

Main macroeconomic factors affecting performance results

The main factors affecting the Group's performance results are as follows:

- change in market prices for oil and petroleum products;
- change in the RUB/USD exchange rate and inflation;
- taxation;
- change in the tariffs for the transportation of oil and petroleum products.

CHANGE IN MARKET PRICES FOR OIL AND PETROLEUM PRODUCTS

The price of oil and petroleum products on the global and Russian markets is the main factor that influences the Group's performance results.

Petroleum product prices on the global market are primarily determined by the level of global oil prices, the supply of and demand for petroleum products and the level of competition on different markets. Price dynamics on the international market, in turn, influence prices on the domestic market. The price dynamics vary for different types of petroleum products.

A significant decline in oil and petroleum product prices on the international market over the 12 months of 2015 had a negative effect on the Group's results. Part of the negative impact from the drop in international prices was offset by the growth in the USD exchange rate versus the RUB.

PRICE DYNAMICS FOR OIL AND PETROLEUM PRODUCTS //

	2014	2015	Change, %
INTERNATIONAL MARKET (USD/BARREL)			
Brent oil	98.95	52.46	(47.0)
Urals oil (avg. Med and NWE)	96.94	51.49	(46.9)
(USD/T)			
Premium petrol (avg. NWE)	918.72	569.96	(38.0)
Naphtha (avg. Med and NWE)	825.28	450.05	(45.5)
Diesel fuel (avg. NWE)	854.41	500.70	(41.4)
Gasoil 0.2 % (avg. Med)	837.77	486.26	(42.0)
Fuel oil 3.5 % (avg. NWE)	518.48	247.49	(52.3)
DOMESTIC MARKET (RUB/T)			
High-octane petrol	31,948	32,488	1.7
Low-octane petrol	28,071	28,435	1.3
Diesel fuel	27,764	28,944	4.2
Fuel oil	9,014	7,202	(20.1)

Source: Platts (international market), Kortes (domestic market)

CHANGE IN RUB/USD EXCHANGE RATE AND INFLATION

The Group's management has decided that the Russian rouble shall be the Company's reporting presentation currency. The functional currency of each subsidiary shall be the currency of the economic environment in which the company is engaged in operations, which is the Russian rouble for most companies.

ROUBLE EXCHANGE RATE AND INFLATION //

	2014	2015
Change in consumer price index (CPI), %	11.4	12.9
Average RUB exchange rate vs. USD for the period, RUB	38.42	60.96
RUB exchange rate vs. USD at the start of the period, RUB	32.73	56.26
RUB exchange rate vs. USD at the end of the period, RUB	56.26	72.88
Change in the RUB exchange rate vs. USD for the period (in USD), %	- 72.0	- 30.0

Source: Company data

Taxation

AVERAGE RATES OF TAXES AND FEES IN EFFECT DURING THE REPORTING PERIODS FOR THE TAXATION OF OIL AND GAS COMPANIES IN RUSSIA //

	2014	2015	Change, %
EXPORT CUSTOMS DUTY (USD/T)			
Oil	366.14	120.25	(67.2)
Light petroleum products	241.63	57.67	(76.1)
Diesel fuel	237.93	57.67	(75.8)
Petrol	329.48	93.75	(71.5)
Naphtha	329.48	102.17	(69.0)
Dark petroleum products	241.63	91.34	(62.2)
MINERAL EXTRACTION TAX			
Oil (RUB/t)	5 831	6 326	8.5

Source: Company data

EXPORT CUSTOMS DUTY RATES FOR OIL AND PETROLEUM PRODUCTS

The rates of export customs duties for oil and petroleum products are calculated by the Ministry of Economic Development of the Russian Federation in accordance with the method for calculating export customs duties on crude oil and certain categories of goods produced from oil approved by Resolution No. 276 of the Russian Government dated 29 March 2013.