proved reserves of assets in Vietnam | **24** | 27 |
| Proved developed reserves | **18,034** | 17,647 |
| Minority interest in total proved reserves | **63** | 167 |
| Minority interest in proved developed reserves | **43** | 123 |

***** Reported transfer of reserves of associated companies' as of December 31, 2012 which became consolidated subsidiaries as of December 31, 2013 after the acquisition of an additional ownership interest.

### Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

The standardized measure of discounted future net cash flows related to the above oil and gas reserves is based on PRMS. Estimated future cash inflows from oil, condensate and gas production are computed by applying the projected prices the company uses in its long-term forecast, to year-end quantities of estimated net proved reserves. Future development and production costs are those estimated future expenditures necessary to develop and produce estimated proved reserves as of year-end based on current expenses and costs and forecasts. In certain cases, future values, either higher or lower than current values, were used as a result of anticipated changes in operating conditions.

Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied for the estimation of future net pre-tax cash flows, net of the tax bases of related assets.

Discounted future net cash flows are calculated using a 10% p.a. discount factor. Discounting requires a year-by-year estimates of future expenditures to be incurred in the periods when the reserves will be extracted.

## 43. Supplementary oil and gas disclosure (unaudited) (continued)

### Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves (continued)

The information provided in the table below does not represent management's estimates of the Company's expected future cash flows or of the value of its proved oil and gas reserves. Estimates of proved reserves change over time as new information becomes available. Moreover, probable and possible reserves which may become proved in the future are excluded from the calculations. The arbitrary valuation requires assumptions as to the timing and the amount of future development and production costs. The calculations should not be relied upon as an indication of the Company's future cash flows or of the value of its oil and gas reserves.

### Standardized measure of discounted future net cash flows

*Consolidated subsidiaries and joint operations*

| | **2014** | **2013 (restated)** |
|---|---|---|
| Future cash inflows | **78,961** | 50,236 |
| Future development costs | **(3,934)** | (4,057) |
| Future production costs | **(41,894)** | (24,756) |
| Future income tax expenses | **(6,157)** | (3,466) |
| **Future net cash flows** | **26,976** | 17,957 |
| Discount for estimated timing of cash flows | **(17,694)** | (11,821) |
| **Discounted value of future cash flows as of the end of year** | **9,282** | 6,136 |

### Share of other (minority) shareholders in discounted value of future cash flows

*Consolidated subsidiaries and joint operations*

| | **UOM** | **2014** | **2013 (restated)** |
|---|---|---|---|
| Share of other (minority) shareholders in discounted value of future cash flows | RUB bln | **15** | 26 |

## 43. Supplementary oil and gas disclosure (unaudited) (continued)

### Changes therein relating to proved oil and gas reserves

*Consolidated subsidiaries and joint operations*

| | 2014 | 2013 (restated) |
|---|---|---|
| Discounted value of future cash flows as of the beginning of year | **6,136** | 3,821 |
| Discounted value of future cash flows as of the beginning of year (associated companies) | **–** | 175 |
| Sales and transfers of oil and gas produced, net of production costs and taxes other than income taxes | **(833)** | (815) |
| Changes in price estimates, net | **3,282** | (95) |
| Changes in estimated future development costs | **109** | (118) |
| Development costs incurred during the period | **379** | 339 |
| Revisions of previous reserves estimates | **677** | (57) |
| Increase in reserves due to discoveries, less respective expenses | **161** | 70 |
| Net change in income taxes | **(1,019)** | (462) |
| Accretion of discount | **614** | 400 |
| Net changes due to purchases (sales) oil and gas fields | **–** | 3,081 |
| Other | **(224)** | (203) |
| **Discounted value of future cash flows as of the end of year** | **9,282** | 6,136 |

### Company's share in costs, inventories and future cash flows of the joint ventures and associates

| | UOM | 2014 | 2013 (restated) |
|---|---|---|---|
| Share in capitalized costs relating to oil and gas producing activities (total) | RUB bln | **54** | 139 |
| Share in results of operations for oil and gas producing activities (total) | RUB bln | **(12)** | 12 |
| Share in estimated proved oil and gas reserves | mln boe | **2,069** | 2,045 |
| Share in estimated proved developed oil and gas reserves | mln boe | **1,244** | 1,305 |
| Share in discounted value of future cash flows | RUB bln | **417** | 313 |

## Contact information

Rosneft Oil Company

Legal address:
Russia, 115035, Moscow, Sofiyskaya Embankment, 26/1

Mailing address:
Russia, 117997, Moscow, Sofiyskaya Embankment, 26/1

Phone:
+7 (499) 517-88-99

Fax:
+7 (499) 517-72-35

E-mail:
postman@rosneft.ru

Corporate website:
www.rosneft.ru (Russian)
www.rosneft.com (English)