



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED SEPTEMBER 30 AND JUNE 30, 2013 AND
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended September 30, 2013 and 2012 (the "Interim Condensed Consolidated Financial Statements"). Such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies, including TNK consolidated subsidiaries. Such terms as "TNK assets" or "TNK acquisition" refer to the acquisition of TNK-BP group, including its subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis, including financial and operational results of TNK group since the date of acquisition. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.

Except as otherwise indicated, oil and gas reserves and production are presented pro-rata for companies accounted for on an equity basis or under the proportionate consolidation method and 100% for fully consolidated companies.

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

To convert tonnes to barrels a 7.362 ratio is used. To convert thousands of cubic meters of gas to barrels of oil equivalent a 5.883 ratio is used. Rosspan gas condensate and natural liquid volumes are converted to barrels of oil equivalent at 8.3 and 10.6 barrels per ton, respectively.

Overview

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

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

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves and in terms of production. According to oil and gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, as of December 31, 2012 proved hydrocarbon reserves of the Company, including TNK subsidiaries and affiliated companies, amounted to 39.08 billion barrels of oil equivalent, including 30.27 billion barrels of oil and 1,498 billion cubic meters of gas, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System ("PRMS").

Rosneft's crude oil and natural gas liquids production (NGL) amounts to 4.19 million barrels per day (in the third quarter of 2013) and output of natural and associated gas is 10.82 billion cubic meters.

Rosneft's domestic refinery throughput is 1.8 million barrels per day (average for the third quarter of 2013) in Russia. Current utilization of the refining capacities is close to maximum. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries. Rosneft also holds a 50% stake in Ruhr Oel GmbH where Rosneft processes both own and procured crude oil. Rosneft also processes crude oil, gas and petroleum products at external refineries (which are outside the Group).

Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 9 months ended</i>		<i>% change</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	1,356	1,176	15.3%	3,344	2,297	45.6%
EBITDA	303	215	40.9%	674	473	42.5%
Net income	280	35	700.0%	417	303	37.6%
Capital expenditures	130	153	(15.0)%	378	350	8.0%
Adjusted free cash flow*	84	35	140.0%	152	30	406.7%
Net Debt	1,909	1,862	2.5%	1,909	551	246.5%
Operational results						
Hydrocarbon production (th. boe per day)	4,884	4,786	2.0%	4,831	2,662	81.5%
Crude oil and NGL production (th. barrels per day)	4,193	4,185	0.2%	4,187	2,425	72.7%
Gas production (th.boe per day)	691	602	14.8%	644	237	171.7%
Product output in Russia (million tonnes)	21.88	19.75	10.8%	54.32	36.24	49.9%
Product output outside Russia (million tonnes)	3.34	3.00	11.3%	9.0	8.02	12.2%

*Excluding one-off effect from prepayments under long term oil contracts of RUB 307 billion in the nine months of 2013, including RUB 49 billion in the third quarter of 2013 and RUB 258 billion in the first half of 2013.

Financial results for 3Q2013 including preliminary revaluation of TNK assets

Rosneft obtained preliminary assessment of the fair price of all assets and commitments of all companies of the former TNK-BP group. The effects of revaluation were disclosed in the financial results of the Company operations for the nine months 2013:

- Cost of procured crude oil, gas and petroleum products and refining costs
- Depreciation, depletion and amortization
- Finance expenses
- Other expense
- Income tax

Despite the fact that the recognition of the revaluation effect was actually carried out in the third quarter of 2013, the IFRS rules (par. 49 IFRS 3 *Business combinations*) require retrospective approach in recognition of the revaluation effect as if it was done at the acquisition date, March 21, 2013.

Thus, the consolidated statement of comprehensive income for the third quarter of 2013 is presented as if the recognition of the effect of revaluation occurred in the period of acquisition, i.e. in the first quarter of 2013. The consolidated statement of comprehensive income for the discrete third quarter 2013 does not include one-time gains or losses of revaluation of balance sheet items to their fair values though the consolidated statement of the comprehensive income for the nine months ended September 30, 2013 does include those gains and losses.

To simplify the separation of the revaluation effect, report actual Company's operating results and provide comparability of the Company's results for the third quarter with the published data for the second and first quarters of 2013, and for purposes of clarity and transparency of the analysis, the results of the Company for the third quarter of 2013 are derived by calculation as arithmetic difference in the consolidated statement of comprehensive income for the first nine months of 2013 and published IFRS financial statements for the first six months of 2013.

The table below demonstrates the reconciliation between results of operations presented in the consolidated statement of comprehensive income for the third quarter of 2013 and financial results adjusted for one-off effect of revaluation in the third quarter of 2013 which are analyzed further in this MD&A report:

	Financial statement for the Q3 2013	Transferred back gain on bargain purchase	Subsequent effect of revaluation	Results of Q3 2013 to be analyzed
Revenue	1,356		-	1 356
Costs and expenses				
Production and operating expenses	99		-	99
Cost of purchased oil, gas and petroleum products and refining costs	124		14	138
General and administrative expenses	33		-	33
Pipeline tariffs and transportation costs	108		-	108
Exploration expenses	5		-	5
Depreciation, depletion and amortisation	109		11	120
Taxes other than income tax	291		-	291
Export customs duty	379		-	379
Total cost and expenses	1 148		25	1 173
Operating income	208		(25)	183
Finance income	7		-	7
Finance expenses	(11)		-	(11)
Other income	1	167	(10)	158
Other expenses	(26)		-	(26)
Foreign exchange differences (net)	9		-	9
Income before income tax	188	167	(35)	320
Income tax expense	(45)		5	(40)
Net income	143	167	30	280

TNK-BP acquisition

On 21 March 2013, Rosneft completed the acquisition of an aggregate 100% equity interest in TNK-BP Limited, the ultimate holding company of TNK-BP, and TNK Industrial Holdings Limited, its subsidiary. TNK-BP was Russia's third largest hydrocarbon producer operating in Russia's major hydrocarbon-bearing regions (including Western Siberia, Volga-Urals and Eastern Siberia) with assets in the CIS, Venezuela, Vietnam and Brazil. The acquisition was carried out by way of two transactions, including (i) an acquisition of a 50% equity interest in TNK-BP from BP (the BP Acquisition) and (ii) an acquisition of a 50% equity interest in TNK-BP from the AAR consortium (the AAR Acquisition, together with the BP Acquisition, the TNK-BP Acquisitions).

The financial results of TNK consolidated subsidiaries are included in Rosneft consolidated financial statements for the nine months of 2013 since March 21, 2013 (**date of acquisition**).

As of December 31, 2012, proved hydrocarbon reserves of TNK-BP, according to oil and gas reserve information prepared by DeGolyer and MacNaughton, independent reservoir engineers, amounted to 12.29 billion barrels of oil and 506 billion cubic meters of gas, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System ("**PRMS**").

During the nine months of 2013, TNK assets were fully integrated in Company's production, refining, logistics and sales. As a result financial results of TNK group should not be read separately from the Company's financial results.

Business Segments and Intersegment sales

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

Business Segments

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

- Exploration and production (upstream). Geological exploration and development of fields and crude oil and gas production; and
- Refining and distribution (downstream). Refining of crude oil, as well as the purchase, transportation, sale and transshipment of crude oil and petroleum products.

Rosneft does not separate its distribution and transportation divisions into a "midstream" segment. These activities are reflected in the downstream segment. Other types of activities are incorporated in the "Corporate and other unallocated activities" segment and include banking, finance services and other activities.

Intersegment Sales

Rosneft's two main business segments are interconnected: the majority of the revenues of one main segment is included in the expenses of the other main segment. In particular, the Company, as the holding company, buys crude oil from its producing subsidiaries, part of which it sells to third parties in and outside Russia and the remainder of which it delivers to its proprietary, affiliated refineries or third party refineries for processing. Refined petroleum products are then either sold by the Company through wholesale sales in international or domestic markets or sold to the Company's marketing and transshipment Business Units and subsidiaries for subsequent wholesale and retail sale in Russia.

Significant events in the third quarter of 2013

Results of preliminary assessment of the fair price of all assets and commitments of all companies of the former TNK-BP group.

Rosneft obtained preliminary assessment of the fair price of all assets and commitments of all companies of the former TNK-BP group. The assessment was made by Deloitte&Touche at the time of the deal. Based on it, the fair price of net assets of the company amounted to RUB 1,934 billion – up RUB 167 billion from what had been paid as reimbursement. The sum is revealed in the results of the company operations for the nine months 2013.

Rosneft acquired ALROSA Oil and Gas Assets

On September 27, 2013 Rosneft agreed to acquire a number of oil and gas assets from ALROSA in Yamalo-Nenets Autonomous Region and in the Republic of Sakha (Yakutia), including 100-percent holdings in CJSC Geotransgaz, Urengoi Gas Company LLC, CJSC Irelyakhneft and the 99.9995 percent stake in OJSC ALROSA -Gas. The transaction is valued at USD 1.38 billion. The acquisition of ALROSA assets will increase Rosneft recoverable gas reserves by more than 200 bcm and will give a boost to the Company's Yamal Gas Cluster development.

Rosneft Agrees Gas Supplies to Fortum Assets in Russia

Rosneft and Fortum have signed a cooperation agreement on additional gas supplies. Under the document signed, by December 10, 2013 the parties will agree terms of the gas supply contract, which envisages that Rosneft will deliver 8.3 billion cubic meters of gas through 2019 inclusively: 4.4 billion cubic meters to Tyumen cogeneration plants and 3.9 billion cubic meters to the Tobolsk cogeneration facility.

Rosneft agreed to acquire a 40% stake in Arctic Russia B.V. from Enel

On September 24, 2013 Rosneft agreed to acquire a 40% stake in Arctic Russia B.V. from Enel, which will lead to Rosneft's indirect ownership of a 19.6% stake in SeverEnergia. The stake will be acquired by Itera, a subsidiary of Rosneft, which is a center consolidating gas assets within Rosneft group.

Acquisition of additional 50% interest in LLC TNK-Sheremetyevo

As of 30 September 2013 the Group acquired 50% share in OOO“TNK-Sheremetyevo” a shareholder of 75% less one share of CJSC “Toplivozapravochny Kompleks (TZK) Sheremetyevo”. Main activities of CJSC “TZK-Sheremetyevo” comprise of jet fuel sales, storage and fuelling services at Sheremetyevo International Airport in Moscow.

Rosneft acquired an additional 49% ownership interest in LLC Oil and Gas Company ITERA

On July 2, 2013 the Company acquired an additional 49% ownership interest in LLC Oil and Gas Company ITERA. The purchase consideration of new assets amounts to RUB 95 billion. As a result of this acquisition, the Company's share in LLC Oil and Gas Company ITERA increased to 100%. Starting from the date of acquisition of additional interest Rosneft obtained control over LLC Oil and Gas Company ITERA, and the financial and operational results of ITERA are fully incorporated into the Company's consolidated financial statements.

Changes in accounting policies

The Company adopted a package of standards on consolidation: IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities. The package of new standards introduces the new model of control and treatment of joint arrangements and also new disclosure requirements. As a result of the application of the package the Company has changed from the equity method of accounting to accounting for the assets, liabilities, revenues and expenses relating to the Company's interest in certain joint arrangements in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses. This change requires restatement of previous financial statements.

Starting from January 1, 2013 the Company accounts for all financial and non financial results relating to its interest in OJSC Tomskneft and Ruhr Oel GmbH (ROG). The presentation of processing fees related to Ruhr Oel GmbH (ROG) was changed. All operating expenses at Ruhr Oel GmbH (ROG) are included in operating expenses at refineries outside Russia.

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2012 (restated)	September 30, 2012	% change	September 30, 2012 (restated)	September 30, 2012	% change
<u>Financial results, RUB billion</u>						
Revenues and equity share in profits of associates and joint ventures	813	809	0.5%	2,297	2,288	0.4%
EBITDA	201	198	1.5%	473	465	1.7%
Net income/(loss)	187	187	–	303	285	6.3%
Capital expenditures	107	105	1.9%	350	344	1.7%
Free cash flow	51	53	(3.8)%	30	32	(6.3)%
Net debt	551	625	(11.8)%	551	625	(11.8)%
<u>Financial ratios</u>						
EBITDA margin	24.7%	24.5%		20.6%	20.3%	
Net income margin	23.0%	23.1%		13.2%	12.5%	
Net debt to annualised EBITDA	0.69	0.79		1.55	1.79	
Current ratio	1.93	2.01		1.93	2.01	
<u>(RUR/bbl and RUR/t.)</u>						
EBITDA/bbl	931	959	(2.9)%	744	765	(2.7)%
Capital expenditures/bbl	319	324	(1.5)%	315	319	(1.3)%
Upstream operating expenses/bbl	97.4	88.1	10.6%	98.0	88.2	11.1%
Operating expenses at refineries in Russia/t.	651	644	1.1%	717	645	11.2%
Free cash flow/bbl	236	257	(8.2)%	47	53	(11.3)%
<u>Operating results</u>						
Hydrocarbon production (th. boe per day)	2,729	2,729		2,662	2,662	
Crude oil and production (th. barrels per day)	2,454	2,454		2,425	2,425	
Gas production (th.boe per day)	275	275		237	237	
Production output in Russia (million tonnes)	12.66	12.66		36.24	36.24	
Product output outside Russia (million tonnes)	2.78	2.78		8.02	8.02	

Events after reporting date

Acquisition of 51% stake in Petroresurs

On October 2, 2013 Rosneft and Lundin Petroleum signed heads of agreement on Rosneft's acquisition of a 51% interest in Petroresurs LLC. Petroresurs LLC is owned 70% by Lundin Petroleum and 30% by Gunvor Group and holds exploration license for Lagansky offshore license block in the North-Eastern part of the Caspian Sea.

Rosneft Consolidates 100% of Taas-Yuriakh Neftegazodobycha

On October 14, 2013 Rosneft acquired an additional 64.67% ownership interest in Taas-Yuriakh Neftegazodobycha LLC. The consolidation of Taas-Yuriakh Neftegazodobycha will boost the efficiency of Srednebotuobinsk oil and gas field development, which is one of the largest undeveloped fields in East Siberia, and will serve as foundation to create infrastructure for further exploration and development of the region's reserves. The control over Taas-Yuriakh Neftegazodobycha will enable Rosneft to book Srednebotuobinsk field reserves and to increase the Company's production volumes.

Prepaid export contracts with Sinopec

On October 22, 2013 Rosneft and Sinopec signed the Memorandum on prepaid export contract. The Memorandum assumes supplies of crude oil in the volume of up to 100 million tonnes for 10 years starting from 2014 based on advance payment.

Macroeconomic Factors Affecting Results of Operations

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

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

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

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2013	June 30, 2013	%	September 30, 2013	September 30, 2012	%
World market	(US\$ per barrel)			(US\$ per barrel)		
Brent (dated)	110.4	102.4	7.7%	108.4	112.1	(3.3)%
Urals (average CIF Med and NWE)	109.7	102.1	7.4%	107.5	110.8	(3.0)%
Urals (FOB Primorsk)	109.0	100.3	8.7%	106.2	109.4	(3.0)%
Urals (FOB Novorossysk)	109.7	101.2	8.4%	106.9	109.9	(2.7)%
Dubai	106.3	100.8	5.5%	105.0	109.6	(4.2)%
	(US\$ per tonne)			(US\$ per tonne)		
Naphtha (av. FOB/CIF Med)	890	813	9.4%	875	917	(4.6)%
Naphtha (av. FOB Rotterdam/CIF NWE)	905	829	9.1%	892	932	(4.3)%
Naphtha (CFR Japan)	920	858	7.2%	913	943	(3.2)%
Fuel oil (av. FOB/CIF Med)	598	580	3.1%	598	645	(7.3)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	593	578	2.6%	594	642	(7.5)%
High sulphur fuel oil 180 cst(FOB Singapore)	607	617	(1.6)%	621	687	(9.6)%
Gasoil (av. FOB/CIF Med)	929	870	6.7%	917	956	(4.1)%
Gasoil (av. FOB Rotterdam/CIF NWE)	930	869	7.0%	918	955	(3.9)%
Gasoil (FOB Singapore)	916	866	5.8%	907	949	(4.4)%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent (dated)	3.62	3.24	11.8%	3.43	3.49	(1.8)%
Urals (average CIF Med and NWE)	3.60	3.23	11.4%	3.40	3.44	(1.2)%
Urals (FOB Primorsk)	3.58	3.17	12.7%	3.36	3.40	(1.3)%
Urals (FOB Novorossysk)	3.60	3.20	12.5%	3.38	3.42	(1.1)%
Dubai	3.49	3.19	9.4%	3.32	3.41	(2.6)%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	29.2	25.7	13.5%	27.7	28.5	(2.8)%
Naphtha (av. FOB Rotterdam/CIF NWE)	29.7	26.2	13.2%	28.2	29.0	(2.8)%
Naphtha (CFR Japan)	30.2	27.1	11.3%	28.9	29.3	(1.4)%
Fuel oil (av. FOB/CIF Med)	19.6	18.4	6.7%	18.9	20.1	(6.0)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	19.4	18.3	6.4%	18.8	20.0	(6.0)%
High sulphur fuel oil 180 cst (FOB Singapore)	19.9	19.5	2.1%	19.6	21.4	(8.4)%
Gasoil (av. FOB/CIF Med)	30.5	27.5	10.8%	29.0	29.7	(2.4)%
Gasoil (av. FOB Rotterdam/CIF NWE)	30.5	27.5	11.0%	29.0	29.7	(2.4)%
Gasoil (FOB Singapore)	30.0	27.4	9.7%	28.7	29.5	(2.7)%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)		
Crude oil	11.3	9.8	15.3%	10.5	10.2	2.9%
Fuel oil	9.7	8.4	14.4%	8.8	9.2	(4.5)%
Summer diesel	25.9	24.9	3.9%	25.1	22.8	9.9%
Winter diesel	28.9	26.7	8.1%	27.9	24.4	14.4%
Jet fuel	23.3	22.4	4.1%	23.2	22.9	1.5%
High octane gasoline	29.4	25.1	16.9%	26.9	24.8	8.3%
Low octane gasoline	25.4	24.0	5.6%	24.7	22.8	8.1%

Difference between movement of prices denominated in US\$ and those denominated in RUB is explained by nominal RUB depreciation against US\$ by 3.8% in the third quarter of 2013 compared to the second quarter of 2013 and nominal RUB depreciation against US\$ by 1.7% in the nine months of 2013 compared to the nine months of 2012.

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

The regulated price has affected, and is likely to continue to affect, the pricing of Rosneft gas sales. Rosneft's average gas sale price (without VAT) was RUB 3.01 thousand per thousand cubic meters and RUB 2.10 thousand per thousand cubic meters in the third quarter of 2013 and second quarter of 2013, respectively. In the nine months of 2013 and 2012 average gas sale price was RUB 2.54 thousand per thousand cubic meters and RUB 1.95 thousand per thousand cubic meters, respectively.

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

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

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
Rouble inflation (CPI) for the period	1.2%	1.6%	4.7%	5.2%
Average RUB/US\$ exchange rate for the period	32.80	31.61	31.62	31.10
RUB/US\$ exchange rate at the end of the period	32.35	32.71	32.35	30.92
Average RUB/EUR exchange rate for the period	43.44	41.29	41.65	39.83
RUB/EUR exchange rate at the end of the period	43.65	42.72	43.65	39.98

Source: CBR.

Taxation

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2013	June 30, 2013		September 30, 2013	September 30, 2012	
Mineral extraction tax						
Crude oil (RUB per tonne)	5,631	4,955	13.6%	5,282	5,086	3.9%
Natural gas (RUB per th. cubic meters) *	402	265	51.7%	311	251	23.9%
Associated gas (RUB per th. cubic meters)	0	0	–	0	0	–
Export customs duty for crude oil						
Crude oil (US\$ per tonne)	383.0	379.7	0.9%	389.7	403.5	(3.4)%
Crude oil (RUB per tonne)	12,564	12,005	4.7%	12,322	12,547	(1.8)%
Crude oil (RUB per barrel)	1,707	1,631	4.7%	1,674	1,715	(2.4)%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	11,306	10,804	4.6%	11,089	11,292	(1.8)%
Naphtha (RUB per tonne)	11,306	10,804	4.6%	11,089	11,292	(1.8)%
Light and middle distillates (RUB per tonne)	8,290	7,922	4.6%	8,132	8,280	(1.8)%
Liquid fuels (fuel oil) (RUB per tonne)	8,290	7,922	4.6%	8,132	8,280	(1.8)%

* Starting from July 1, 2013 mineral extraction tax on natural gas increased.

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

	From December 1, until June 30, 2013	From July 1, until December 31, 2013	2014	2015
Excise on petroleum products				
High octane gasoline (RUB per tonne)				
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	10,100	10,100	11,110	13,332
High octane gasoline euro-3 (RUB per tonne)	9,750	9,750	10,725	12,879
High octane gasoline euro-4 (RUB per tonne)	8,560	8,960	9,416	10,358
High octane gasoline euro-5 (RUB per tonne)	5,143	5,750	5,750	6,223
Naphtha (RUB per tonne)	10,229	10,229	11,252	13,502
Diesel (RUB per tonne)				
Diesel below euro-3,4,5 (RUB per tonne)	5,860	5,860	6,446	7,735
Diesel euro-3 (RUB per tonne)	5,860	5,860	6,446	7,735
Diesel euro-4 (RUB per tonne)	4,934	5,100	5,427	5,970
Diesel euro-5 (RUB per tonne)	4,334	4,500	4,767	5,244
Lubricants (RUB per tonne)	7,509	7,509	4,767	5,244

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
	RUB billion	RUB billion	RUB billion	RUB billion
Total revenues	1,356	1,176	3,344	2,297
Total taxes*	710	628	1,785	1,252
Effective tax burden, %	52.4%	53.4%	53.4%	54.5%

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

The mineral extraction tax and the export customs duty accounted for approximately 45.2% and 48.3% of Rosneft's total revenues in the third quarter of 2013 and in the second quarter of 2013, respectively. In the nine months of 2013 and 2012 the mineral extraction tax and the export customs duty accounted for approximately 47.1% and 46.9% of Rosneft's total revenues.

Mineral Extraction Tax

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

The mineral extraction tax rate is calculated by multiplying the base rate of RUB 470 (from January 1, 2013 base rate was increased from RUB 446 to RUB 470) by the adjustment ratio of $((\text{Price} - 15) / 261) \times \text{Exchange rate}$, where "Price" is the average Urals price per barrel and "Exchange rate" is the average RUB/US\$ exchange rate established by the Central Bank of Russia in the respective month.

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

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

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

Moreover its fields in Irkutsk Region and Krasnoyarsk Territory are subject to the zero mineral extraction tax rate which is applicable for the first 25 million tonnes of production and not more than 10 years period for a production licence and not more than 15 years period for an exploration and production license.

On August 6, 2011 accumulated production at the Vankor oil field exceeded 25 million tons and zero MET rate was replaced by the standard one. In May 2012 the Company started developing Severo-Vankorsky area of Vankorskoye oil field and this area is subject to the zero MET rate (applicable for the first 25 million tonnes of production).

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

The Company has exploration and production licences for the fields with hard to recover reserves. On July 23, 2013 the amendments to tax law specifying special tax regime for these reserves were approved, which provide for tax exemptions for the projects at the fields with hard to recover reserves, including Bajenov, Abalaks, Khadumsk, Domanikov and Tumensky formations.

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

Export Customs Duty on Crude Oil

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

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

<i>Urals price (US\$ per tonne)</i>	<i>Export customs duty(US\$ per tonne)</i>
Below and including 109.5 (15 US\$ per barrel)	Export customs duty is not levied
Above 109.5 to and including 146 (15 to 20 US\$ per barrel)	35% of the difference between the average Urals price in US\$ per tonne and US\$ 109.5
Above 146 to and including 182.5 (20 to 25 US\$ per barrel)	US\$ 12.78 plus 45% of the difference between the average Urals price in US\$ per tonne and US\$ 146
Above 182.5 (25 US\$ per barrel)	US\$ 29.2 plus 60% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5

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

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

The draft law on the introduction of a special tax regime in respect of projects on the continental shelf of the Russian Federation provides for full exemption of hydrocarbons from the export customs duties.

On April 12, 2012 the Russian Government decided to devise a special tax regime for exploration projects at the continental shelf of the Russian Federation (Order №443P). As part of this work the decision will be taken to exempt companies working at the Russian continental shelf from export customs duty.

The Government of the Russian Federation will establish a special formula in respect of extra-viscous oil and oil with special physical and chemical characteristics and the calculated rate (according to the formula) should not exceed the statutory maximum limits.

Export customs duty on crude oil export to CIS

Export duties are not payable on crude oil exports to CIS countries that are members of the Customs Union. In accordance with the Agreement between the Government of the Russian Federation and the Government of Belarus dated January 27, 2010, crude oil exports to Belarus within specific limits established by the Russian Ministry of Energy are exempted from export duty until January 1, 2012. Starting from January 1, 2012 zero export duty rate is applicable to the crude oil exports to Belarus. No new amendments were introduced in January 2013 in respect of regime of export customs duty on crude oil export to CIS.

Export Customs Duty on Petroleum Products

Export customs duty on petroleum products is set every month by the Government simultaneously with the export customs duty on crude oil and is denominated in US\$ per tonne. The rate of the export customs duty on petroleum products is linked to crude oil price.

Starting from October 2011 the export duty for light petroleum products (excluding gasoline and nafta) was lowered from 67% to 66% of export duty for crude oil, the export duty for dark petroleum products was raised from 46.7% to 66% of export duty for crude oil. Export duty for naphtha and gasoline remained at 90% of crude oil export duty. These rates are effective as at the reporting date.

Changes in Transport Tariffs of Pipeline and Railway Monopolies

Rosneft transports most of its crude oil and petroleum products via pipeline network owned and operated by Transneft, which is a natural state-owned pipeline monopoly. Rosneft also transports crude oil and petroleum products via railway network owned and operated by RZD, another natural state-owned monopoly.

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

The FTS sets tariffs for each separate route of the pipeline networks depending on the length of the relevant routes, transportation direction and other factors, alternatively tariffs may be set for the entire route of the pipeline network. Tariffs for railroad transportation, where these costs are not already incorporated in pipeline tariffs, often depend on the type of cargo and the transportation route.

Recent changes of Transneft transportation tariffs

Petroleum products

In January 2013 Transneft increased tariffs by 6.6% on average for export transportation and by 4.6% on average for domestic transportation of petroleum products.

In January 2012 Transneft increased tariffs by 8.6% on average for export transportation and by 6.1% on average for domestic transportation of petroleum products. Starting from August 1, 2012 tariffs for pipeline transportation of petroleum products for Rosneft increased by 5.4% for domestic transportation and by 3% for export transportation.

Crude oil

Starting from November 2012 Transneft increased tariffs for crude oil transportation by 5.5% on average while the network tariff for ESPO (Kozmino and China) increased by 10.2%. Transneft revised and increased the tariff for Rosneft's major transportation route "Yugansk – Primorsk" and route "Yugansk – Novorossysk", by 3.5% and 6.8%, respectively.

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

Recent changes of railroad transportation tariffs

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

In January 2012 tariffs for railroad transportation were increased by 6.0% on average.

Rosneft average transportation tariffs applied for major transportation routes denominated in RUB for the respective periods:

	<i>For 3 months</i>		<i>Change</i>	<i>For 9 months</i>		<i>Change</i>
	<i>ended</i>			<i>ended</i>		
	September 30, 2013	June 30, 2013		September 30, 2013	September 30, 2012	
	(th. RUB/tonne)	(%)	(th. RUB/tonne)	(%)		
CRUDE OIL						
Domestic						
Pipeline						
Yugansk – Samara refineries	0.79	0.79	–	0.79	0.75	5.3%
Samara – Samara refineries	0.05	0.05	–	0.05	0.05	–
Yugansk – Angarsk refinery (long route)	–	–	–	–	1.25	–
Purneftegaz – Angarsk refinery (long route)	1.56	1.56	–	1.38	–	–
Purpe – Tuapse refinery	1.65	1.65	–	1.65	1.56	5.8%
Tomsk – Achinsk refinery	0.36	0.36	–	0.36	0.34	5.9%
Purneftegaz – Achinsk refinery (long route)	1.07	1.07	–	0.95	–	–
Orenburgneft (Krotovka)– Saratov NPZ	0.27	–	–	0.27	–	–
Orenburgneft (Pokrovka) – Saratov NPZ	0.34	–	–	0.34	–	–
Samotlor – Ryazan	1.26	1.26	–	1.26	–	–
TNK UVAT – Ryazan	1.06	1.06	–	1.06	–	–
Samotlor – Komsomolskiy NPZ (short route)	0.54	0.54	–	0.54	–	–
Samotlor – Angarskaya NHK (short route)	0.94	0.94	–	0.94	–	–
Pipeline and railroad						
Yugansk – Komsomolsk refinery	–	–	–	–	4.14	–
Purneftegaz – Komsomolsk refinery (long route)	4.55	4.55	–	4.55	–	–
Yugansk –RNPk	1.15	1.15	–	0.65	–	–
Exports						
Pipeline						
Yugansk – Primorsk	1.60	1.60	–	1.60	1.54	3.9%
Yugansk – Novorossiysk	1.59	1.59	–	1.59	1.49	6.7%
Vankor (Purpe)-Kozmino / China	2.08	2.08	–	2.08	1.89	10.1%
Samara – Novorossiysk	0.85	0.85	–	0.57	–	–
Yugansk – Germany	1.61	1.61	–	1.60	1.49	7.4%
Yugansk – Poland	1.53	1.53	–	1.53	1.46	4.8%
Yugansk – Belorussia (Naftan)	1.71	1.71	–	1.71	1.39	23.0%
Orenburgneft (Pokrovka) – Mozyr NPZ	–	0.89	–	0.89	–	–
Samotlor – Novorossiysk	–	1.72	–	1.68	–	–
Verkhnechonskneftegaz – Kozmino	2.08	2.08	–	2.08	–	–
Railroad						
Stavropolneftegaz – CPC	0.75	0.75	–	0.75	0.68	10.3%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventpils	2.03	2.01	1.0%	2.01	1.88	6.9%
Angarsk refinery – Nakhodka	4.44	4.44	–	4.44	4.16	6.7%
Komsomolsk refinery – Nakhodka	1.74	1.74	–	1.74	1.63	6.7%
Achinsk refinery – Tuapse	5.01	5.01	–	5.01	4.69	6.8%
RNPk – Ventpils	2.42	2.34	3.4%	2.38	–	–
RNPk – Primorsk	1.88	1.92	(2.1)%	1.90	–	–
YANOS – Primorsk	1.65	1.65	–	1.65	–	–
Fuel oil						
Angarsk refinery – Nakhodka	4.43	4.43	–	4.43	4.14	7.0%
Komsomolsk refinery – Nakhodka	1.67	1.67	–	1.67	1.56	7.1%
Achinsk refinery – Nakhodka	5.68	5.68	–	5.68	5.30	7.2%
RNPk – Ust-Luga	2.33	2.31	0.9%	2.32	–	–
RNPk – Estonia	2.55	2.53	0.8%	2.54	–	–
SNPZ – Kerch	2.76	2.99	(7.7)%	2.84	–	–
YANOS – Estonia	2.05	2.04	0.5%	2.05	–	–
Naphtha						
Samara refineries – Tuapse	2.07	2.07	–	2.07	1.93	7.3%
Achinsk refinery – Tuapse	4.86	4.86	–	4.86	4.58	6.1%
Angarsk refinery – Nakhodka	4.19	4.19	–	4.19	3.92	6.9%
Komsomolsk refinery – Nakhodka	1.71	1.71	–	1.71	1.60	6.9%
Nigneartovsk NPO – Ventpils	3.52	3.22	9.3%	3.39	–	–

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

Rosneft operates proprietary transportation and transshipment facilities. This allows optimisation of Company's logistics (netbacks). These facilities include: the Arkhangelsk, De-Kastri, Tuapse and Nakhodka export terminals, the Okha – Komsomolsk-on-Amur pipeline, Vankor-Purpe pipeline and the Caspian Pipeline Consortium ("CPC"). In Caspian Pipeline Consortium Rosneft has a 7.5% stake through a joint venture "Rosneft Shell Caspian Ventures Ltd" (Cyprus) (Rosneft owns 51%).

Operating Results

Production of Crude Oil and NGL

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

The following table sets forth Rosneft's crude oil production¹:

	For 3 months ended			Change	For 9 months ended		Change	
	September 30, 2013	June 30, 2013	Change (%)		September 30, 2013	September 30, 2012 ²		Change (%)
	(million barrels)				(million barrels)			
Yuganskneftegaz (Western Siberia)	122.3	121.5	0.7%	364.6	365.9	(0.4)%		
Samaraneftegaz (Central Russia)	20.7	20.2	2.5%	60.4	58.9	2.5%		
Purneftegaz (Western Siberia)	11.9	11.9	–	35.7	38.2	(6.5)%		
Vankorneft (Eastern Siberia)	40.2	39.4	2.0%	117.6	96.2	22.2%		
Severnaya Neft (Timan Pechora)	5.6	5.6	–	17.2	19.5	(11.8)%		
Sakhalin-1 (Far East) (net of royalty and government share)	2.3	2.2	4.5%	6.4	6.5	(1.5)%		
Tomskneft (Western Siberia)	9.5	9.3	2.2%	27.9	28.1	(0.7)%		
Samotlorneftegaz	43.8	43.6	0.5%	92.7	–	–		
Orenburgneft	38.3	37.7	1.6%	80.6	–	–		
Verkhnechonskneftegaz	14.3	14.1	1.4%	30.1	–	–		
TNK-Uvat	17.3	16.0	8.1%	35.1	–	–		
Varyeganneftez	13.9	13.8	0.7%	29.4	–	–		
TNK-Nyagan	11.9	11.8	0.8%	25.1	–	–		
Other	9.0	9.0	–	25.7	22.4	14.7%		
Crude oil and NGL production by fully and proportionately consolidated enterprises	361.0	356.1	1.4%	948.5	635.7	49.2%		
Udmurtneft (Central Russia)	5.9	5.9	–	17.6	17.5	0.6%		
Polar Lights (Timan Pechora)	0.4	0.4	–	1.2	1.4	(14.3)%		
Verkhnechonskneftegaz (Eastern Siberia) ³	–	–	–	3.1	9.9	(68.7)%		
Slavneft	15.4	15.5	(0.6)%	32.8	–	–		
Other	3.1	2.9	6.9%	6.4	–	–		
Total share in production of associates	24.8	24.7	0.4%	61.1	28.8	>100%		
Total crude oil and NGL production	385.8	380.8	1.3%	1,009.6	664.5	51.9%		
Daily crude oil production (th. barrels per day)	4,193	4,185	0.2%	4,187	2,425	72.7%		

¹ For information: all production volumes of new assets are included from acquisition date. Pro Forma of the Company's crude oil production in comparative periods of 2013 and 2012 is presented in Appendix 1.

² For information: to convert tonnes to barrels a 7.315 ratio was used in 2012.

³ Before the date of acquisition of TNK assets.

In the third quarter of 2013 Rosneft's average daily crude oil and NGL production was 4,193 th. barrels per day, which is an increase of 0.2% compared with the second quarter of 2013. The increase in production level was due to organic production growth at TNK-Uvat fields mainly due to launch of new wells and efficient drilling program. The Company is stabilising the production at Brownfield's, using effective technologies at all production units, accelerating launch of new fields at Western Siberia, Eastern Siberia and Yamalo-Nenetskiy district and also extending activity at fields with hard to recover reserves.

In the nine months of 2013 organic production growth of 2.5% was due to production increase at Vankor and Samaraneftegaz fields compared to same period of 2012.

Production of Gas

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

	For 3 months ended			For 9 months ended		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	(bcm)		(%)	(bcm)		(%)
Purneftegaz (Western Siberia)	1.06	1.03	2.9%	3.11	3.00	3.7%
Yuganskneftegaz (Western Siberia)	0.98	0.81	21.0%	2.71	2.27	19.4%
Krasnodarneftegaz (Southern Russia)	0.73	0.68	7.4%	2.21	2.08	6.2%
Samaraneftegaz (Central Russia)	0.12	0.13	(7.7)%	0.37	0.40	(7.5)%
Severnaya Neft (Timan Pechora)	0.06	0.06	–	0.19	0.22	(13.6)%
Vankorneft (Eastern Siberia)	0.11	0.11	–	0.36	0.33	9.1%
Sakhalin-1 (Far East) (net of royalty and government share)	0.07	0.08	(12.5)%	0.28	0.23	21.7%
Tomskneft (Western Siberia)	0.19	0.23	(17.4)%	0.62	0.59	5.1%
ITERA LLC	2.95	–	–	2.95	–	–
Samotlorneftegaz	1.37	1.36	0.7%	2.90	–	–
Rospan International	0.91	0.93	(2.2)%	1.95	–	–
Orenburgneft	0.65	0.66	(1.5)%	1.39	–	–
Varyeganneftez	0.71	0.75	(5.3)%	1.54	–	–
TNK-Nyagan	0.36	0.34	5.9%	0.74	–	–
Other	0.41	0.52	(21.2)%	1.24	0.85	45.9%
Gas production by fully and proportionately consolidated enterprises	10.68	7.69	38.9%	22.56	9.97	>100%
ITERA LLC ²	–	1.47	–	3.23	1.02	>100%
Slavneft	0.10	0.10	–	0.21	–	–
Other	0.04	0.05	(20.0)%	0.10	0.03	>100%
Total share in production of associates	0.14	1.62	(91.4)%	3.54	1.05	>100%
Total gas production	10.82	9.31	16.2%	26.10	11.02	>100%
Natural gas	5.37	3.96	35.6%	12.51	4.39	>100%
Associated gas	5.45	5.35	1.9%	13.59	6.63	>100%

* Production volume equals extracted volume minus flared volume.

¹ For information: all production volumes of acquired assets are included from acquisition date. Pro Forma of the Company's gas production in comparative periods of 2013 and 2012 is presented in Appendix 1.

² Before the date of acquisition of additional shares.

In the third quarter of 2013 Rosneft's gas production at Company's subsidiaries was 10.68 bcm, which was 38.9% higher than in the second quarter of 2013. Excluding the effect of consolidation of ITERA LLC, the gas production increased to 7.73 bcm (or 0.5% growth) mainly due to increase in gas production at Priobskoe and Pravdinskoe fields of Yuganskneftegaz which resulted from sustainable gas compressor operations.

In the nine months of 2013 Rosneft's gas production was significantly higher than in the same period of 2012, mainly due to ITERA LLC acquisition and incorporation of gas production results of new production units. Organic gas production growth was 6.4% (excluding associates) mainly at Yuganskneftegaz, Vankor and Purneftegaz. Currently, the Company participates in significant gas projects in Yamalo-Nenetsky district and Western Siberia, develops gas resources at continental shelf and demonstrates sustainable production growth in comparative periods.

Rosneft is implementing a programme aimed at increasing associated gas utilisation rate. The programme envisages construction of gas gathering facilities, booster compression stations and underground storage facilities as well as gas power stations.

Petroleum Product Output

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

The Company increased significantly processing at refineries in Russia and outside Russia due to production capacities at Saratov, Ryazan, Yaroslav regions, Nignevartovsk and due to oil processing in Belarus under processing agreement.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2013	June 30, 2013		September 30, 2013	September 30, 2012	
	(million of tonnes)	(million of tonnes)	(%)	(million of tonnes)	(%)	
Crude oil processing at refineries in Russia	22.63	20.55	10.1%	56.37	37.75	49.3%
Crude oil processing at refineries outside Russia	3.39	3.06	10.8%	9.10	7.92	14.9%
<i>including crude oil processing at Ruhr Oel GmbH</i>	2.76	2.47	11.7%	7.82	7.92	(1.3)%
<i>including crude oil processing in Belarus</i>	0.63	0.59	6.8%	1.28	-	-
Total group crude oil processing	26.02	23.61	10.2%	65.47	45.67	43.4%
Product output:						
High octane gasoline	2.99	2.66	12.4%	7.28	3.96	83.8%
Low octane gasoline	0.04	0.05	(20.0)%	0.13	0.28	(53.6)%
Naphtha	1.37	1.22	12.3%	3.31	2.73	21.2%
Diesel	6.93	6.06	14.4%	17.44	12.72	37.1%
Fuel oil	7.22	6.73	7.3%	18.27	12.06	51.5%
Jet fuel	0.99	0.88	12.5%	2.22	1.16	91.4%
Petrochemicals	0.15	0.17	(11.8)%	0.48	0.37	29.7%
Other*	2.19	1.98	10.6%	5.19	2.96	75.3%
Product output at Rosneft's refineries in Russia	21.88	19.75	10.8%	54.32	36.24	49.9%
Product output at refineries outside Russia	3.34	3.00	11.3%	9.0	8.02	12.2%
<i>including crude oil output at Ruhr Oel GmbH</i>	2.75	2.46	11.8%	7.81	8.02	(2.6)%
<i>including product output in Belarus</i>	0.59	0.54	9.3%	1.19	-	-
Total group product output	25.22	22.75	10.9%	63.32	44.26	43.1%

*including production of petroleum products at gas refineries

¹ For information: all production volumes of acquired assets are included from acquisition date. Pro Forma of the Company's crude oil processing in comparative periods of 2013 and 2012 is presented in Appendix 1.

In the third quarter of 2013 Rosneft's total refinery throughput increased by 10.2% compared with the second quarter of 2013. The refinery throughput inside Russia mainly increased at the Tuapse refinery resulted from launching of crude oil processing unit following significant modernisation programme. The entire increase in refinery throughput in the third quarter of 2013 is mainly attributable to decreased planned turnarounds at many Company's refineries in Russia.

In the third quarter 2013 production capacity and utilisation decreased at Komsomolsk and Angarsk refineries due to planned turnarounds. Starting from October 2013 Rosneft's subsidiary Saratov refinery is also undergoing a modernization and technological upgrade as part of the planned overhaul of the facility.

In the third quarter 2013 the increase in the throughput outside Russia mainly resulted from decreased turnarounds at German refineries.

Organic growth of oil throughput in Russia (+2.0%) in the nine months 2013 compared with nine months of 2012 was due to refineries modernization. Oil throughput at Ruhr Oel GmbH refineries slightly decreased in the nine months of 2013 compared with the nine months of 2012 due to unscheduled turnarounds at Gelsenkirchen refinery, PCK Schwedt refinery and Bayernoil refinery in the first half of 2013.

Results of Operations

The following table sets forth the statement of income information both in absolute values and respective changes over the analyzed periods:

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	(RUB billion)		(%)	(RUB billion)		(%)
Revenues and equity share in profits of associates and joint ventures						
Oil and gas sales	691	611	13.1%	1 716	1 141	50.4%
Petroleum products and petrochemicals sales	648	547	18.5 %	1 576	1 110	42.0 %
Support services and other revenues	14	16	(12.5) %	40	31	29.0 %
Equity share in profits of associates and joint ventures	3	2	50.0 %	12	15	(20.0) %
Total revenues and equity share in profits of associates and joint ventures	1 356	1 176	15.3 %	3 344	2 297	45.6 %
Costs and expenses						
Production and operating expenses	99	109	(9.2) %	268	178	50.6%
Cost of purchased oil, gas and petroleum products and refining costs	138	99	39.4%	312	236	32.2 %
General and administrative expenses	33	29	13.8 %	79	48	64.6%
Pipeline tariffs and transportation costs	108	103	4.9 %	281	179	57.0%
Exploration expenses	5	3	66.7%	11	15	(26.7)%
Depreciation, depletion and amortisation	120	93	29.0 %	269	151	78.1 %
Taxes other than income tax	291	259	12.4 %	738	504	46.4 %
Export customs duty	379	359	5.6 %	981	664	47.7 %
Total cost and expenses	1 173	1 054	11.3%	2 939	1 975	48.8 %
Operating income	183	122	50.0%	405	322	25.8 %
Finance income	7	4	75.0 %	14	15	(6.7)%
Finance expenses	(11)	(22)	(50.0) %	(40)	(12)	233.3 %
Other income	158	1	>100 %	207	86	140.7 %
Other expenses	(26)	(5)	420.0%	(46)	(27)	70.4 %
Foreign exchange differences	9	(55)	(116.4) %	(57)	3	>100 %
Income before income tax	320	45	611.1 %	483	387	24.8 %
Income tax expense	(40)	(10)	300.0 %	(66)	(84)	(21.4)%
Net income	280	35	700.0 %	417	303	37.6 %
Other comprehensive income/(loss) – to be reclassified to profit in subsequent periods						
Foreign exchange differences on translation of foreign operations	3	(13)	(123.1)%	(10)	2	(600)%
Gain/(loss) from changes in fair value of financial assets available for-sale	0	–	–	3	(2)	(250.0)%
Total other comprehensive income/(loss) – to be reclassified to profit in subsequent periods, net of tax	3	(13)	(123.1) %	(7)	-	(100.0) %
Total comprehensive income, net of tax	283	22	>100.0%	410	303	35.3%

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
EBITDA	303	215	674	473
Operating income margin	13.5%	10.4%	12.1%	14.0%
Share of pipeline and transportation costs in revenue	8.0%	8.8%	8.4%	7.8%
Net income margin	20.6%	3.0%	12.5%	13.2%

* The difference between percents presented here and in the sections is a result of rounding

Revenues and equity share in profits of associates and joint ventures

In the third quarter of 2013 revenues and equity share in profits of associates and joint ventures amounted to RUB 1,356 billion or upturn 15.3%. The growth was mainly driven by increase in world market price of crude oil and petroleum products and increase in sales volumes of petroleum products.

In the nine months of 2013 revenues and equity share in profits of associates and joint ventures were RUB 3,344 billion or upturn 45.6%, which was driven by TNK assets acquisition, which was offset by decrease in world market prices. Urals price decreased by 3.0% and the world market prices for diesel and fuel oil denominated in RUB fell down by 2.4% and 6.0% respectively.

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

	<i>For 3 months ended</i>					<i>For 9 months ended</i>				
	September 30, 2013		June 30, 2013		Change, (%)	September 30, 2013		September 30, 2012		Change, (%)
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
(RUB billion, except %)										
Crude oil										
International Sales to non-CIS	596	43.9%	535	45.4%	11.4%	1,508	45.0%	1,062	46.3%	42.0%
Europe and other directions	444	32.7%	402	34.1%	10.4%	1,123	33.5%	772	33.7%	45.5%
Asia	152	11.2%	133	11.3%	14.3%	385	11.5%	290	12.6%	32.8%
International Sales to CIS	36	2.7%	28	2.4%	28.6%	87	2.6%	58	2.5%	50.0%
Domestic	24	1.8%	29	2.5%	(17.2)%	59	1.8%	5	0.2%	>100.0%
Total crude oil	656	48.4%	592	50.3%	10.8%	1,654	49.4%	1,125	49.0%	47.0%
Gas	35	2.6%	19	1.6%	84.2%	62	1.9%	16	0.7%	287.5%
Petroleum products										
International Sales to non-CIS	336	24.8%	288	24.4%	16.7%	843	25.1%	635	27.6%	32.8%
Europe and other directions	265	19.6%	218	18.4%	21.6%	636	18.9%	461	20.0%	38.0%
Asia	71	5.2%	70	6.0%	1.4%	207	6.2%	174	7.6%	19.0%
International Sales to CIS	32	2.4%	23	2.0%	39.1%	59	1.8%	7	0.3%	>100.0%
Domestic	239	17.6%	202	17.2%	18.3%	564	16.9%	369	16.1%	52.8%
Wholesale	141	10.4%	112	9.5%	25.9%	323	9.7%	224	9.8%	44.2%
Retail	98	7.2%	90	7.7%	8.9%	241	7.2%	145	6.3%	66.2%
Sales of bunker fuel	19	1.4%	14	1.2%	35.7%	43	1.3%	37	1.6%	16.2%
Total petroleum products	626	46.2%	527	44.8%	18.8%	1,509	45.1%	1,048	45.6%	44.0%
Petrochemical products	22	1.6%	20	1.7%	10.0%	67	2.0%	62	2.7%	8.1%
International sales	20	1.5%	17	1.4%	17.6%	59	1.8%	54	2.4%	9.3%
Domestic	2	0.1%	3	0.3%	(33.3)%	8	0.2%	8	0.3%	0.0%
Support services and other revenues	14	1.0%	16	1.4%	(12.5)%	40	1.2%	31	1.3%	29.0%
Equity share in profits of associates and joint ventures	3	0.2%	2	0.2%	50.0%	12	0.4%	15	0.7%	(20.0)%
Total sales	1,356	100.0%	1,176	100.0%	15.3%	3,344	100.0%	2,297	100.0%	45.6%

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

Sales Volumes

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

	<i>For 3 months ended</i>					<i>For 9 months ended</i>				<i>Change</i>
	September 30, 2013		June 30, 2013		<i>Change</i>	September 30, 2013		September 30, 2012		
	mln bbls	% of total volume	mln bbls	% of total volume		mln bbls	% of total volume	mln bbls	% of total volume	
Crude oil										
International Sales to non-CIS	171.6	43.4%	173.0	45.0%	(0.8)%	463.8	45.2%	327.0	47.1%	41.8%
Europe and other directions	124.4	31.5%	127.4	33.1%	(2.4)%	336.4	32.8%	229.0	33.0%	46.9%
Asia	47.2	11.9%	45.6	11.9%	3.5%	127.4	12.4%	98.0	14.1%	30.0%
International Sales to CIS	18.4	4.7%	19.1	5.0%	(3.7)%	51.5	5.0%	34.4	4.9%	49.7%
Domestic	13.2	3.4%	19.9	5.2%	(33.7)%	37.5	3.6%	3.6	0.5%	>100.0%
Total crude oil	203.2	51.5%	212.0	55.2%	(4.2)%	552.8	53.8%	365.0	52.5%	51.5%
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	23.3	43.4%	23.5	45.0%	(0.8)%	63.0	45.2%	44.7	47.1%	41.8%
Europe and other directions	16.9	31.5%	17.3	33.1%	(2.4)%	45.7	32.8%	31.3	33.0%	46.9%
Asia	6.4	11.9%	6.2	11.9%	3.5%	17.3	12.4%	13.4	14.1%	30.0%
CIS	2.5	4.7%	2.6	5.0%	(3.7)%	7.0	5.0%	4.7	4.9%	49.7%
Domestic	1.8	3.4%	2.7	5.2%	(33.7)%	5.1	3.6%	0.5	0.5%	>100.0%
Total crude oil	27.6	51.5%	28.8	55.2%	(4.2)%	75.1	53.8%	49.9	52.5%	51.5%
Petroleum products										
International Sales to non-CIS	13.4	24.9%	12.6	24.2%	6.3%	34.8	24.8%	24.5	25.8%	42.0%
Europe and other directions	10.8	20.0%	9.7	18.6%	11.3%	26.5	18.9%	18.0	19.0%	47.2%
Asia	2.6	4.9%	2.9	5.6%	(10.3)%	8.3	5.9%	6.5	6.8%	27.7%
International Sales to CIS	1.1	2.1%	0.9	1.7%	22.2%	2.2	1.6%	0.3	0.3%	>100.0%
Domestic	9.7	18.1%	8.4	16.1%	15.5%	23.0	16.5%	16.2	17.1%	42.0%
Wholesale	6.7	12.5%	5.6	10.7%	19.6%	15.6	11.2%	11.2	11.8%	39.3%
Retail	3.0	5.6%	2.8	5.4%	7.1%	7.4	5.3%	5.0	5.3%	48.0%
Sales of bunker fuel	1.0	1.9%	0.8	1.5%	25.0%	2.4	1.7%	2.0	2.1%	20.0%
Total petroleum products	25.2	47.0%	22.7	43.5%	11.0%	62.4	44.6%	43.0	45.3%	45.1%
Petrochemical products	0.8	1.5%	0.7	1.3%	14.3%	2.3	1.6%	2.1	2.2%	9.5%
International Sales	0.6	1.1%	0.5	0.9%	20.0%	1.7	1.2%	1.6	1.7%	6.3%
Domestic	0.2	0.4%	0.2	0.4%	0.0%	0.6	0.4%	0.5	0.5%	20.0%
Total crude oil and products	53.6	100.0%	52.2	100.0%	2.7%	139.8	100.0%	95.0	100.0%	47.2%
Gas	Bcm		bcm			bcm		bcm		
Sales Volumes	11.90		8.50		40.0%	24.52		8.18		>100.0%

Average Crude Oil and Petroleum Product Sales Prices

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

	<i>For 3 months ended</i>				<i>Change</i>	<i>For 9 months ended</i>				<i>Change</i>
	<i>September 30, 2013</i>		<i>June 30, 2013</i>			<i>September 30, 2013</i>		<i>September 30, 2012</i>		
	<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>		<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>	
Average prices on foreign markets					%					%
Crude oil, excluding CIS	3.47	25.5	3.09	22.7	12.3%	3.25	23.9	3.25	23.8	0.4%
Europe and other directions	3.56	26.2	3.15	23.2	12.9%	3.33	24.5	3.38	24.7	(0.8)%
Asia	3.23	23.8	2.92	21.5	10.7%	3.02	22.3	2.97	21.7	2.8%
Crude oil, CIS	1.92	14.1	1.55	11.4	23.7%	1.70	12.5	1.68	12.3	1.6%
Petroleum products, non- CIS		25.1		22.9	9.6%		24.3		26.0	(6.5)%
Europe and other directions		24.6		22.6	8.8%		24.0		25.7	(6.6)%
Asia		27.2		24.0	13.3%		25.0		26.9	(7.1)%
Petroleum products, CIS		29.7		25.5	16.5%		26.9		24.2	11.2%
Average domestic prices										
Crude oil	1.81	13.3	1.46	10.7	24.3%	1.58	11.7	1.38	10.1	15.8%
Petroleum products		24.6		24.2	1.7%		24.5		22.7	7.9%
Wholesale		21.2		20.0	6.0%		20.8		19.9	4.5%
Retail		32.2		32.9	(2.1)%		32.5		29.2	11.3%
Gas (th.rub, /th. cubic meter)		3.01		2.10	43.3%		2.54		1.95	30.3%
Sales of bunker fuel		18.5		17.9	3.4%		18.0		17.9	0.6%
Petrochemical products		30.0		29.8	0.7%		30.1		29.5	2.0%
International Sales		36.4		34.6	5.2%		35.6		33.5	6.3%
Domestic		11.4		16.5	(30.9)%		14.4		16.0	(10.0)%

**average price is calculated from unrounded figures*

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries amounted to RUB 596 billion compared to RUB 535 billion in the second quarter of 2013. Average prices upturn of 12.3% (positive impact on revenues of RUB 66 billion) was partially offset by sales volumes decrease of 0.8% (negative impact on revenues of RUB 5 billion).

The deviation between sales prices on the Asian markets and average world market prices (Dubai) in the third quarter of 2013 was due to deliveries to Transneft of 6 million tonnes (44.17 million barrels) of crude oil per year under the contract signed in 2009.

These volumes are sold to Transneft at export alternative price basis and are recognized as international sales in Company's sales structure. Share of sales to Transneft in the total volume of oil supplies to the Asian region decreased in the third quarter of 2013. Excluding revenues from crude oil sales to Transneft (RUB 21 billion) in the third quarter of 2013 the average sales price on the Asian markets amounted to RUB 3.6 thousand per barrel.

In the nine months of 2013 revenues from international crude oil sales to non-CIS countries increased by 42.0% compared to the nine months of 2012 and amounted to RUB 1,508 billion. Sales volumes growth followed by Company's expansion was 41.8% (positive impact on revenues of RUB 435 billion) and was accompanied by a slight increase in sales volumes by 0.4% (favourable impact on revenues of RUB 11 billion).

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS in the third quarter of 2013 increased by 28.6% compared to the second quarter 2013 and amounted to RUB 36 billion. Starting from the third quarter 2013 the Company provides crude oil supply to Ukraine following the activity expansion.

In the nine months of 2013 revenues from international crude oil sales to CIS countries were RUB 87 billion or 50.0% upturn in comparison with the same period of 2012, which is attributable to sales volumes growth of 49.7%.

Domestic Sales of Crude Oil

Revenue from domestic sales of crude oil in the third quarter of 2013 decreased by 17.2% compared to the second quarter 2013 and amounted to RUB 24 billion. Decrease in sales volume on the domestic market by 33.7% (negative impact on revenues of RUB 10 billion), was offset by upturn of average crude oil price by 24.3% (positive impact on revenues of RUB 5 billion) due to increased share of more expensive light oil in total volumes of domestic sales structure.

In the nine months of 2013 revenues from domestic sales of crude oil were RUB 59 billion.

International Petroleum Product Sales to Non-CIS

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

	<i>For 3 months ended</i>						<i>% change</i>		
	September 30, 2013			June 30, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	6	0.2	30.4	4	0.1	28.1	50.0%	100.0%	8.2%
Low octane gasoline	0	0.0	35.5	1	0.0	32.9	(100.0)%	–	7.9%
Naphtha	36	1.3	29.6	32	1.2	26.4	12.5%	8.3%	12.1%
Diesel (Gasoil)	89	2.9	30.4	74	2.7	27.5	20.3%	7.4%	10.5%
Fuel oil	119	6.2	19.6	110	6.0	18.5	8.2%	3.3%	5.9%
Jet fuel	1	0.0	37.3	1	0.0	37.2	0.0%	–	0.3%
Other	14	0.5	25.7	11	0.5	23.7	27.3%	0.0%	8.4%
Total petroleum products exported to non-CIS	265	11.1	24.2	233	10.5	22.2	13.7%	5.7%	9.0%
<i>Petroleum products sold from ROG refineries</i>	68	2.2	30.0	52	2.0	25.9	30.8%	10.0%	15.8%
<i>Petroleum products bought and sold outside Russia</i>	3	0.1	31.1	3	0.1	29.2	0.0%	0.0%	6.5%
Total	336	13.4	25.1	288	12.6	22.9	16.7%	6.3%	9.6%

Revenue from the international sales of petroleum products to non-CIS countries were RUB 336 billion in the third quarter of 2013, which is 16.7% higher than the second quarter of 2013. The increase resulted from sales volumes growth of 6.3% (positive impact of RUB 18 billion), and upturn of average prices by 9.6% (favourable impact of RUB 30 billion). The volumes of petroleum products sold from ROG refineries increased significantly following turnarounds in the first half of 2013.

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

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2013			September 30, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	13	0.4	29.3	5	0.0	37.7	>100.0%	–	(22.3)%
Low octane gasoline	1	0.0	35.4	3	0.1	30.9	(66.7)%	(100.0)%	14.6%
Naphtha	89	3.2	28.2	77	2.6	28.7	15.6%	23.1%	(1.7)%
Diesel (Gasoil)	233	8.1	28.8	144	4.9	29.3	61.8%	65.3%	(1.7)%
Fuel oil	288	15.4	18.9	197	9.7	20.6	46.2%	58.8%	(8.3)%
Jet fuel	2	0.0	37.4	0	0.0	37.2	–	–	0.5%
Other	28	1.1	25.0	4	0.3	26.9	>100.0%	>100.0%	(7.1)%
Total petroleum products exported to non-CIS	654	28.2	23.3	430	17.6	24.5	52.1%	60.2%	(4.9)%
<i>Petroleum products sold from ROG refineries</i>	180	6.3	28.4	193	6.5	29.7	(6.7)%	(3.1)%	(4.4)%
<i>Petroleum products bought and sold outside Russian Federation</i>	9	0.3	29.9	12	0.4	29.5	(25.0)%	(25.0)%	1.4%
Total	843	34.8	24.3	635	24.5	26.0	32.8%	42.0%	(6.5)%

In the nine months of 2013 revenues from the export of petroleum products to non-CIS countries were RUB 843 billion, 32.8% higher compared to the nine months of 2012. Sales volume increased by 42.0% (favourable impact on revenues of RUB 267 billion). Significant increase in sales volumes was partially offset by average price decline of 6.5% (negative impact on revenues of RUB 59 billion).

Domestic Sales of Petroleum Products

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

	<i>For 3 months ended</i>						<i>% change</i>		
	September 30, 2013			June 30, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	97	3.1	31.9	90	3.0	30.3	7.8%	3.3%	5.3%
Low octane gasoline	1	0.0	22.7	1	0.1	23.1	0.0%	(100.0)%	(1.7)%
Diesel	89	3.1	28.2	77	2.9	27.0	15.6%	6.9%	4.4%
Fuel oil	5	0.5	10.9	2	0.2	10.0	>100.0%	>100.0%	9.0%
Jet fuel	27	1.1	24.7	19	0.8	23.8	42.1%	37.5%	3.8%
Other	20	1.9	10.1	13	1.4	9.7	53.8%	35.7%	4.1%
Total	239	9.7	24.6	202	8.4	24.2	18.3%	15.5%	1.7%

Revenues from sales of petroleum products on the domestic market were RUB 239 billion in the third quarter of 2013, 18.3% higher compared to the second quarter of 2013. The Company demonstrated the growth of petroleum products sales through the network of service stations due to increased volumes of crude oil processing at refineries in Russia following planned turnarounds and expansion of direct sales of the jet fuel to final consumers.

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

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2013			September 30, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	238	7.7	31.1	134	4.6	28.8	77.6%	67.4%	8.0%
Low octane gasoline	3	0.1	23.0	5	0.3	24.4	(40.0)%	(66.7)%	(5.7)%
Diesel	217	7.8	27.9	163	6.8	23.9	33.1%	14.7%	16.7%
Fuel oil	12	1.2	10.2	11	1.1	10.3	9.1%	9.1%	(1.0)%
Jet fuel	54	2.2	24.6	30	1.3	25.0	80.0%	69.2%	(1.6)%
Other	40	4.0	10.0	26	2.1	11.5	53.8%	90.5%	(13.0)%
Total	564	23.0	24.5	369	16.2	22.7	52.8%	42.0%	7.9%

Revenues from sales of petroleum products on the domestic market in the nine months of 2013 were 52.8% higher in comparison to the nine months of 2012 and amounted to RUB 564 billion. The increase was due to sales volumes growth by 42.0% (favorable impact on revenues of RUB 155 billion) and 7.9% upturn in average prices (positive impact on revenues of RUB 40 billion).

Sales of bunker fuel

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

Revenues from sales of bunker fuel in the third quarter of 2013 were RUB 19 billion, an increase of 35.7% in comparison with the previous quarter, which was mainly attributable to increase in bunker sales volume through river ports and seasonal factor influence (organic growth).

Revenues from sales of bunker fuel in the nine months of 2013 increased by 16.2% or RUB 6 billion in comparison with the nine months of 2012.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the third quarter of 2013 were RUB 22 billion, or 10.0% increase, compared to the second quarter of 2013 which was due to the export sales volume growth.

The sales volumes of petrochemical product from Ruhr Oel GmbH in the third quarter 2013 in comparison to the second quarter 2013 remained unchanged and equaled to 0.5 mln tonnes.

In the nine months of 2013, revenues from sales of petrochemical products increased by 8.1% compared to the similar period of 2012, due to the growth of sales volume by 9.5% (positive impact on revenues of RUB 5 billion). In the nine months of 2013 sales volumes of petrochemical product from Ruhr Oel GmbH amounted to 1.6 mln tonnes.

Gas Sales

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

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	(RUB billion)		%	(RUB billion)		%
Revenue						
Western Siberia	14.8	8.5	74.1%	27.8	4.0	>100.0%
South Russia	2.5	2.0	25.0%	6.8	5.6	21.4%
Far East	0.2	0.3	(33.3)%	0.9	1.0	(10.0)%
European part of Russia and other	12.4	7.0	77.1%	20.6	5.1	>100.0%
Outside Russian Federation	5.5	0.7	>100.0%	6.2	0.0	–
Total	35.4	18.5	91.4%	62.3	15.7	>100.0%
Sales volumes	(bcm)			(bcm)		
Western Siberia	6.17	5.07	21.7%	13.71	3.25	>100.0%
South Russia	0.74	0.68	8.8%	2.25	2.17	3.7%
Far East	0.10	0.14	(28.6)%	0.42	0.51	(17.6)%
European part of Russia and other	4.33	2.37	82.7%	7.34	2.25	>100.0%
Outside Russian Federation	0.56	0.24	>100.0%	0.80	0.00	–
Total	11.90	8.50	40.0%	24.52	8.18	>100.0%
Average price	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)		
Western Siberia	2.23	1.67	33.5%	1.96	1.22	60.7%
South Russia	3.40	2.90	17.2%	3.04	2.56	18.8%
Far East	2.44	2.22	9.9%	2.27	1.84	23.4%
European part of Russia and other	3.05	2.70	13.0%	2.87	2.44	17.6%
Outside Russian Federation	9.72	3.00	>100.0%	7.74	–	–
Average price by Group	3.01	2.10	43.3%	2.54	1.95	30.3%

**average price is calculated from unrounded figures*

In the third quarter of 2013 revenues from gas amounted to RUB 35.4 billion. The increase in gas sales was mainly driven by incorporation of NGK ITERA results in the Company's activity. The share of ITERA gas sales in the third quarter 2013 was equalled to 45.7% in the total Company's gas sales. Organic decrease in sales volume of 5.0 % in the third quarter of 2013 was mainly due to change in gas sale structure that was compensated by increased gas tariffs. In the third quarter of 2013 gas tariffs were revised and increased by 9-11% in July and by 3% in August.

Gas sales growth of RUB 46.6 billion in the nine months of 2013 in comparison with the same period of 2012 was driven by acquisition of TNK and NGK ITERA assets. The company is aimed to expand the gas business due to integration of assets of NGK ITERA and due to an increase in associated petroleum gas utilization.

Support Services and Other Revenues

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

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

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	%
	(RUB billion, except %)					
Drilling services	1.0	0.5	100.0%	2.0	1.6	25.0%
Sales of materials	3.1	3.1	0.0%	9.2	7.6	21.1%
Repairs and maintenance services	0.9	0.2	>100.0%	1.3	2.4	(45.8)%
Rent services	1.1	0.9	22.2%	2.6	2.1	23.8%
Construction services	0.1	0.1	0.0%	0.3	1.7	(82.4)%
Transport services	1.6	3.2	(50.0)%	6.0	5.5	9.1%
Electric power sales and transmission	1.4	1.4	0.0%	3.7	3.3	12.1%
Other revenues	5.1	6.5	(21.5)%	15.1	6.5	132.3%
Total	14.3	15.9	(10.1)%	40.2	30.7	30.9%

Support services and other revenues were 10.1% lower in the third quarter of 2013 compared to the second quarter of 2013 and amounted to RUB 14.3 billion.

In the nine months 2013 support services and other revenues were 30.9% higher than in the nine months 2012 and amounted to RUB 40.2 billion.

Equity share in profits of associates and joint ventures

The equity share in profits of associates and joint ventures amounted to RUB 3 billion in the third quarter of 2013 compared with RUB 2 billion in the second quarter of 2013. The insignificant increase in profits incurred by Rosneft's associates mainly resulted from incorporation of profits of LLC NGK ITERA's associates due to consolidation into Company's results. Excluding this effect the equity share in profits of associates remains unchanged.

In the nine months of 2013 the equity share in profits of associates and joint ventures decreased by RUB 3 billion and amounted to RUB 12 billion. The decrease in equity share in profits of associates is mainly due to exemption of Verkhnechonskneftegaz equity results and incorporation of total Verkhnechonskneftegaz results into Company's consolidation from the date of acquisition.

Costs and Expenses

Production and Operating Expenses

Operating expenses are split over operating segments in the table below.

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	(RUB billion)		(%)	(RUB billion)		(%)
Upstream	57.5	56.3	2.1%	140.2	62.3	125.0%
Land restoration program	–	–	–	–	0.7	–
Downstream	34.1	44.9	(24.1)%	104.3	92.5	12.8%
Other	7.0	8.3	(15.7)%	23.4	22.3	4.9%
Total	98.6	109.5	(10.0)%	267.9	177.8	50.7%

Upstream production costs and operating expenses

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

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

Upstream production and operating expenses increased by 2.1% in the third quarter of 2013 compared with the previous quarter and amounted to RUB 57.5 billion. The increase in operating expenses was due to oil production growth and increase in electricity tariffs.

In the nine months of 2013 upstream production and operating expenses increased by 125.0% compared with the same period of 2012. The growth of expenses was mainly due to incorporation of operating expenses of new production units as well as to implementation of gas program. Organic growth was 21.2% in the nine months of 2013 compared with the nine months of 2012 due to oil production increase, higher electricity tariffs, increased materials, fuel and lubricants prices as well as other factors.

Upstream production and operating expenses per barrel and per barrel of oil equivalent are shown in the table below.

	<i>For 3 months ended</i>			<i>For 9 months ended</i>		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	(RUB per bbl and RUB per boe, except %)					
Expenses per bbl of crude oil produced	159.3	158.1	0.8%	147.8	98.0	50.8%
Expenses per boe of hydrocarbon produced	141.5	140.3	0.9%	131.8	89.6	47.1%

Refining and distribution expenses

Rosneft's downstream operating expenses decreased by 24.1% in the third quarter of 2013 compared with the second quarter of 2013. The decrease was mainly due to accumulation of intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories).

Downstream operating expenses increased by 12.8% in the nine months of 2013 compared with the nine months of 2012 mainly due to incorporation of operating expenses of new refining units, including Saratov refinery, Riyazan refinery and marketing units. This growth was significantly compensated by accumulation of intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories). Refining and distribution expenses organic growth was 20.5% in the nine months of 2013 compared with the same period of 2012

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2013	June 30, 2013		September 30, 2013	September 30, 2012	
			<i>%</i>			<i>%</i>
Operating expenses at refineries in Russia (RUB billion)	15.62	13.98	11.7%	39.36	25.98	51.5%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	778	772	0.8%	777	717	8.4%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	755	743	1.6%	750	688	9.0%
Operating expenses at refineries outside Russia (RUB billion)	10.58	12.40	(14.7)%	35.08	36.30	(3.4)%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	3,843	5,047	(23.9)%	4,491	4,526	(0.8)%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	3,838	5,023	(23.6)%	4,487	4,583	(2.1)%
Total operating expenses at Rosneft's refineries (RUB billion)	26.20	26.38	(0.7)%	74.44	62.28	19.5%

Operating expenses of Rosneft's refineries were RUB 26.20 billion in the third quarter of 2013, which is a slight decrease of 0.7% compared with RUB 26.38 billion in the second quarter of 2012.

In the nine months of 2013 operating expenses of Rosneft's refineries increased by 19.5% compared with RUB 62.28 billion in the nine months of 2012. Organic growth of operating expenses was 3.6%.

Operating expenses of Rosneft's refineries in Russia were RUB 15.62 billion, representing an increase of 11.7% compared with RUB 13.98 billion in the second quarter of 2012 that was mainly due to increase in materials, maintenance and repairs expenses.

In the nine months of 2013 operating expenses of Rosneft's refineries in Russia increased by 51.5% compared with RUB 25.98 billion in the nine months of 2012 mainly due to incorporation of operating expenses of new refining units. Organic growth of operating expenses of the refineries in Russia was 13.4% compared with the nine months of 2012. The growth resulted mainly from higher materials and supplies due to increased production of Euro-4 and Euro-5 standard petroleum products and other factors.

Higher operating expenses per tonne at Rosneft's refineries outside Russia is a result of larger spectrum of petroleum products output and especially petrochemical output as well as Nelson index (more complicated technological process).

Operating expenses Rosneft's refineries outside Russia decreased by 14.7% due to significant decrease in maintenance and repairs expenses at German refineries following scheduled turnarounds in the second quarter of 2013.

In the nine months of 2013 the operating expenses of Rosneft's refineries outside Russia decreased by 3.4% compared with the nine months of 2012.

Other operating expenses

Operating expenses related to other activities decreased by 15.7% in the third quarter of 2013 compared with the second quarter of 2013 due to the lower volumes of other services rendered to the third parties.

In the nine months of 2013 other operating expenses increased by 4.9% compared with RUB 22.3 billion in the same period of 2012. The increase was primarily due to higher volumes of drilling services, sales of materials and other services rendered to the third parties. Organic growth was 2.7%.

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
Crude oil procurement						
Cost of crude oil procured (RUB billion)	103	79	30.4%	246	194	26.8%
<i>including Domestic market</i>	36	27	33.3%	77	28	175.0%
<i>International market</i>	67	52	28.8%	169	166	1.8%
Volume of crude oil procured (million barrels)	42.5	37.0	14.9%	103.5	67.1	54.2%
<i>including Domestic market</i>	23.6	21.9	7.8%	55.1	20.3	171.4%
<i>International market</i>	18.9	15.1	25.2%	48.4	46.8	3.4%
Inventory revaluation write-off (RUB billion)	14	–	–	14	–	–
Gas procurement						
Cost of gas procured (RUB billion)	9.3	3.0	>100%	13.7	0.8	>100%
Volume of gas procured (bcm)	5.37	2.20	144.1%	8.41	0.50	>100%
Petroleum products procurement						
Cost of petroleum product procured (RUB billion) ⁽¹⁾	7	12	(41.7)%	28	41	(31.7)%
Volume of petroleum product procured (million of tonnes)	0.26	0.42	(38.1)%	1.02	1.54	(33.8)%
Crude oil, gas and petroleum products refining services						
Cost of refining of crude oil, gas and petroleum products under processing agreements (RUB billion)	4.9	5.0	(2.0)%	10.5	–	–
Volumes of crude oil refined under processing agreements (million of tonnes)	0.8	2.3	(65.2)%	3.4	–	–
Volumes of refining of gas under processing agreements (bcm)	0.8	2.0	(60.0)%	3.0	–	–
Volumes of refining of petroleum products under processing agreements (million of tonnes)	1.9	0.2	>100%	2.1	–	–
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	138	99	39.4%	312	236	32.2%

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

Crude oil purchase

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
	(million bbl, except %)					
International market	18.9	15.1	25.2%	48.4	46.8	3.4%
Udmurtneft	5.6	5.0	12.0%	14.5	8.4	72.6%
Slavneft	15.4	15.5	(0.6)%	32.9	–	–
Others	2.6	1.4	85.7%	7.7	11.9	(35.3)%
Total	42.5	37.0	14.9%	103.5	67.1	54.2%

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

Starting from September 2013 the Company ceased completely oil swap operations, which resulted in a change in crude oil purchase structure. The volume of crude oil swaps amounted to 0.6 million barrels and 42.1 million barrels in the third quarter of 2013 and in the second quarter of 2013, respectively.

Inventory revaluation write-off (effect of revaluation of TNK assets)

Inventory estimation was performed within the general estimation of TNK fair value at the date of acquisition. (see p. 4 “Reconciliation table”). The Company obtained preliminary results of fair value estimation in the third quarter of 2013. The estimation relating to inventory that was written off in the course of ordinary production activity was presented in current expenses.

Petroleum products procurement

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

Petroleum products outside Russia are purchased primarily for sale in Germany and Ukraine.

The table below sets forth Rosneft’s costs, volumes and average prices per tonne of petroleum products procured from third parties in the third and second quarters of 2013:

	<i>For 3 months ended</i>						<i>% change</i>		
	September 30, 2013			June 30, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	1	0.05	30.5	1	0.03	27.9	–	66.7%	9.3%
Diesel	1	0.03	26.4	1	0.03	27.7	–	–	(4.7)%
Fuel oil	0	0.02	11.8	0	0.01	12.1	–	100.0%	(2.5)%
Jet fuel	1	0.02	25.6	1	0.03	27.2	–	(33.3)%	(5.9)%
Other	0	0.00	0.0	1	0.04	27.2	(100.0)%	(100.0)%	(100.0)%
<i>Petroleum products procured outside Russia</i>	4	0.14	30.3	8	0.28	27.8	(50.0)%	(50.0)%	9.0%
Total	7	0.26	27.9	12	0.42	27.7	(41.7)%	(38.1)%	0.7%

The decrease in volumes of petroleum product purchased in the third quarter of 2013 in comparison to the second quarter of 2013 was due to sufficient consumption fulfilment from Company’s resources.

The table below sets forth Rosneft’s costs, volumes and average prices per tonne of petroleum products procured from third parties in the nine months of 2013 and 2012:

	<i>For 9 months ended</i>						<i>% change</i>		
	September 30, 2013			September 30, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	5	0.19	27.8	17	0.66	26.1	(70.6)%	(71.2)%	6.5%
Low octane gasoline	0	0.00	30.6	0	0.00	25.4	–	–	20.5%
Diesel	3	0.11	27.1	7	0.30	25.4	(57.1)%	(63.3)%	6.7%
Fuel oil	0	0.03	11.9	–	–	–	–	–	–
Jet fuel	2	0.06	26.0	2	0.06	24.2	–	–	7.4%
Other	2	0.07	22.8	2	0.09	20.5	–	(22.2)%	11.2%
<i>Petroleum products procured outside Russia</i>	16	0.56	28.5	13	0.43	29.4	23.1%	30.2%	(3.1)%
Total	28	1.02	27.3	41	1.54	26.4	(31.7)%	(33.8)%	3.4%

The decrease in volumes of petroleum product purchased in the nine months of 2013 compared to the nine months of 2012 was due consumption fulfilment from Company’s resources following the increase in processing volumes. Organic decline in the volume of purchases was 44.0% compared with the nine months of 2012.

Average petroleum product procurement prices may deviate from average sales prices depending on particular regions and product quality.

Petroleum products purchases outside Russia

Petroleum products purchased outside Russia amounted to RUB 4 billion (0.14 million tones) and RUB 8 billion (0.28 million tones) in the third quarter of 2013 and the second quarter of 2013, respectively. Additional petroleum products procurement mostly depends on demand fluctuations on the international market. Petroleum products purchased outside Russia in the nine months of 2013 and 2012 were RUB 16 billion (0.56 mln tones) and RUB 13 billion (0.43 mln tones), respectively.

Gas purchases and crude oil and gas processing

Gas purchases amounted to RUB 9.3 billion in the third quarter of 2013, which was an increase of more than 100.0% compared with RUB 3.0 billion in the second quarter of 2013. The increase was due to incorporation of ITERA expenses in the third quarter of 2013.

Gas purchases in the nine months of 2013 and 2012 were RUB 13.7 billion and RUB 0.8 billion, respectively.

In the third quarter of 2013 the structure of processing services has changed. The share in volumes of crude oil and gas processing decreased due to sufficient fulfilment of own resources but share in volumes of petroleum products processing increased. Meanwhile, external processing costs remained relatively flat in the third quarter of 2013 compared to the second quarter of 2013.

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

General and Administrative Expenses

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

General and administrative expenses in the third quarter of 2013 were RUB 33 billion and in the second quarter of 2013 were RUB 29 billion. The increase was mainly driven by payment of commission fees under the long-term crude supply contracts and other services.

In the nine months of 2013 and 2012 general and administrative expenses were RUB 79 billion and RUB 48 billion, respectively. The increase was mainly driven by the incorporation of expenses of acquired assets, payment of commission fees under the long-term crude supply contracts, legal and consulting fees during the integration process with TNK and other services.

Pipeline Tariffs and Transportation Costs

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

In the third quarter of 2013 Rosneft's transportation costs increased by 4.9% and amounted to RUB 108 billion compared to the second quarter of 2013. The growth mainly resulted from an increase in transportation volumes of crude oil and petroleum products and was partially offset by the change in structure of transportation routes.

In the nine months of 2013 Rosneft's transportation costs increased by 57.0% compared to the same period of 2012. The growth in transportation costs was due to incorporation of expenses of new assets, transportation volumes growth and tariffs indexation, partially offset by the change in structure of transportation routes.

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

	<i>For 3 months ended</i>								<i>% change</i>		
	September 30, 2013				June 30, 2013				Volume	Cost	Cost per tonne, th.RUB/t
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t			
CRUDE OIL											
International sales											
Pipeline	24.4	94.6%	40.7	1.66	24.6	94.3%	40.8	1.65	(0.8)%	(0.2)%	0.6%
Railroad and mixed	1.4	5.4%	3.3	2.31	1.5	5.7%	3.1	2.16	(6.7)%	6.5%	6.9%
Transportation to refineries											
Pipeline ⁽¹⁾	24.2		18.6	0.77	16.9		10.6	0.62	43.2%	75.5%	24.2%
Railroad and mixed	1.4		5.5	4.02	1.8		6.3	3.41	(22.2)%	(12.7)%	17.9%
PETROLEUM PRODUCTS											
International sales											
Pipeline	1.1	7.0%	2.1	1.95	1.1	7.6%	2.2	2.10	0.0%	(4.5)%	(7.1)%
Railroad and mixed	11.0	70.1%	20.4	1.88	10.6	73.1%	19.8	1.86	3.8%	3.0%	1.1%
Pipeline and FCA ⁽²⁾	3.6	22.9%			2.8	19.3%			28.6%		
Other transportation expenses ⁽³⁾			17				20			(15.0)%	
Total	67.1		108		59.3		103		13.2%	4.9%	

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

(2) Rosneft exported part of petroleum products in the third quarter of 2013 and in the second quarter of 2013 through its own pipeline in the town of Tuapse, and on FCA terms from Samara refineries, where Rosneft does not bear transportation expenses directly, except for transshipment and dispatching cargo costs. Volumes growth was also due to increased crude oil processing at Tuapse refinery following significant turnarounds.

(3) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to service stations. Other transportation expenses also include Rosneft expenses on crude oil swap deals excluding economy in price in the second quarter of 2013.

Crude oil pipeline transportation cost per tonne of international sales remained practically unchanged in the third quarter of 2013 compared to the second quarter of 2013.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 6.9% which was due to usage of longer transportation routes.

The increase in crude oil pipeline transportation cost per tonne of supplies to refineries was 24.2%, which was due to increased deliveries to distant refineries, followed by significant reduction of swap deals.

The increase in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 17.9% which was due to change in logistics scheme.

The decrease in pipeline cost per tonne of petroleum product international sales was 7.1% which was mainly due to increased efficiency of logistic routes.

Railroad and mixed transportation cost per tonne of petroleum product international sales increased by 1.1% in the third quarter of 2013 which was due to change in structure of transportation routes.

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

	<i>For 9 months ended</i>								<i>% change</i>		
	September 30, 2013				September 30, 2012				Volume	Cost	Cost per tonne, th.RUB/t
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t			
CRUDE OIL											
International sales											
Pipeline	66.6	95.1%	111.3	1.67	48.1	97.4%	78.2	1.63	38.5%	42.3%	2.5%
Railroad and mixed	3.4	4.9%	6.9	2.08	1.3	2.6%	1.1	0.84	161.5%	527.3%	147.6%
Transportation to refineries											
Pipeline ⁽¹⁾	52.5		36.8	0.70	32.0		18.9	0.59	64.1%	94.7%	18.6%
Railroad and mixed	4.5		16.6	3.68	4.5		17.9	4.01	0.0%	(7.3)%	(8.2)%
PETROLEUM PRODUCTS											
International sales											
Pipeline	2.9	7.2%	6.1	2.15	0.8	3.0%	2.0	2.38	262.5%	205.0%	(9.7)%
Railroad and mixed	28.6	71.1%	52.7	1.85	20.6	76.0%	36.5	1.77	38.8%	44.4%	4.5%
Pipeline and FCA ⁽²⁾	8.7	21.6%			5.7	21.0%			52.6%		
Other transportation expenses ⁽³⁾			50				24			108.3%	
Total	167.2		281		113.0		179		48.0%	57.0%	

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

(2) Rosneft exported part of petroleum products in the nine months of 2013 and 2012 through its own pipeline in the town of Tuapse and on FCA terms from Samara refineries, where Rosneft does not bear transportation expenses directly, except for transshipment and dispatching cargo costs.

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

The increase in crude oil pipeline transportation cost per tonne of international sales was 2.5%, which was due to tariffs indexation and change in structure of transportation routes.

The growth in crude oil railroad and mixed transportation cost per tonne of international sales was 147.6% which resulted from change in structure of railroad routes.

Crude oil pipeline transportation cost per tonne of supplies to refineries increased by 18.6% as a result of tariffs growth and change in structure of transportation routes.

The decrease in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 8.2%, which was due to change in structure of transportation routes and increased logistic efficiency.

The decrease in pipeline cost per tonne of petroleum product international sales was 9.7% which was due to logistic efficiency.

The increase in railroad and mixed cost per tonne of petroleum product international sales was 4.5%, which was due to change in structure of transportation routes.

Exploration Expenses

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

In the third quarter of 2013 exploration expenses increased by RUB 2 billion due to increased volumes of exploration drillings.

In the nine months of 2013 exploration expenses decreased by 26.7% compared with the same period of 2012 due to decreased volumes of seismic works and other works not related to the exploration drilling.

Depreciation, Depletion and Amortisation

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

Depreciation, depletion and amortisation were RUB 120 billion in the third quarter of 2013 compared to RUB 93 billion in the second quarter of 2013. Significant increase resulted from the effect of re-estimation of TNK fixed assets under purchase price allocation completed in the third quarter of 2013 in the amount of RUB 11 billion. Excluding this effect, the increase of RUB 16 billion was due to higher volumes of production and increased book value of fixed assets.

In the nine months of 2013 depreciation, depletion and amortisation increased by 78.1% compared with RUB 151 billion in the nine months of 2012, mainly due to incorporation of acquired assets into the Company.

Taxes Other than Income Tax

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
	(RUB billion, except %)					
Mineral extraction tax	235	209	12.4%	596	414	44.0%
Excise tax	41	34	20.6%	98	59	66.1%
Social security tax	8	8	—	24	18	33.3%
Property tax	6	7	(14.3)%	16	9	77.8%
Interest, penalties and other payments to budget	1	1	—	4	4	—
Total taxes other than income tax	291	259	12.4%	738	504	46.4%

Taxes other than income tax were RUB 291 billion and increased by 12.4% in the third quarter of 2013, compared with RUB 259 billion in the second quarter of 2013. Significant increase was due to increase in the mineral extraction tax rate (+13.6%) and excise tax resulted from increase in excise rate and increase in volumes of petroleum products subject to excise duties.

In the nine months of 2013 taxes other than income was RUB 738 billion, an increase of 46.4% (RUB 234 billion) compared to RUB 504 billion in the nine months of 2012. The increase is mainly due to increase in mineral extraction tax rate and incorporation of other tax expenses of new acquired assets in 2013.

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
Average enacted mineral extraction tax rate	5.63	4.95	13.6%	5.28	5.09	3.9%
Actual mineral extraction tax expense per tonne of crude oil produced	4.84	4.32	12.0%	4.67	4.76	(1.9)%
Actual mineral extraction tax expense per tonne of oil equivalent produced	4.29	3.83	12.0%	4.16	4.36	(4.6)%

The actual mineral extraction tax rate is lower than enacted tax rate for the analysed period primarily due to the reduced rates for crude oil produced at fields with reserve depletion of over 80%. The difference between enacted rate and actual rate is also affected by the normal delay in the inventory turnover. Since May 2012, the reduced mineral extraction tax is applicable to the Severo-Vankorsky. The zero mineral extraction tax is also applied to Verkhnechonsk field until its accumulated production exceeds 25 million tonnes.

Export Customs Duty

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

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

	<i>For 3 months ended</i>		<i>Change. (%)</i>	<i>For 9 months ended</i>		<i>Change. (%)</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
	(RUB billion, except %)					
Export customs duty for crude oil	273	266	2.6%	725	509	42.4%
Export customs duty for gas	1	–	–	1	–	–
Export customs duty for petroleum products	105	93	12.9%	255	155	64.5%
Total export customs duties	379	359	5.6%	981	664	47.7%

Export custom duty growth of 5.6% in the third quarter of 2013 was due to increased export volume and increase in customs duty rates partially compensated by positive export duty lag effect. In the third quarter of 2013 gas export custom duties amounted to RUB 1 billion due to consolidation of ITERA LLC.

In the nine month of 2013 export custom duty growth was 47.7% compared to the same period of 2012, mainly due to the expansion of Company's export operations resulted from consolidation of new acquired assets.

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

	<i>For 3 months ended</i>		<i>Change. (%)</i>	<i>For 9 months ended</i>		<i>Change. (%)</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
	(thousand RUB / tonne, except %)					
Average Urals price	26.25	23.77	10.4%	25.57	25.20	1.5%
Average enacted export customs duty	12.56	12.01	4.7%	12.32	12.55	(1.8)%
Hypothetical export customs duty*	13.12	11.70	12.1%	12.57	12.62	(0.4)%
Average customs duty on crude oil exports to non-CIS countries subject to regular rate	12.52	12.05	3.9%	12.28	12.56	(2.2)%

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

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

Operating Income

As a result of the factors discussed above, operating income increased by 50.0% to RUB 183 billion in the third quarter of 2013 compared with RUB 122 billion in the second quarter of 2013. Operating income growth was primarily due to increased sales volumes of petroleum products and gas, accompanied by favorable market price dynamics and positive export duty lag effect. As a percentage of total revenue operating income was 13.5% in the third quarter of 2013, 10.4% in the second quarter of 2013.

Operating income increased by 25.8% in the nine months of 2013 compared to RUB 322 billion in the nine months of 2012. Increase in operating income is primarily driven by increased sales volumes of petroleum product and gas, following the expansion of Company's activity. As a percentage of total revenue operating income was 12.1% in the nine months of 2013 and 14.0% in the nine months of 2012.

Finance Income and Expenses

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

Net finance expenses decreased from RUB 18 billion in the second quarter of 2013 to RUB 4 billion in the third quarter of 2013.

In the third quarter of 2013 the decrease in net finance expenses is mainly attributable to changes in fair value of derivative financial instruments, particularly interest rate and currency – interest rate swap contracts, forward contracts.

In the nine months of 2013 net finance expenses amounted to RUB 26 billion. In the nine months of 2012 net finance income amounted to RUB 3 billion.

In the nine months of 2013 the increase in net finance expenses is mainly attributable to accrual of finance expenses on bank loans drawn for the acquisition of TNK assets, the repayment of bank deposits, and changes in fair value of derivative financial instruments, particularly interest rate and currency – interest rate swap contracts, forward contracts, the collar contract.

Other income and other expenses

In the third quarter of 2013 other income amounted to RUB 158 billion compared to RUB 1 billion in the second quarter of 2013. The increase in other income is mainly attributable to the recognition of RUB 167 billion of preliminary revaluation of net assets of TNK-BP at the acquisition date which was partially offset by the decrease in valuation of non-controlling interest in Verkhnechonskneftegaz in the amount of RUB 10 billion. Excluding this effect other income remained practically unchanged and amounted to RUB 1 billion.

In the nine months of 2013 and 2012 other income amounted to RUB 207 billion and RUB 86 billion, respectively.

In the third quarter of 2013 other expenses amounted to RUB 26 billion compared to RUB 5 billion in the second quarter of 2013. The increase in other expenses includes effect of change in the method of accounting of commission fees under the long-term crude supply contracts made in the second quarter of 2013, recognition of stocktaking results of Company's subsidiary, increase in expenses incurred on disposal of fixed assets and other factors.

In the nine months of 2013 and 2012 other expenses amounted to RUB 46 billion and RUB 27 billion, respectively.

Foreign Exchange Income / (Loss)

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

Foreign exchange income was RUB 9 billion in the third quarter of 2013 compared with foreign exchange loss of RUB 55 billion in the second quarter of 2013. This change was attributed to revaluation of obligations denominated in foreign currency as a result of the strengthening of the RUB against the US\$ in the third quarter of 2013.

Foreign exchange loss in the nine months of 2013 was RUB 57 billion compared to foreign exchange income of RUB 3 billion in the nine months of 2012. The increase in foreign exchange loss was attributed to losses recognition from the revaluation of obligations denominated in foreign currency due RUB depreciation against USD in the nine months of 2013.

Income Tax

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
Effective income tax rate for Rosneft under IFRS	24.5%*	22.1%	23.7%**	21.7%

* Excluding the effect of RUB 10 billion of fair value decrease in estimation of non-controlling interests in Verkhnechonskneftegaz and effect of RUB 167 billion fair price of TNK assets estimation.

** Excluding the effect of RUB 167 billion fair price of TNK assets estimation and effect of RUB 38 billion of fair value estimation of non controlling interests in Verkhnechonskneftegaz.

The Company applies the provision of IAS 12 "Income taxes" to determine effective tax rate. The effective tax rate is calculated as the ratio of income tax expense to income before tax. The effective tax rate in the third quarter of 2013 was 24.5%. Effective tax rate increased in the third quarter of 2013 compared to the second quarter of 2013 due to increase in taxable income which was affected by income recognized from the revaluation of liabilities denominated in foreign currency and decrease of finance expenses in the third quarter of 2013. The income tax expense amounted to RUB 40 billion in the third quarter of 2013 compared to 10 RUB billion in the second quarter of 2013.

Income tax expense amounted to RUB 66 billion and RUB 84 billion in the nine months of 2013 and 2012, respectively.

Net Income/(Loss)

As a result of the factors discussed above, net income amounted to RUB 280 billion in the third quarter of 2013 compared to the net income of RUB 35 billion in the second quarter of 2013. The increase in the net income is mainly attributable to effect of revaluation of TNK net assets in the amount of RUB 167 billion at the acquisition date and foreign exchange income.

Net income amounted to RUB 417 billion and RUB 303 billion in the nine months of 2013 and 2012, respectively. The increase in the net income is mainly attributable to operating income and other income increase (including the effect of revaluation TNK net assets) which were partially offset by foreign exchange losses.

Liquidity and Capital Resources

Cash Flows

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2013	June 30, 2013		September 30, 2013	September 30, 2012	
	(RUB billion)		times	(RUB billion)		times
Net cash provided by operating activities	263	211	1.25	836	383	2.18
Net cash used in investing activities	(282)	(259)	1.09	(1,858)	(337)	5.51
Net cash from/(used in) financing activities	(80)	69	-	957	33	29.0

Operating Cash Flow

Net cash provided by operating activities amounted to RUB 263 billion in the third quarter of 2013 compared to RUB 211 billion in the second quarter of 2012. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of RUB 0 billion in the third quarter of 2013 and net outflow of RUB 3 billion in the second quarter of 2013).

Net cash provided by operating activities amounted to RUB 836 billion in the nine months of 2013 compared to RUB 383 billion in the nine months of 2012. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of RUB 1 billion in the nine months of 2013 and net inflow of RUB 3 billion in the nine months of 2012).

For the management analysis the operating cash flow was adjusted for the effects mentioned above. The adjusted net cash provided by operating activity amounted to RUB 263 billion in the third quarter of 2013 and RUB 214 billion in the second quarter of 2013. The adjusted net cash provided by operating activity amounted to RUB 837 billion in the nine months of 2013 and RUB 380 billion in the nine months of 2012.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	September 30, 2013	June 30, 2013		September 30, 2013	September 30, 2012	
	(RUB billion)		times	(RUB billion)		times
Net cash provided by operating activity	263	211	1.25	836	383	2.18
Effect from operation with trading securities	-	3	-	1	(3)	-
Adjusted net cash provided by operating activity	263	214	1.23	837	380	2.20
Change in working capital before forex exchange differences	(2)	13	-	251	(17)	-
<i>For reference:</i>						
One off effect from receipts under long term oil contracts	49	26	1.88	307	-	-
Adjusted net cash provided by operating activity before change in working capital	216	201	1.07	279	397	0.70

The increase in the adjusted operating cash flow quarter-on-quarter primarily resulted from the significant increase in revenue in the third quarter and change in working capital due to the following factors:

- increase in customs duty prepayments of RUB 33 billion due to increase in export volumes; which was compensated by:
- increase in prepayments of RUB 49 billion under long-term crude oil supply agreements;
- increase in account payables and tax payables (MET, VAT).

In the nine months of 2013 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of RUB 1 billion) amounted to RUB 837 billion in comparison with RUB 380 billion (adjusted for the result of the operations with trading securities of RUB 3 billion) in the nine months of 2012. The increase mainly resulted from the increase in net income by 38%.

Investing Activities

Net cash used in investing activities was RUB 282 billion in the third quarter of 2013, compared to RUB 259 billion in the second quarter of 2013. The increase in cash used in investing activities was due to acquisition of interests in affiliated companies and decrease in sales of short-term investments compared to the second quarter of 2013. Net cash used in investing activities was RUB 1,858 billion and RUB 337 billion in the nine months of 2013 and 2012, respectively.

Capital Expenditures

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 9 months ended</i>		<i>Change</i>
	<i>September 30, 2013</i>	<i>June 30, 2013</i>		<i>September 30, 2013</i>	<i>September 30, 2012</i>	
	<i>(RUB billion)</i>		<i>(%)</i>	<i>(RUB billion)</i>		<i>(%)</i>
Yuganskneftegaz	22	32	(31.3)%	73	79	(7.6)%
Vankorneft	13	20	(35.0)%	52	74	(29.7)%
TNK-Uvat	10	8	25.0%	18	-	-
Orenburgneft	7	8	(12.5)%	15	-	-
Samotlorneftegaz	3	4	(25.0)%	7	-	-
Purneftegaz	4	4	-	13	11	18.2%
Samaraneftegaz	3	3	-	9	7	28.6%
Verkhnechonskneftegaz	6	3	100.0%	10	-	-
Tomskneft VNK	1	2	(50.0)%	5	6	(16.7)%
Rospan International	2	2	-	4	-	-
Severnaya Neft	1	1	-	3	4	(25.0)%
TNK-Nyagan	2	1	100.0%	3	-	-
Vanyoganneft JV	1	1	-	2	-	-
Other	10	14	(28.6)%	31	19	63.2%
Total upstream segment	85	103	(17.5)%	245	200	22.5%
The Company	-	-	-	-	1	(100.0)%
Tuapse refinery	12	16	(25.0)%	37	59	(37.3)%
Novokuibyshevsk refinery	4	5	(20.0)%	13	8	62.5%
Kuibyshev refinery	4	5	(20.0)%	11	9	22.2%
Angarsk refinery	4	3	33.3%	10	5	100.0%
Achinsk refinery	3	3	-	9	10	(10.0)%
Syzran refinery	2	3	(33.3)%	9	6	50.0%
Ryazan refinery	3	3	-	6	-	-
Saratov refinery	-	1	(100.0)%	1	-	-
Komsomolsk refinery	6	1	500.0%	9	7	28.6%
Marketing Business Units and others ¹	7	8	(12.5)%	20	19	5.3%
Total downstream	45	48	(6.3)%	125	124	0.8%
Other activities²	1	7	(85.7)%	11	12	(8.3)%
Subtotal capital expenditures	131	158	(17.1)%	381	336	13.4%
Increase/(decrease) in stock of materials for capital expenditures	(1)	(5)	(80.0)%	(3)	14	(121.4)%
Total capital expenditures	130	153	(15.0)%	378	350	8.0%
Licence acquisition costs	3	-	-	8	2	300.0%

(1) Relating to companies providing processing and storage services.

(2) Relating to other services companies.

In the third quarter of 2013 total capital expenditures (including construction material purchases), decreased by 15.0% to RUB 130 billion compared with RUB 153 billion in the second quarter of 2013. Dynamics of capital expenditures complies with the business plan. The increase is scheduled for the fourth quarter of 2013.

In the nine months of 2013 and 2012 total capital expenditures (including construction material purchases) amounted to RUB 378 billion and RUB 350 billion, respectively. The increase is due to incorporation of capital expenditures of new acquired entities.

Upstream capital expenditures decreased by 17.5% to RUB 85 billion in the third quarter of 2013, compared with RUB 103 billion in the second quarter of 2012. In the nine months of 2013 and 2012 upstream capital expenditures amounted to RUB 245 billion and RUB 200 billion, respectively. In the nine months of 2013 construction works mainly include development of oil field infrastructure and construction of associated gas utilization facilities. The increase is due to incorporation of capital expenditures of newly acquired entities.

Downstream capital expenditures decreased by 6.3% to RUB 45 billion in the third quarter of 2013, compared with RUB 48 billion in the second quarter of 2013. In the nine months of 2013 and 2012 downstream capital expenditures amounted to RUB 125 billion and RUB 124 billion, respectively. In the nine months of 2013 construction works mainly relate to continued programme for capacity upgrade and expansion at Rosneft's refineries, including modernisation of the Tuapse, Novokuibyshevsk, Kuibyshev, Angarsk refineries.

Capital expenditures for other activities decreased to RUB 1 billion in the third quarter of 2013, compared with RUB 7 billion in the second quarter of 2013. In the nine months of 2013 and 2012 capital expenditures for other activities amounted to RUB 11 billion and RUB 12 billion, respectively. In the nine months of 2013 capital expenditures for other activities related to planned acquisition of transportation and other equipment.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling the materials to contractors that provide construction and drilling services at subsidiaries' fields. The net decrease in stock of materials for capital expenditures was RUB 1 billion in the third quarter of 2013, compared with the net decrease RUB 5 billion in the second quarter of 2013. In the nine months of 2013 the net decrease in stock of materials for capital expenditures was RUB 3 billion, compared with the net increase RUB 14 billion in the nine months of 2012.

The license acquisition costs in the first quarter of 2013 refers to the acquisition of 12 licenses for research, exploration and production given by Government order at blocks located in the Barents Sea (Severo-Pomorsky-1, Yuzhno-Prinovozemelsky, Zapadno-Prinovozemelsky, Zapadno-Matveevsky, Russky), the Kara Sea (Severo-Karsky), the Chukotka Sea (Yuzhno-Chukotsky, Severo-Vrangelevsky-1, Severo-Vrangelevsky-2) and the Laptev Sea (Ust-Lensky, Ust-Oleneksky, Anisinsko-Novosibirsk).

In the second quarter of 2013 the Company acquired licences for research, exploration and production at Albanovsky and Varneksky blocks located in the Barents Sea for RUB 1.4 billion, at Gudautsky block located in the Black Sea and at Yuzhno- Suvorovsky block located in the Chechen Republic. The Company paid for the acquired licenses in July 2013.

In the third quarter of 2013 the Company paid for the licenses at Albanovsky and Varneksky blocks located in the Barents Sea. The Company also acquired licenses for research, exploration and production at Lebedinsky and Mityaevsky blocks in Samara region and licenses for research, exploration and production at blocks located in the Okhotsk Sea.

Financing activities

Net cash used in financing activities was RUB 80 billion in the third quarter of 2013 compared to RUB 69 billion of net cash provided by financing activities in the second quarter of 2013. The increase in cash used in financing activities is mainly due to dividends paid in the third quarter in amount of RUB 85 billion and cash settlements of current financial liabilities.

Net cash provided by financing activities amounted to RUB 957 billion in the nine months of 2013 compared to RUB 33 billion in the nine months of 2012. Significant increase in cash provided by financing activity mainly resulted from long term loans receipt in the first quarter of 2013.

Debt Obligations

Rosneft net debt increased to RUB 1,909 billion as of September 30, 2013 compared to RUB 1,862 billion as of June 30, 2013. The growth is mainly due to incorporation of liabilities of new assets into Company's financial results.

Rosneft's total loans and borrowings was RUB 2,373 billion as of September 30, 2013 compared to RUB 2,374 billion as of June 30, 2013. Additionally, net debt was adjusted for the amount of other short-term liabilities of RUB 6 billion and RUB 12 billion as of September 30, 2013 and June 30, 2013, respectively. The liabilities resulted from the incorporation of TNK assets, and were primarily disclosed in other short term liabilities.

Portion of Rosneft's long-term loans are secured by oil export contracts. As of September 30, 2013, June 30, 2013 and December 31, 2012: 23.2%, 23.4%, and 48.4%, respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of September 30, 2013, June 30, 2013 and December 31, 2012, pledged oil exports constituted 5.2%, 6.8% and 13.6%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

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

As of the date	September 30, 2013	June 30, 2013	December 31, 2012
		RUB billion	
Short term debt	522	496	143
Other short term liabilities	6	12	-
Long term debt	1,851	1,878	837
Total debt	2,379	2,386	980
Cash and cash equivalents	246	346	299
Short-term Financial assets	224	178	90
Net debt	1,909	1,862	591

Key Financial Ratios

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

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
EBITDA* margin	23.5%	18.4%	20.8%	20.6%
Net income margin	20.6%	3.0%	12.5%	13.2%
Net debt to annualised EBITDA	1.89	1.79	1.89	1.12
Current ratio	1.32	1.21	1.32	1.93
	RUB / bbl			
EBITDA*/bbl	881	607	733	744
Upstream capital expenditure/bbl	235	289	258	315
Upstream operating expenses/bbl	159	158	148	98
Free cash flow before interest/bbl	233	98	160	47
	RUB / boe			
EBITDA*/boe	782	538	653	681
Upstream capital expenditure/boe	209	257	230	288
Upstream operating expenses/boe	142	140	132	90
Free cash flow before interest/boe	207	87	143	43

*Calculated from adjusted data

The Company considers EBITDA/bbl, upstream operating expenses/bbl, upstream operating expenses/boe and the related indicators as important measures of its operating performance. In addition, these measures are frequently used by financial analysts, investors and other interested parties in the evaluation of oil and gas companies. These measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of the Company's operating results as reported under IFRS.

All the 'per unit of production' indicators are calculated by dividing the total amount in RUB by the total production volume in bbl or boe (in mln bbl or mln boe) and are not adjusted for the effect of changes in inventories.

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

Upstream Measures

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
Upstream capital expenditures (RUB billion)	85	103	245	200
Upstream operating expenses (RUB billion)	57.5	56.3	140.2	62.3
Barrels of crude oil produced (million)	361.0	356.1	948.5	635.7
Barrels of oil equivalent produced (million)	406.5*	401.3	1,063.9	694.3

*Excluding Itera gas production

Calculation of Free Cash Flow

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
Net cash provided by operating activities	263	211	836	383
Capital expenditures	(130)	(153)	(378)	(350)
Trading securities operations	-	3	1	(3)
<i>One-off effect from receipts under long term oil contracts</i>	(49)	(26)	(307)	-
Adjusted free cash flow	84	35	152	30

Calculation of adjusted EBITDA Margin

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
	(RUB billion, except %)			
Operating income	183	122	405	322
Depreciation, depletion and amortisation	120	93	269	151
EBITDA	303	215	674	473
<i>One off effect*</i>	15	1	21	-
Adjusted EBIDTA	318	216	695	473
Sales revenues	1,356	1,176	3,344	2,297
Adjusted EBITDA margin	23.5%	18.4%	20.8%	20.6%

*One-off effect relates to commissions under loan term crude oil supply agreements and consulting services incurred during integration process in the amount of RUB 1 billion and effect of inventory evaluation of RUB 14 billion under TNK purchase price allocation in the third quarter of 2013.

Calculation of Net Income Margin

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
	(RUB billion, except %)			
Net income	280	35	417	303
Sales revenues	1,356	1,176	3,344	2,297
Net income margin	20.6%	3.0%	12.5%	13.2%

Current ratio

	<i>For 3 months ended</i>		<i>For 9 months ended</i>	
	September 30, 2013	June 30, 2013	September 30, 2013	September 30, 2012
	(RUB billion, except ratio)			
Current assets	1,402	1,307	1,402	919
Current liabilities	1,059	1,080	1,059	476
Current ratio	1.32	1.21	1.32	1.93

Appendix 1. Pro Forma of the Company's production and crude oil processing in the comparative periods of 2013 and 2012 for illustrative purposes only.

Financial and Operating Highlights in comparative periods of 2013 and 2012 are presented in accordance with unaudited pro forma *

	For 9 months ended		% change
	September 30, 2013	September 30, 2012	
Financial results, RUB billion			
Revenues and equity share in profits of associates and joint ventures	3,719	3,714	0.1%
EBITDA	760	789	(3.7)%
Net income	448	491	(8.8)%
Capital expenditures	411	478	(14.0)%
Operational results			
Hydrocarbon production (th. boe per day)	4,827	4,670	3.4%
Crude oil and NGL production (th. barrels per day)	4,180	4,146	0.8%
Gas production (th.boe per day)	647	524	23.5%
Product output in Russia (million tonnes)	63.66	61.92	2.8%
Product output outside Russia (million tonnes)	9.49	9.88	(3.9)%

*Proforma means the presentation of financial and operating results as if acquisition of new assets was on January 1, 2012.

Company's production of crude oil in the comparative periods of 2013 and 2012

	For 3 months ended		Change	For 9 months ended		Change
	September 30, 2013	June 30, 2013		September 30, 2013	September 30, 2012	
	(million barrels)	(million barrels)	(%)	(million barrels)	(million barrels)	(%)
Yuganskneftegaz (Western Siberia)	122.3	121.5	0.7%	364.6	365.9	(0.4)%
Samaraneftegaz (Central Russia)	20.7	20.2	2.5%	60.4	58.9	2.5%
Purneftegaz (Western Siberia)	11.9	11.9	–	35.7	38.2	(6.5)%
Vankorneft (Eastern Siberia)	40.2	39.4	2.0%	117.6	96.2	22.2%
Severnaya Neft (Timan Pechora)	5.6	5.6	–	17.2	19.5	(11.8)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.3	2.2	4.5%	6.4	6.5	(1.5)%
Tomskneft (Western Siberia)	9.5	9.3	2.2%	27.9	28.1	(0.7)%
Samotlorneftegas	43.8	43.6	0.5%	130.4	141.5	(7.8)%
Orenburgneft	38.3	37.7	1.6%	113.0	115.3	(2.0)%
Verkhnechonskneftegaz	14.3	14.1	1.4%	42.1	39.0	7.9%
TNK-Uvat	17.3	16.0	8.1%	47.4	40.9	15.9%
Varyeganneftez	13.9	13.8	0.7%	41.5	44.5	(6.7)%
TNK-Nyagan	11.9	11.8	0.8%	35.5	38.9	(8.7)%
Other	9.0	9.0	–	27.3	27.9	(2.2)%
Crude oil production by fully and proportionately consolidated enterprises	361.0	356.1	1.4%	1,067.0	1,061.3	0.5%
Udmurtneft (Central Russia)	5.9	5.9	–	17.6	17.5	0.6%
Polar Lights (Timan Pechora)	0.4	0.4	–	1.2	1.4	(14.3)%
Slavneft	15.4	15.5	(0.6)%	46.4	48.9	(5.1)%
Other	3.1	2.9	6.9%	8.9	7.0	27.1%
Total share in production of joint ventures	24.8	24.7	0.4%	74.1	74.8	(0.9)%
Total crude oil production	385.8	380.8	1.3%	1,141.1	1,136.1	0.4%

Company's production of gas* in comparative periods of 2013 and 2012

	For 3 months ended			For 9 months ended		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	(bcm)	(bcm)	(%)	(bcm)	(bcm)	(%)
Purneftegaz (Western Siberia)	1.06	1.03	2.9%	3.11	3.00	3.7%
Yuganskneftegaz (Western Siberia)	0.98	0.81	21.0%	2.71	2.27	19.4%
Krasnodarneftegaz (Southern Russia)	0.73	0.68	7.4%	2.21	2.08	6.3%
Samaraneftegaz (Central Russia)	0.12	0.13	(7.7)%	0.37	0.40	(7.5)%
Severnaya Neft (Timan Pechora)	0.06	0.06	–	0.19	0.22	(13.6)%
Vankorneft (Eastern Siberia)	0.11	0.11	–	0.36	0.33	9.1%
Sakhalin-1 (Far East) (net of royalty and government share)	0.07	0.08	(12.5)%	0.28	0.23	21.7%
Tomskneft (Western Siberia)	0.19	0.23	(17.4)%	0.62	0.59	5.1%
ITERA LLC	2.95	–	–	2.95	–	–
Samotlorneftegaz	1.37	1.36	0.7%	4.11	4.42	(7.0)%
Rospan International	0.91	0.93	(2.2)%	2.75	2.55	7.8%
Orenburgneft	0.65	0.66	(1.5)%	1.97	1.84	7.1%
Varyeganneftez	0.71	0.75	(5.3)%	2.28	2.37	(3.8)%
TNK-Nyagan	0.36	0.34	5.9%	1.01	0.90	12.2%
Other	0.41	0.52	(21.2)%	1.46	1.74	(16.1)%
Gas production by fully and proportionately consolidated enterprises	10.68	7.69	38.9%	26.38	22.94	15.0%
ITERA LLC	–	1.47	–	3.23	1.02	>100%
Slavneft	0.10	0.10	–	0.30	0.31	(3.2)%
Other	0.04	0.05	(20.0)%	0.13	0.13	–
Total share in production of joint ventures	0.14	1.62	(91.4)%	3.66	1.46	>100%
Total gas production	10.82	9.31	16.2%	30.04	24.40	23.1%

* Production volume equals extracted volume minus flared volume.

Crude oil processing in comparative periods of 2013 and 2012

	For 3 months ended			For 9 months ended		
	September 30, 2013	June 30, 2013	Change	September 30, 2013	September 30, 2012	Change
	(million of tonnes)	(million of tonnes)	(%)	(million of tonnes)	(million of tonnes)	(%)
Crude oil processing at refineries in Russia	22.63	20.55	10.1%	63.66	61.92	2.8%
Crude oil processing at refineries outside Russia	3.39	3.06	10.8%	9.49	9.88	(3.9)%
including crude oil processing at Ruhr Oel GmbH	2.76	2.47	11.7%	7.82	7.81	0.1%
including crude oil processing in Belarus, Ukraine	0.63	0.59	6.8%	1.67	2.07	(19.3)%
Total group crude oil processing	26.02	23.61	10.2%	73.15	71.80	1.9%