



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED JUNE 30 AND MARCH 31, 2013 AND  
AND FOR THE SIX MONTHS ENDED JUNE 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 June 30, 2013 and 2012 (the "Interim 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. In the first half of 2013 most of TNK assets were renamed during integration process. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.*

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

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

*To convert tonnes to barrels a 7.362 ratio is used. To convert thousands of cubic meters of gas to barrels of oil equivalent a 5.883 ratio is used. Rospan 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 production amounts to 4.19 million barrels per day (in the second quarter of 2013) and output of natural and associated gas is 9.31 billion cubic meters.

Rosneft's domestic refinery throughput is 1.7 million barrels per day (average for the second quarter of 2013) in Russia which equals around 41% of the Company's crude oil output. 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.

## Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 6 months ended</i>		<i>% change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>		<b>June 30, 2013</b>	<b>June 30, 2012</b>	
<b>Financial results, RUB billion</b>						
Revenues and equity share in profits of associates and joint ventures	1,176	812	44.8%	1,988	1,484	34.0%
EBITDA	215	156	37.8%	371	272	36.4%
Net income	35	102	(65.7)%	137	116	18.1%
Capital expenditures	153	95	61.1%	248	243	2.1%
Adjusted free cash flow	35*	33*	6.1%	68*	(20)	340.0%
Net Debt	1,850	1,781	3.9%	1,850	591	213.2%
<b>Operational results</b>						
Hydrocarbon production (th. boe per day)	4,786	4,804	(0.4)%	4,804	2,628	82.8%
Crude oil production (th. barrels per day)	4,185	4,169	0.4%	4,183	2,410	73.5%
Gas production (th.boe per day)	602	635	(5.2)%	621	217	186.2%
Product output in Russia (million tonnes)	19.75	12.69	55.6%	32.44	23.47	38.2%
Product output outside Russia (million tonnes)	3.00	2.66	12.8%	5.66	5.24	8.0%

\*Excluding one-off effect from prepayments under long term oil contracts of RUB 258 billion in the first half of 2013, including RUB 26 billion in the second quarter of 2013.

## 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 six 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**”).

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

The Company is extending wholesale of petroleum products through the enlarged retail network of 2,435 filling stations and is extending export volumes of petroleum products in Europe, Asia and CIS.

During the first half 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.

### **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 second quarter of 2013**

### ***Rosneft and CNPC signed agreements on crude oil supply***

On 21 June 2013, Rosneft and CNPC signed long-term crude oil supply contracts to China during the Saint Petersburg International Economic Forum. The agreements contemplate the delivery of crude oil to China over 25 years. The price of each delivery under the transaction will be determined in accordance with a formula based on the quoted market prices for oil existing at the time of the relevant delivery.

### ***Rosneft Enters Norwegian Continental Shelf in the Barents Sea Following Results of 22nd Licensing Round***

In June 2013, RN Nordic Oil AS, a 100% indirect subsidiary of Rosneft, has been granted the award of a 20% participating interest in the license PL713 covering the area of 1,213 sq. km. License PL713 consists of four promising blocks. RN Nordic Oil AS will develop the blocks in partnership with Statoil, that will act as operator.

### ***Cooperation with Statoil***

Rosneft and Statoil signed Completion Deed relating to the development of Russian offshore blocks in the Barents Sea and in the Sea of Okhotsk: Lisyansky, Kashevarovsky, Perseevsky and Magadan 1. Companies also signed Heads of Agreement for joint pilot development of Domanic shale formations at 12 Rosneft license blocks in the Samara region.

### ***Cooperation with Eni***

Rosneft and Eni S.p.A., acting through their subsidiaries Rosneft JV Projects S.A. and Eni Energy Russia BV, signed Completion Deed for the Russian offshore projects (regarding Fedynsky, Central Barents blocks in the Barents Sea and Western Chernomorsky block in the Black Sea).

### ***Rosneft obtained new licences in Barents sea and Black sea.***

On June 4, 2013, Rosneft obtained new licences for exploration and production at Albanovsky and Varneksky blocks located in the Barents sea for the total amount of RUB 1.4 billion. In the second quarter of 2013 the Company also obtained license at Gudautsky block in the Black sea and at Yuzhno-Suvorovsky block in Chechnya Republic.

## ***Rosneft and Venezuelan Corporacion Venezolana del Petroleo Sign Joint Venture Agreement***

On May 23, 2013, an agreement to create a joint venture to develop heavy oil reserves in Venezuela in the framework of the Carabobo-2 project was signed in Barcelona, Venezuela, by Rosneft and the Venezuelan Corporacion Venezolana del Petroleo (CVP), a subsidiary of PDVSA.

### **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>% Change</i>	<i>For 6 months ended</i>		<i>% Change</i>
	<b>June 30, 2012 (restated)</b>	<b>June 30, 2012</b>		<b>June 30, 2012 (restated)</b>	<b>June 30, 2012</b>	
<b><u>Financial results, RUB billion.</u></b>						
Revenues and equity share in profits of associates and joint ventures	725	722	0.4%	1,484	1,479	0.3%
EBITDA	96	93	3.2%	272	267	1.9%
Net income/(loss)	(1)	(8)	87.5%	116	104	11.5%
Capital expenditures	123	121	1.7%	243	239	1.7%
Free cash flow	26	25	4.0%	(20)	(21)	(4.8)%
Net debt	591	585	1.0%	591	585	1.0%
<b><u>Financial ratios</u></b>						
EBITDA margin	13.2%	12.9%		18.3%	18.1%	
Net income margin	(0.1)%	(1.1)%		7.8%	7.0%	
Net debt to annualised EBITDA	1.54	1.57		1.09	1.10	
Current ratio	1.61	1.68		1.61	1.68	
<b><u>(RUR/bbl and RUR/t.)</u></b>						
EBITDA/bbl	457	443	3.2%	648	666	(2.7)%
Capital expenditures/bbl	324	334	(3.0)%	312	317	(1.6)%
Upstream operating expenses/bbl	98.7	88.2	11.9%	98.2	88.2	11.3%
Operating expenses at refineries in Russia/t.	767	760	0.9%	708	703	0.7%
Free cash flow/bbl	124	125	(0.8)%	(48)	(52)	(7.7)%
<b><u>Operating results</u></b>						
Hydrocarbon production (th. boe per day)	2,621	2,621		2,628	2,628	
Crude oil production (th. barrels per day)	2,413	2,413		2,410	2,410	
Gas production (th.boe per day)	208	208		218	218	
Production output in Russia (million tonnes)	11.21	11.21		23.47	23.47	
Product output outside Russia (million tonnes)	2.56	2.56		5.24	5.24	

### **Events after reporting date**

On July 2, 2013 the Company acquired an additional 49% interest in equity of LLC Oil and Gas Company ITERA, the independent natural gas producer and supplier in Russian Federation for the total consideration of RUB 95 billion. As a result of this acquisition, the Company's share in equity of LLC ITERA increased to 100%. Starting from the date of acquisition of additional interest, the Company's share in LLC Oil and Gas Company ITERA will be accounted for as a 100% subsidiary using full consolidation method.

### **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 6 months ended</i>		<i>Change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>%</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>%</b>
<b>World market</b>	<b>(US\$ per barrel)</b>			<b>(US\$ per barrel)</b>		
Brent (dated)	102.4	112.6	(9.1)%	107.5	113.3	(5.1)%
Urals (average CIF Med and NWE)	102.1	110.8	(7.9)%	106.5	111.7	(4.7)%
Urals (FOB Primorsk)	100.3	109.3	(8.2)%	104.8	110.3	(5.0)%
Urals (FOB Novorossysk)	101.2	110.1	(8.1)%	105.6	110.7	(4.6)%
Dubai	100.8	108.2	(6.8)%	104.5	111.2	(6.0)%
	<b>(US\$ per tonne)</b>			<b>(US\$ per tonne)</b>		
Naphtha (av. FOB/CIF Med)	813	923	(11.9)%	868	929	(6.6)%
Naphtha (av. FOB Rotterdam/CIF NWE)	829	943	(12.1)%	886	945	(6.3)%
Naphtha (CFR Japan)	858	962	(10.8)%	910	820	11.0%
Fuel oil (av. FOB/CIF Med)	580	615	(5.6)%	598	656	(8.9)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	578	611	(5.4)%	594	654	(9.1)%
High sulphur fuel oil 180 cst (FOB Singapore)	617	641	(3.7)%	629	701	(10.3)%
Gasoil (av. FOB/CIF Med)	870	954	(8.8)%	912	961	(5.1)%
Gasoil (av. FOB Rotterdam/CIF NWE)	869	958	(9.3)%	913	960	(4.9)%
Gasoil (FOB Singapore)	866	941	(8.0)%	903	953	(5.3)%
	<b>(th. RUB per barrel)</b>			<b>(th. RUB per barrel)</b>		
Brent (dated)	3.24	3.42	(5.3)%	3.33	3.47	(4.0)%
Urals (average CIF Med and NWE)	3.23	3.37	(4.2)%	3.30	3.42	(3.5)%
Urals (FOB Primorsk)	3.17	3.32	(4.5)%	3.25	3.38	(3.8)%
Urals (FOB Novorossysk)	3.20	3.35	(4.5)%	3.28	3.39	(3.2)%
Dubai	3.19	3.29	(3.0)%	3.24	3.41	(5.0)%
	<b>(th. RUB per tonne)</b>			<b>(th. RUB per tonne)</b>		
Naphtha (av. FOB/CIF Med)	25.7	28.1	(8.5)%	26.9	28.5	(5.6)%
Naphtha (av. FOB Rotterdam/CIF NWE)	26.2	28.7	(8.7)%	27.5	29.0	(5.2)%
Naphtha (CFR Japan)	27.1	29.2	(7.2)%	28.2	25.1	12.4%
Fuel oil (av. FOB/CIF Med)	18.4	18.7	(1.6)%	18.5	20.1	(8.0)%
Fuel oil (av. FOB Rotterdam/CIF NWE)	18.3	18.6	(1.6)%	18.4	20.0	(8.0)%
High sulphur fuel oil 180 cst (FOB Singapore)	19.5	19.5	0.0%	19.5	21.5	(9.3)%
Gasoil (av. FOB/CIF Med)	27.5	29.0	(5.2)%	28.3	29.4	(3.7)%
Gasoil (av. FOB Rotterdam/CIF NWE)	27.5	29.1	(5.5)%	28.3	29.4	(3.7)%
Gasoil (FOB Singapore)	27.4	28.6	(4.2)%	28.0	28.9	(4.1)%
<b>Russian market</b>	<b>(th. RUB per tonne)</b>			<b>(th. RUB per tonne)</b>		
(net of VAT, including excise tax)						
Crude oil	9.8	10.5	(6.7)%	10.1	10.1	0.0%
Fuel oil	8.4	8.3	1.2%	8.3	9.0	(7.8)%
Summer diesel	24.9	24.5	1.6%	24.7	22.2	11.3%
Winter diesel	26.7	27.7	(3.6)%	27.2	24.1	12.9%
Jet fuel	22.4	24.0	(6.7)%	23.2	23.2	0.0%
High octane gasoline	25.1	26.8	(4.2)%	25.6	24.1	6.2%
Low octane gasoline	24.0	24.5	(2.0)%	24.3	22.6	7.5%

Difference between movement of prices denominated in US\$ and those denominated in RUB is explained by nominal RUB depreciation against US\$ by 3.9% in the second quarter of 2013 compared to the first quarter of 2013 and nominal RUB depreciation against US\$ by 1.2% in the six months of 2013 compared to the six 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 2.10 thousand per thousand cubic meters and RUB 2.09 thousand per thousand cubic meters in the second quarter of 2013 and first quarter of 2013, respectively. In the six months of 2013 and 2012 average gas sale price was RUB 2.10 thousand per thousand cubic meters and RUB 1.85 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 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Rouble inflation (CPI) for the period	1.6%	1.9%	3.5%	3.2%
Average RUB/US\$ exchange rate for the period	31.61	30.41	31.02	30.64
RUB/US\$ exchange rate at the end of the period	32.71	31.08	32.71	32.82
Average RUB/EUR exchange rate for the period	41.29	40.19	40.74	39.74
RUB/EUR exchange rate at the end of the period	42.72	39.80	42.72	41.32

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 6 months ended</i>		<i>Change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>		<b>June 30, 2013</b>	<b>June 30, 2012</b>	
<b>Mineral extraction tax</b>						
Crude oil (RUB per tonne)	4,955	5,261	(5.8)%	5,108	5,055	1.1%
Natural gas (RUB per th. cubic meters)	265	265	0.0%	265	251	5.6%
Associated gas (RUB per th. cubic meters)	0	0	–	0	0	–
<b>Export customs duty for crude oil</b>						
Crude oil (US\$ per tonne)	379.7	406.5	(6.6)%	393.1	421.9	(6.8)%
Crude oil (RUB per tonne)	12,005	12,363	(2.9)%	12,193	12,927	(5.7)%
Crude oil (RUB per barrel)	1,641	1,690	(2.9)%	1,667	1,767	(5.7)%
<b>Export customs duty for petroleum products</b>						
Gasoline (RUB per tonne)	10,804	11,128	(2.9)%	10,974	11,634	(5.7)%
Naphtha (RUB per tonne)	10,804	11,128	(2.9)%	10,974	11,634	(5.7)%
Light and middle distillates (RUB per tonne)	7,922	8,160	(2.9)%	8,047	8,530	(5.7)%
Liquid fuels (fuel oil) (RUB per tonne)	7,922	8,160	(2.9)%	8,047	8,530	(5.7)%



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

Excise on petroleum products	until June 30, 2012	until December 31, 2012	until June 30, 2013	until December 31, 2013	2014	2015
<b>High octane gasoline (RUB per tonne)</b>						
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	7,725	8,225	10,100	10,100	11,110	13,332
High octane gasoline euro-3 (RUB per tonne)	7,382	7,882	9,750	9,750	10,725	12,879
High octane gasoline euro-4 (RUB per tonne)	6,822	6,822	8,560	8,960	9,416	10,358
High octane gasoline euro-5 (RUB per tonne)	6,822	5,143	5,143	5,750	5,750	6,223
<b>Naphtha (RUB per tonne)</b>	7,824	7,824	10,229	10,229	11,252	13,502
<b>Diesel (RUB per tonne)</b>						
Diesel below euro-3,4,5 (RUB per tonne)	4,098	4,300	5,860	5,860	6,446	7,735
Diesel euro-3 (RUB per tonne)	3,814	4,300	5,860	5,860	6,446	7,735
Diesel euro-4 (RUB per tonne)	3,562	3,562	4,934	5,100	5,427	5,970
Diesel euro-5 (RUB per tonne)	3,562	2,962	4,334	4,500	4,767	5,244
<b>Lubricants (RUB per tonne)</b>	6,072	6,072	7,509	7,509	8,260	9,086

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

	<i>For 3 months ended</i>		<i>For 6 months ended</i>	
	June 30, 2013	March 31, 2013	June 30, 2013	June 30, 2012
	RUB billion	RUB billion	RUB billion	RUB billion
Total revenues	1,176	812	1,988	1,484
Total taxes*	628	447	1,075	816
<b>Effective tax burden, %</b>	<b>53.4%</b>	<b>55.0%</b>	<b>54.1%</b>	<b>55.0%</b>

\* 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 47.7% and 48.6% of Rosneft's total revenues in the second quarter of 2013 and in the first quarter of 2013, respectively. In the six months of 2013 and 2012 the mineral extraction tax and the export customs duty accounted for approximately 48.1% and 48.9% 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 value 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 value of reserves for a specific field  $(0.125 \times \text{value of initial oil recoverable reserves} + 0.375)$ .

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.

Currently the Ministry of Finance of Russian Federation, the Ministry of Energy of Russian Federation and the Ministry of Economic Development and Trade of the Russian Federation are finalising changes to the special tax regime for certain offshore projects. The project categorises offshore projects 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 oil prices.

The Company has exploration and production licences for the fields with hard to recover reserves. On July 5, 2013 the State authorities approved the draft law on special tax regime for these reserves. On July 10, 2013 the law was approved by the Federation Council and sent for signing to the President of the Russian Federation

### **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 27 January, 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 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 were increased by 7.0% on average. 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:

	For 3 months ended		Change	For 6 months ended		Change
	March 31, 2013	March 31, 2013		June 30, 2013	June 30, 2012	
	(th. RUB/tonne)			(th. RUB/tonne)		
<b>CRUDE OIL</b>						
<b>Domestic</b>						
<i>Pipeline</i>						
Yugansk – Samara refineries	0.79	0.79	–	0.79	0.75	5.3%
Samara – Samara refineries	0.05	0.05	–	0.05	0.05	0.0%
Yugansk – Angarsk refinery (long route)	–	1.32	–	–	1.25	–
Purneftegaz – Angarsk refinery (long route)	1.56	1.56	–	1.56	–	–
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	–	1.07	–	–
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	0.59	0.54	9.3%	0.59	–	–
Samotlor – Angarskaya NHK	1.10	0.94	17.0%	1.09	–	–
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	–	4.32	–	–	4.14	–
Purneftegaz – Komsomolsk refinery (long route)	4.55	4.54	0.2%	4.55	–	–
Yugansk –RNPk	1.15	–	–	1.15	–	–
<b>Exports</b>						
<i>Pipeline</i>						
Yugansk – Primorsk	1.60	1.60	–	1.60	1.54	3.9%
Yugansk – Novorossysk	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 – Novorossysk	0.85	0.85	–	0.85	–	–
Yugansk – Germany	1.61	1.60	0.6%	1.60	1.49	7.4%
Yugansk – Poland	1.53	1.53	–	1.53	1.43	7.0%
Yugansk – Belorussia (Naftan)	1.71	1.71	–	1.71	1.35	26.7%
Orenburgneft (Pokrovka) – Mozyr NPZ	0.89	0.89	–	0.89	–	–
Samotlor – Novorossysk	1.72	1.59	8.2%	1.68	–	–
Verkhnechonskneftegaz – Kozmino	2.08	2.08	–	2.08	–	–
<i>Railroad</i>						
Stavropolneftegaz – CPC	0.75	0.75	–	0.75	0.70	7.1%
<b>PETROLEUM PRODUCT EXPORTS</b>						
<b>Diesel</b>						
Samara refineries – Ventspils	2.01	1.99	1.0%	2.00	1.86	7.5%
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 – Ventspils	2.34	–	–	2.09	–	–
RNPk – Primorsk	1.92	1.91	0.5%	1.92	–	–
YANOS – Primorsk	1.65	1.61	2.5%	1.65	–	–
<b>Fuel oil</b>						
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	2.31	2.29	0.9%	2.31	–	–
RNPk – Estonia	2.53	2.55	(0.8)%	2.54	–	–
SNPZ – Kerch	2.99	2.96	1.0%	2.99	–	–
YANOS – Estonia	2.04	2.05	(0.5)%	2.04	–	–
<b>Naphtha</b>						
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 – Ventspils	3.22	3.24	(0.6)%	3.22	–	–

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

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

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 -50%.

The following table sets forth Rosneft's crude oil production<sup>1</sup>:

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012<sup>2</sup></i>	
	<i>(million barrels)</i>		<i>(%)</i>	<i>(million barrels)</i>		<i>(%)</i>
Yuganskneftegaz (Western Siberia)	121.5	120.8	0.6%	242.3	243.0	(0.3)%
Samaraneftegaz (Central Russia)	20.2	19.5	3.6%	39.7	39.0	1.8%
Purneftegaz (Western Siberia)	11.9	11.9	–	23.8	25.3	(5.9)%
Vankorneft (Eastern Siberia)	39.4	38.0	3.7%	77.4	61.1	26.7%
Severnaya Neft (Timan Pechora)	5.6	6.0	(6.7)%	11.6	13.1	(11.5)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.1	2.0	5.0%	4.1	4.3	(4.7)%
Tomskneft (Western Siberia)	9.3	9.1	2.2%	18.4	18.6	(1.1)%
Samotlorneftegas	40.7	4.9	>100%	45.6	–	–
Orenburgneft	36.7	4.5	>100%	41.2	–	–
Verkhnechonskneftegaz	14.1	1.7	>100%	15.8	–	–
TNK-Uvat	16.0	1.8	>100%	17.8	–	–
Varyeganneftez	13.8	1.7	>100%	15.5	–	–
TNK-Nyagan	11.8	1.4	>100%	13.2	–	–
Other	13.0	8.1	60.5%	21.1	15.3	37.9%
<b>Crude oil production by fully and proportionately consolidated enterprises</b>	<b>356.1</b>	<b>231.4</b>	<b>53.9%</b>	<b>587.5</b>	<b>419.7</b>	<b>40.0%</b>
Udmurtneft (Central Russia)	5.9	5.8	1.7%	11.7	11.6	0.9%
Polar Lights (Timan Pechora)	0.4	0.4	–	0.8	1.0	(20.0)%
Verkhnechonskneftegaz (Eastern Siberia) <sup>3</sup>	–	3.1	–	3.1	6.4	(51.6)%
Slavneft	15.5	1.9	>100%	17.4	–	–
Other	2.9	0.4	>100%	3.3	–	–
<b>Total share in production of joint ventures</b>	<b>24.7</b>	<b>11.6</b>	<b>&gt;100%</b>	<b>36.3</b>	<b>19.0</b>	<b>91.1%</b>
<b>Total crude oil production</b>	<b>380.8</b>	<b>243.0</b>	<b>56.7%</b>	<b>623.8</b>	<b>438.7</b>	<b>42.2%</b>
<b>Daily crude oil production (th. barrels per day)</b>	<b>4,185</b>	<b>4,169</b>	<b>0.4%</b>	<b>4,183</b>	<b>2,410</b>	<b>73.5%</b>

<sup>1</sup> For information: all production volumes of new assets are included from acquisition date. Total crude oil production of the Company for the first half of 2013 was 755.3 million barrels, including 374.5 million barrels for the first quarter 2013. See Appendix 1.

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

<sup>3</sup> Before the date of acquisition of TNK assets.

In the second quarter of 2013 Rosneft's average daily crude oil production was 4,185 th. barrels per day, which is an increase of 0.4 % compared with the first quarter of 2013. The increase in production level was due to organic production growth at Vankor fields due to implementation of effective drilling program and Verkhnechonskneftegaz due to infrastructure development. 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 six months of 2013 organic production growth of 2.9% was due to production increase at Vankor and Samaraneftegas fields compared to same period of 2012.

## Production of Gas

The table below sets forth Rosneft's commercial gas\* production<sup>1</sup>:

	For 3 months ended			For 6 months ended		
	June 30, 2013	March 31, 2013	Change	June 30, 2013	June 30, 2012	Change
	(bcm)		(%)	(bcm)		(%)
Purneftegaz (Western Siberia)	1.03	1.02	1.0%	2.05	2.02	1.5%
Yuganskneftegaz (Western Siberia)	0.81	0.92	(12.0)%	1.73	1.46	18.5%
Krasnodarneftegaz (Southern Russia)	0.68	0.80	(15.0)%	1.48	1.42	4.2%
Samaraneftegaz (Central Russia)	0.13	0.12	8.3%	0.25	0.26	(3.8)%
Severnaya Neft (Timan Pechora)	0.06	0.07	(14.3)%	0.13	0.15	(13.3)%
Vankorneft (Eastern Siberia)	0.11	0.14	(21.4)%	0.25	0.22	13.6%
Sakhalin-1 (Far East) (net of royalty and government share)	0.08	0.13	(38.5)%	0.21	0.21	–
Tomskneft (Western Siberia)	0.23	0.20	15.0%	0.43	0.40	7.5%
Samotlorneftegaz	1.36	0.17	>100%	1.53	–	–
Rospan International	0.93	0.11	>100%	1.04	–	–
Orenburgneft	0.66	0.08	>100%	0.74	–	–
Varyeganneftez	0.75	0.08	>100%	0.83	–	–
TNK-Nyagan	0.34	0.04	>100%	0.38	–	–
Other	0.52	0.31	67.7%	0.83	0.55	50.9%
<b>Gas production by fully and proportionately consolidated enterprises</b>	<b>7.69</b>	<b>4.19</b>	<b>83.5%</b>	<b>11.88</b>	<b>6.69</b>	<b>77.6%</b>
ITERA LLC	1.47	1.76	(16.5)%	3.23	–	–
Slavneft	0.1	0.01	>100%	0.11	–	–
Other	0.05	0.01	>100%	0.06	0.03	100.0%
<b>Total share in production of joint ventures</b>	<b>1.62</b>	<b>1.78</b>	<b>(9.0)%</b>	<b>3.40</b>	<b>0.03</b>	<b>&gt;100%</b>
<b>Total gas production</b>	<b>9.31</b>	<b>5.97</b>	<b>55.9%</b>	<b>15.28</b>	<b>6.72</b>	<b>&gt;100%</b>
Natural gas	3.96	3.18	24.5%	7.14	2.32	>100%
Associated gas	5.35	2.79	91.6%	8.14	4.40	85.0%

\* Production volume equals extracted volume minus flared volume.

<sup>1</sup> For information: all production volumes of acquired assets are included from acquisition date. Total gas production of the Company for the first half of 2013 was 19.22 bcm, including 9.91 bcm for the first quarter 2013. See Appendix 1.

In the second quarter of 2013 Rosneft's gas production was 9.31 bcm, which was 55.9% higher than in the first quarter of 2013. The increase was mainly attributed to the organic production growth at Samaraneftegaz, Tomskneft, which was partially offset by decrease at ITERA LLC, Vankor, Yuganskneftegaz, Severnaya Neft and Krasnodarneftegaz (the decrease in consumption in summer period).

In the six 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 at new production units. Organic gas production growth was 5.8% (excluding joint ventures) mainly at Yuganskneftegaz and Vankor. Currently, the Company is increasing participation in significant gas projects in Yamalo-Nenetskiy district and Western Siberia, developing 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 GmbH refineries in Germany.

The Company increased significantly processing at refineries in Russia and outside Russia due to production capacities at Saratov, Ryazan, Yaroslavl 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.

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>		<b>June 30, 2013</b>	<b>June 30, 2012</b>	
	<i>(million of tonnes)</i>			<i>(million of tonnes)</i>		
Crude oil processing at refineries in Russia	20.55	13.19	55.8%	33.74	24.48	37.8%
Crude oil processing at refineries outside Russia	3.06	2.65	15.5%	5.71	5.10	12.0%
<i>including crude oil processing at Ruhr Oel GmbH</i>	2.47	2.59	(4.6)%	5.06	5.10	(0.8)%
<i>including crude oil processing in Belarus</i>	0.59	0.06	>100.0%	0.65	–	–
<b>Total group crude oil processing</b>	<b>23.61</b>	<b>15.84</b>	<b>49.1%</b>	<b>39.45</b>	<b>29.58</b>	<b>33.4%</b>
<b>Product output:</b>						
High octane gasoline	2.66	1.63	63.2%	4.29	2.51	70.9%
Low octane gasoline	0.05	0.04	25.0%	0.09	0.19	(52.6)%
Naphtha	1.22	0.72	69.4%	1.94	1.79	8.4%
Diesel	6.06	4.45	36.2%	10.51	8.23	27.7%
Fuel oil	6.73	4.32	55.8%	11.05	7.93	39.3%
Jet	0.88	0.35	151.4%	1.23	0.73	68.5%
Petrochemicals	0.17	0.16	6.3%	0.33	0.29	13.8%
Other*	1.98	1.02	94.1%	3.00	1.80	66.7%
<b>Product output at Rosneft's refineries in Russia</b>	<b>19.75</b>	<b>12.69</b>	<b>55.6%</b>	<b>32.44</b>	<b>23.47</b>	<b>38.2%</b>
Product output at refineries outside Russia	3.00	2.66	12.8%	5.66	5.24	8.0%
<i>including crude oil output at Ruhr Oel GmbH</i>	2.46	2.60	(5.4)%	5.06	5.24	(3.4)%
<i>including product output in Belarus</i>	0.54	0.06	>100.0%	0.60	–	–
<b>Total group product output</b>	<b>22.75</b>	<b>15.35</b>	<b>48.2%</b>	<b>38.10</b>	<b>28.71</b>	<b>32.7%</b>

\*including production of petroleum products at gas refineries

<sup>1</sup> For information: all production volumes of acquired assets are included from acquisition date. Total crude oil processing of the Company for the first half of 2013 was 47.13 million of tonnes, including 23.52 million of tonnes for the first quarter 2013. See Appendix 1.

In the second quarter of 2013 Rosneft's total refinery throughput increased by 49.1% compared with the first quarter of 2013. In the second quarter of 2013, Rosneft's refinery major organic growth in Russia amounted to 2.5% compared with the first quarter of 2013. The throughput mainly increased at the Komsomolsk, Syzran and Tuapse refineries due to decreased schedule of planning turnarounds and a seasonal increase in consumption of petroleum products.

In the second quarter of 2013 the refinery throughput at refineries outside Russia growth was due to increased crude oil processing volumes at Mozyr refinery under processing agreement. Oil throughput at Ruhr Oel GmbH refineries decreased in the second quarter of 2013 due to turnarounds at PCK Schwedt refinery.

Organic growth of oil throughput in Russia in the six months 2013 compared with six months of 2013 was due to refineries modernization. Oil throughput at Ruhr Oel GmbH refineries decreased in six months of 2013 by 0.8% compared with six months of 2012 due to unscheduled turnarounds at Gelsenkirchen refinery, PCK Schwedt refinery and Bayernoil refinery in the first half of 2013.





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

In the second quarter of 2013 revenues and equity share in profits of associates and joint ventures amounted to RUB 1,176 billion or upturn 44.8%. The increase was mainly driven by increase in sales volumes of crude oil and petroleum products and partially offset by decrease of world market price.

In the six months of 2013 revenues and equity share in profits of associates and joint ventures were RUB 1,988 billion, which was driven by TNK assets acquisition, which was offset by decrease of world market prices. Urals price decreased by 4.7% and the world market prices for diesel and fuel oil denominated in RUB fell down by 3.7% and 8.0% respectively.

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	<b>June 30, 2013</b>		<b>March 31, 2013</b>		<i>Change, (%)</i>	<b>June 30, 2013</b>		<b>June 30, 2012</b>		<i>Change, (%)</i>
	<b>of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>		<b>% of total revenue</b>	<b>% of total revenue</b>			
	<b>(RUB billion, except %)</b>									
<b>Crude oil</b>										
International Sales to non-CIS	535	45.4%	377	46.5%	41.9%	912	45.7%	699	47.1%	30.5%
Europe and other directions	402	34.1%	277	34.2%	45.1%	679	34.0%	507	34.2%	33.9%
Asia	133	11.3%	100	12.3%	33.0%	233	11.7%	192	12.9%	21.4%
International sales to CIS	28	2.4%	23	2.8%	21.7%	51	2.6%	36	2.4%	41.7%
Domestic	29	2.5%	6	0.7%	>100%	35	1.8%	4	0.3%	>100%
<b>Total crude oil</b>	<b>592</b>	<b>50.3%</b>	<b>406</b>	<b>50.0%</b>	<b>45.8%</b>	<b>998</b>	<b>50.1%</b>	<b>739</b>	<b>49.8%</b>	<b>35.0%</b>
<b>Gas</b>	<b>19</b>	<b>1.6%</b>	<b>8</b>	<b>1.0%</b>	<b>137.5%</b>	<b>27</b>	<b>1.4%</b>	<b>9</b>	<b>0.6%</b>	<b>200.0%</b>
<b>Petroleum products</b>										
International Sales to non-CIS	288	24.4%	219	27.0%	31.5%	507	25.5%	409	27.5%	24.0%
Europe and other directions	218	18.4%	153	18.9%	42.5%	371	18.7%	294	19.8%	26.2%
Asia	70	6.0%	66	8.1%	6.1%	136	6.8%	115	7.7%	18.3%
International Sales to CIS	23	2.0%	4	0.5%	>100%	27	1.4%	4	0.3%	>100%
Domestic	202	17.2%	123	15.1%	64.2%	325	16.3%	228	15.4%	42.5%
Wholesale	112	9.5%	70	8.6%	60.0%	182	9.1%	137	9.3%	32.8%
Retail	90	7.7%	53	6.5%	69.8%	143	7.2%	91	6.1%	57.1%
Sales of bunker fuel	14	1.2%	10	1.2%	40.0%	24	1.2%	21	1.4%	14.3%
<b>Total petroleum products</b>	<b>527</b>	<b>44.8%</b>	<b>356</b>	<b>43.8%</b>	<b>48.0%</b>	<b>883</b>	<b>44.4%</b>	<b>662</b>	<b>44.6%</b>	<b>33.4%</b>
<b>Petrochemical products</b>	<b>20</b>	<b>1.7%</b>	<b>25</b>	<b>3.1%</b>	<b>(20.0)%</b>	<b>45</b>	<b>2.3%</b>	<b>44</b>	<b>3.0%</b>	<b>2.3%</b>
International sales	17	1.4%	22	2.7%	(22.7)%	39	2.0%	38	2.6%	2.6%
Domestic	3	0.3%	3	0.4%	0.0%	6	0.3%	6	0.4%	0.0%
<b>Support services and other revenues</b>	<b>16</b>	<b>1.4%</b>	<b>10</b>	<b>1.2%</b>	<b>60.0%</b>	<b>26</b>	<b>1.3%</b>	<b>20</b>	<b>1.3%</b>	<b>30.0%</b>
<b>Equity share in profits of associates and joint ventures</b>	<b>2</b>	<b>0.2%</b>	<b>7</b>	<b>0.9%</b>	<b>(71.4)%</b>	<b>9</b>	<b>0.5%</b>	<b>10</b>	<b>0.7%</b>	<b>(10.0)%</b>
<b>Total sales</b>	<b>1,176</b>	<b>100.0%</b>	<b>812</b>	<b>100.0%</b>	<b>44.8%</b>	<b>1,988</b>	<b>100.0%</b>	<b>1,484</b>	<b>100.0%</b>	<b>34.0%</b>

\*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 and petroleum and petrochemical product sales volumes:

	For 3 months ended					Change	For 6 months ended				Change
	June 30, 2013		March 31, 2013		June 30, 2013		June 30, 2012				
	mln bbls	% of total volume	mln bbls	% of total volume	%		mln bbls	% of total volume	mln bbls	% of total volume	
<b>Crude oil</b>											
International Sales to non-CIS	173.0	45.0%	119.3	47.6%	45.0%	292.2	46.1%	215.7	47.8%	35.5%	
Europe and other directions	127.4	33.1%	84.7	33.8%	50.4%	212.0	33.5%	151.4	33.6%	40.0%	
Asia	45.6	11.9%	34.6	13.8%	31.8%	80.2	12.6%	64.3	14.2%	24.7%	
International sales to CIS	19.1	5.0%	14.0	5.6%	36.4%	33.1	5.2%	22.7	5.0%	45.8%	
Domestic	19.9	5.2%	4.4	1.8%	>100.0%	24.3	3.8%	2.9	0.6%	>100.0%	
<b>Total crude oil</b>	<b>212.0</b>	<b>55.2%</b>	<b>137.7</b>	<b>55.0%</b>	<b>54.0%</b>	<b>349.6</b>	<b>55.1%</b>	<b>241.3</b>	<b>53.4%</b>	<b>44.9%</b>	
<b>Crude oil</b>											
	mln tonnes		mln tonnes			mln tonnes		mln tonnes			
International Sales to non-CIS	23.5	45.0%	16.2	47.6%	45.0%	39.7	46.1%	29.5	47.8%	35.5%	
Europe and other directions	17.3	33.1%	11.5	33.8%	50.4%	28.8	33.5%	20.7	33.6%	40.0%	
Asia	6.2	11.9%	4.7	13.8%	31.8%	10.9	12.6%	8.8	14.2%	24.7%	
CIS	2.6	5.0%	1.9	5.6%	36.4%	4.5	5.2%	3.1	5.0%	45.8%	
Domestic	2.7	5.2%	0.6	1.8%	>100.0%	3.3	3.8%	0.4	0.6%	>100.0%	
<b>Total crude oil</b>	<b>28.8</b>	<b>55.2%</b>	<b>18.7</b>	<b>55.0%</b>	<b>54.0%</b>	<b>47.5</b>	<b>55.1%</b>	<b>33.0</b>	<b>53.4%</b>	<b>44.9%</b>	
<b>Petroleum products</b>											
International Sales to non-CIS	12.6	24.2%	8.8	25.8%	43.2%	21.4	24.9%	15.9	25.8%	34.6%	
Europe and other directions	9.7	18.6%	6.0	17.6%	61.7%	15.7	18.3%	11.6	18.8%	35.3%	
Asia	2.9	5.6%	2.8	8.2%	3.6%	5.7	6.6%	4.3	7.0%	32.6%	
International Sales to CIS	0.9	1.7%	0.2	0.6%	>100.0%	1.1	1.3%	0.1	0.2%	>100.0%	
Domestic	8.4	16.1%	4.9	14.4%	71.4%	13.3	15.4%	10.1	16.3%	31.7%	
Wholesale	5.6	10.7%	3.3	9.7%	69.7%	8.9	10.3%	7.0	11.3%	27.1%	
Retail	2.8	5.4%	1.6	4.7%	75.0%	4.4	5.1%	3.1	5.0%	41.9%	
Sales of bunker fuel	0.8	1.5%	0.6	1.8%	33.3%	1.4	1.6%	1.2	1.9%	16.7%	
<b>Total petroleum products</b>	<b>22.7</b>	<b>43.5%</b>	<b>14.5</b>	<b>42.6%</b>	<b>56.6%</b>	<b>37.2</b>	<b>43.2%</b>	<b>27.3</b>	<b>44.2%</b>	<b>36.3%</b>	
<b>Petrochemical products</b>											
International sales	0.7	1.3%	0.8	2.4%	(12.5)%	1.5	1.7%	1.5	2.4%	0.0%	
Domestic	0.5	0.9%	0.6	1.8%	(16.7)%	1.1	1.2%	1.2	1.9%	(8.3)%	
	0.2	0.4%	0.2	0.6%	0.0%	0.4	0.5%	0.3	0.5%	33.3%	
<b>Total crude oil and products</b>	<b>52.2</b>	<b>100.0%</b>	<b>34.0</b>	<b>100.0%</b>	<b>53.5%</b>	<b>86.2</b>	<b>100.0%</b>	<b>61.8</b>	<b>100.0%</b>	<b>39.5%</b>	
<b>Gas</b>											
	bcm		bcm			bcm		bcm			
<b>Sales Volumes</b>	<b>8.50</b>		<b>4.12</b>		<b>106.3%</b>	<b>12.62</b>		<b>5.42</b>		<b>132.8%</b>	

## 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 6 months ended</i>				<i>Change</i>
	<i>June 30, 2013</i>		<i>March 31, 2013</i>		<i>June 30, 2013</i>		<i>June 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>		
<b>Average prices on foreign markets</b>					<b>%</b>					<b>%</b>	
Crude oil, excluding CIS	3.09	22.7	3.17	23.3	(2.6)%	3.12	23.0	3.23	23.6	(2.5)%	
Europe and other directions	3.15	23.2	3.28	24.2	(4.1)%	3.20	23.6	3.34	24.5	(3.7)%	
Asia	2.92	21.5	2.89	21.2	1.4%	2.90	21.4	2.96	21.7	(1.4)%	
Crude oil, CIS	1.55	11.4	1.60	11.8	(3.4)%	1.57	11.6	1.59	11.6	0.0%	
Petroleum products, non- CIS		22.9		24.8	(7.7)%		23.7		25.7	(7.8)%	
Europe and other directions		22.6		25.3	(10.7)%		23.6		25.3	(6.7)%	
Asia		24.0		23.9	0.4%		24.0		26.7	(10.1)%	
Petroleum products, CIS		25.5		19.6	29.8%		24.3		24.2	0.4%	
<b>Average domestic prices</b>											
Crude oil	1.46	10.7	1.46	10.7	0.0%	1.46	10.7	1.37	10.0	7.0%	
Petroleum products		24.2		24.9	(2.8)%		24.5		22.6	8.4%	
Wholesale		20.0		21.1	(5.2)%		20.4		19.7	3.6%	
Retail		32.9		32.3	1.9%		32.7		29.1	12.4%	
Gas (th.rub. /th. cubic meter)		2.10		2.09	0.5%		2.10		1.85	13.5%	
Sales of bunker fuel		17.9		17.4	2.9%		17.7		17.8	(0.6)%	
Petrochemical products		29.8		30.4	(2.0)%		30.1		29.5	2.0%	
<i>International sales</i>		34.6		35.7	(3.1)%		35.2		33.5	5.1%	
<i>Domestic</i>		16.5		15.3	7.8%		15.8		16.2	(2.5)%	

## International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries amounted to RUB 535 billion compared to RUB 377 billion on the first quarter 2013. Sales volumes growth followed by Company's expansion was 45.0% (positive impact on revenues of RUB 170 billion), including organic growth of 3.2% (RUB 12 billion), and was partially offset by average prices downturn of 2.6% (negative impact on revenues RUB 12 billion).

The deviation between sales prices on the Asian markets and average world market prices (Dubai) in the second quarter of 2013 is 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 second quarter of 2013. Excluding revenues from crude oil sales to Transneft (RUB 18 billion) in the second quarter of 2013 the average sales price on the Asian markets amounted to RUB 3.3 thousand per barrel.

In the six months of 2013 revenues from international crude oil sales to non-CIS countries increased by 30.5% compared to the six months of 2012 and amounted to RUB 213 billion. Sales volumes growth followed by Company's expansion was 35.5% (positive impact on revenues of RUB 242 billion), including organic growth equalled to 7.5% (RUB 47 billion), and was partially offset by average prices downturn of 2.5% (unfavourable impact on revenues of RUB 29 billion).

### International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS (Belarus and Kazakhstan) in the second quarter of 2013 increased by 21.7% compared to the first quarter 2013 and amounted to RUB 28 billion.

In the six months of 2013 revenues from international crude oil sales to CIS countries were RUB 51 billion or 41.7% upturn in comparison with the same period of 2012, which is attributable to sales volumes growth of 45.8%, including organic sales volume growth of 10.1%.

### 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>		
	<b>June 30, 2013</b>			<b>March 31, 2013</b>			<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>
	<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>	<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>			
High octane gasoline	4	0.1	28.1	3	0.1	29.0	33.3%	0.0%	(3.1)%
Low octane gasoline	1	0.0	32.9	0	0.0	37.2	–	–	(11.6)%
Naphtha	32	1.2	26.4	21	0.7	28.6	52.4%	71.4%	(7.7)%
Diesel (Gasoil)	74	2.7	27.5	70	2.5	28.3	5.7%	8.0%	(2.8)%
Fuel oil	110	6.0	18.5	59	3.2	18.4	86.4%	87.5%	0.5%
Jet fuel	1	0.0	37.2	0	0.0	38.1	–	–	(2.4)%
Other	11	0.5	23.7	3	0.1	28.0	266.7%	400.0%	(15.4)%
<b>Total petroleum products exported to non-CIS</b>	<b>233</b>	<b>10.5</b>	<b>22.2</b>	<b>156</b>	<b>6.6</b>	<b>23.5</b>	<b>49.4%</b>	<b>59.1%</b>	<b>(5.5)%</b>
<i>Petroleum products sold from ROG refineries</i>	52	2.0	25.9	60	2.1	28.9	(13.3)%	(4.8)%	(10.4)%
<i>Petroleum products bought and sold outside Russia</i>	3	0.1	29.2	3	0.1	29.4	0.0%	0.0%	(0.7)%
<b>Total</b>	<b>288</b>	<b>12.6</b>	<b>22.9</b>	<b>219</b>	<b>8.8</b>	<b>24.8</b>	<b>31.5%</b>	<b>43.2%</b>	<b>(7.7)%</b>

Revenue from the international sales of petroleum products to non-CIS countries were RUB 288 billion in the second quarter of 2013, which is 31,5% higher then the first quarter of 2013. The increase resulted from sales volumes growth of 43.2% (positive impact of RUB 95 billion), which was partially offset by 7.7% downturn of average prices (negative impact of RUB 26 billion).

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

	<i>For 6 months ended</i>						<i>% change</i>		
	June 30, 2013			June 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	7	0.2	28.5	3	0.0	36.9	133.3%	–	(22.8)%
Low octane gasoline	1	0.0	35.3	1	0.0	33.0	0.0%	–	7.0%
Naphtha	53	1.9	27.2	51	1.7	28.7	3.9%	11.8%	(5.2)%
Diesel (Gasoil)	144	5.2	27.9	94	3.2	29.0	53.2%	62.5%	(3.8)%
Fuel oil	169	9.2	18.4	131	6.4	20.7	29.0%	43.8%	(11.1)%
Jet fuel	1	0.0	37.4	0	0.0	36.2	–	–	3.3%
Other	14	0.6	24.4	2	0.2	27.2	>100.0%	>100.0%	(10.3)%
<b>Total petroleum products exported to non-CIS</b>	<b>389</b>	<b>17.1</b>	<b>22.7</b>	<b>282</b>	<b>11.5</b>	<b>24.5</b>	<b>37.9%</b>	<b>48.7%</b>	<b>(7.3)%</b>
<i>Petroleum products sold from ROG refineries</i>	112	4.1	27.4	119	4.2	28.6	(5.9)%	(2.4)%	(4.2)%
<i>Petroleum products bought and sold outside Russian Federation</i>	6	0.2	29.3	8	0.2	28.9	(25.0)%	0.0%	1.3%
<b>Total</b>	<b>507</b>	<b>21.4</b>	<b>23.7</b>	<b>409</b>	<b>15.9</b>	<b>25.7</b>	<b>24.0%</b>	<b>34.6%</b>	<b>(7.8)%</b>

In the six months of 2013 revenues from the export of petroleum products to non-CIS countries were RUB 507 billion, 24.0% higher compared to the six months of 2012. Sales volume increased by 34.6% (favourable impact on revenues of RUB 141 billion), including organic growth 3.1% (RUB 13 billion). Significant increase in sales volumes was partially offset by average price decline of 7.8% (negative impact on revenues of RUB 43 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>		
	June 30, 2013			March 31, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	90	3.0	30.3	51	1.6	31.0	76.5%	87.5%	(2.3)%
Low octane gasoline	1	0.1	23.1	1	0.0	23.3	0.0%	–	(0.9)%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	77	2.9	27.0	51	1.8	28.6	51.0%	61.1%	(5.6)%
Fuel oil	2	0.2	10.0	5	0.5	9.7	(60.0)%	(60.0)%	3.1%
Jet fuel	19	0.8	23.8	8	0.3	26.7	137.5%	166.7%	(10.9)%
Other	13	1.4	9.7	7	0.7	10.0	85.7%	100.0%	(3.0)%
<b>Total</b>	<b>202</b>	<b>8.4</b>	<b>24.2</b>	<b>123</b>	<b>4.9</b>	<b>24.9</b>	<b>64.2%</b>	<b>71.4%</b>	<b>(2.8)%</b>

Revenues from sales of petroleum products on the domestic market were RUB 202 billion in the second quarter of 2013, 64.2% higher compared to the first quarter 2013. The Company demonstrates the growth of petroleum products sales through the network of service stations, and also expands the direct sales of the jet fuel to final consumers in the cities of Russia, following the acquisition of network of fuel service stations LLC «BATO».

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

	<i>For 6 months ended</i>						<i>% change</i>		
	June 30, 2013			June 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	141	4.6	30.5	82	2.9	28.6	72.0%	58.6%	6.6%
Low octane gasoline	2	0.1	23.2	3	0.2	24.0	(33.3)%	(50.0)%	(3.3)%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	128	4.7	27.6	100	4.2	23.9	28.0%	11.9%	15.5%
Fuel oil	7	0.7	9.8	8	0.8	10.3	(12.5)%	(12.5)%	(4.9)%
Jet fuel	27	1.1	24.5	19	0.8	25.3	42.1%	37.5%	(3.2)%
Other	20	2.1	9.8	16	1.2	11.4	25.0%	75.0%	(14.0)%
<b>Total</b>	<b>325</b>	<b>13.3</b>	<b>24.5</b>	<b>228</b>	<b>10.1</b>	<b>22.6</b>	<b>42.5%</b>	<b>31.7%</b>	<b>8.4%</b>

Revenues from sales of petroleum products on the domestic market in the six months of 2013 were 42.5% higher in comparison to the six months of 2012 and amounted to RUB 325 billion. This resulted mainly from sales volumes increase on 31.7% (favorable impact on revenues of RUB 72 billion) and accompanied by 8.4% upturn in average prices (positive impact on revenues of RUB 25 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 second quarter of 2013 were RUB 14 billion, an increase of 40.0% in comparison with the previous quarter, which is 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 six months of 2013 increased by 14.3% or RUB 3 billion in comparison with the six months of 2012 which is mainly due to launching a second bunkering tanker in «Saint-Petersburg» region at the end of 2012.

### **Petrochemical Product Sales**

Revenues from sales of petrochemical products in the second quarter of 2013 were RUB 20 billion, a decrease of 20.0% compared to the first quarter of 2013 which was due to the export sales volume decrease and the slight decline in average prices.

The sales volumes of petrochemical product from Ruhr Oel GmbH were 0.5 mln tonnes and 0.6 mln tonnes in the second quarter 2013 and in the first quarter 2013, respectively.

In the six months of 2013, revenues from sales of petrochemical products increased by 2.3% compared to the similar period of 2012, due to the growth of average price on international market by 5.1% (positive impact on revenues of RUB 1 billion). In the six months of 2013 sales volumes of petrochemical product from Ruhr Oel GmbH amounted to 1.1 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 6 months ended</i>		
	June 30, 2013	March 31, 2013	Change	June 30, 2013	June 30, 2012	Change
	(RUB billion)		%	(RUB billion)		%
<b>Revenue</b>						
Western Siberia	8.5	4.5	88.9%	13.0	2.5	>100.0%
South Russia	2.0	2.3	(13.0)%	4.3	3.6	19.4%
Far East	0.3	0.4	(25.0)%	0.7	0.7	0.0%
European part of Russia and other	7.7	1.2	>100.0%	8.9	2.4	>100.0%
<b>Total</b>	<b>18.5</b>	<b>8.4</b>	<b>120.2%</b>	<b>26.9</b>	<b>9.2</b>	<b>192.6%</b>
	(bcm)			(bcm)		
<b>Sales volumes</b>						
Western Siberia	5.07	2.47	105.3%	7.54	2.10	>100.0%
South Russia	0.68	0.83	(18.1)%	1.51	1.48	2.0%
Far East	0.14	0.18	(22.2)%	0.32	0.37	(13.5)%
European part of Russia and other	2.61	0.64	>100.0%	3.25	1.47	121.1%
<b>Total</b>	<b>8.50</b>	<b>4.12</b>	<b>106.3%</b>	<b>12.62</b>	<b>5.42</b>	<b>132.8%</b>
	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)		
<b>Average price</b>						
Western Siberia	1.67	1.81	(7.7)%	1.72	1.19	44.5%
South Russia	2.90	2.83	2.5%	2.86	2.39	19.7%
Far East	2.22	2.21	0.5%	2.21	1.82	21.4%
European part of Russia and other	2.73	2.22	23.0%	2.63	2.25	16.9%
<b>Average price by Group</b>	<b>2.10</b>	<b>2.09</b>	<b>0.5%</b>	<b>2.10</b>	<b>1.85</b>	<b>13.5%</b>

\*average price is calculated from unrounded figures

In the second quarter of 2013 revenues from gas amounted to RUB 18.5 billion due to upturn in sales volumes by 106.3% and growth of average prices by 0.5%. The increase in gas sales is mainly driven by Company's expansion in Western Siberia region and Europe part of Russia, partially offset by seasonal factor. In the second quarter 2013 69% of gas production has been sold to end-users, which demonstrates sales efficiency in this direction.

Gas sales growth of RUB 18 billion in the six months 2013 was driven by sales volume increase of 132.8% (positive impact of RUB 12 billion), including 20.5% organic volume growth, as well as 13.5% upturn in average price (favourable impact of RUB 6 billion). The company is aimed to expand the gas business due to integration of assets of LLC Oil and Gas Company 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 6 months ended</i>						
	June 30, 2013		March 31, 2013	June 30, 2013		June 30, 2012	Change			
		% of total revenue	% of total revenue		% of total revenue	% of total revenue	%			
	(RUB billion, except %)									
Drilling services	0.5	3.1%	0.5	5.0%	0.0%	1.0	3.9%	0.8	4.0%	25.0%
Sales of materials	3.1	19.5%	3.0	30.0%	3.3%	6.1	23.6%	5.0	25.0%	22.0%
Repairs and maintenance services	0.2	1.3%	0.2	2.0%	0.0%	0.4	1.5%	1.6	8.0%	(75.0)%
Rent services	0.9	5.7%	0.6	6.0%	50.0%	1.5	5.8%	1.4	7.0%	7.1%
Construction services	0.1	0.6%	0.1	1.0%	0.0%	0.2	0.8%	1.2	6.0%	(83.3)%
Transport services	3.2	20.1%	1.2	12.0%	166.7%	4.4	17.0%	3.5	17.5%	25.7%
Electric power sales and transmission	1.4	8.8%	0.9	9.0%	55.6%	2.3	8.9%	2.3	11.5%	0.0%
Other revenues	6.5	40.9%	3.5	35.0%	85.7%	10.0	38.5%	4.2	21.0%	138.1%
<b>Total</b>	<b>15.9</b>	<b>100.0%</b>	<b>10.0</b>	<b>100.0%</b>	<b>59.0%</b>	<b>25.9</b>	<b>100.0%</b>	<b>20.0</b>	<b>100.0%</b>	<b>29.5%</b>

Support service and other revenues were 59.0% higher in the second quarter of 2013 compared to the first quarter 2013 and amounted to RUB 15.9 billion. Revenue increase was due to the Company's expansion.

In the six months 2013 support service and other revenues were 29.5% higher than six months 2012 and amounted to RUB 25.9 billion.

## Equity share in profits of associates and joint ventures

The equity share in profits of associates and joint ventures amounted to RUB 2 billion in the second quarter of 2013 compared with RUB 7 billion in the first quarter of 2013. The decline resulted from the decrease in profits incurred by Rosneft's associates, mainly, ITERA, Udmurtneft and Slavneft, and Verkhnechonskneftegaz profit elimination due to its consolidation into the Company from the date of acquisition. Reduction in profits of associates and joint ventures was due to unfavourable macroeconomics in the second quarter of 2013.

In the six months of 2013 the equity share in profits of associates and joint ventures decreased by RUB 1 billion and amounted to RUB 9 billion.



## 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>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012</i>	
	<i>(RUB billion)</i>			<i>(RUB billion)</i>		
Upstream	56.3	26.4	113.3%	82.7	41.2	100.7%
Land restoration program	-	-		-	0.7	-
Downstream	44.9	25.3	77.5%	70.2	62.0	13.2%
Other	8.3	8.1	2.5%	16.4	14.9	10.1%
<b>Total</b>	<b>109.5</b>	<b>59.8</b>	<b>83.1%</b>	<b>169.3</b>	<b>118.8</b>	<b>42.5%</b>

#### *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 113.3% in the second quarter of 2013 compared with the previous quarter and amounted to RUB 56.3 billion, including organic growth of 6.9%. The increase in operating expenses was due to oil production increase and seasonal increase in repairs and maintenance expenses.

In the six months of 2013 upstream production and operating expenses increased by 100.7% compared with the same period of 2012. The growth of expenses was mainly due to incorporation of operating expenses of new production units and due to implementation of gas program. Organic growth was 16.0% in the six months of 2013 compared with the six months of 2012 and was due to oil production increase, increase in electricity tariffs, increase in prices for materials, fuel, lubricants and other factors.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012</i>	
	<i>(RUB per bbl and RUB per boe, except %)</i>					
Expenses per bbl of crude oil produced	158.1	114.1	38.6%	140.8	98.2	43.4%
Expenses per boe of hydrocarbon produced	140.3	103.1	36.1%	125.8	89.7	40.2%

#### *Refining and distribution expenses*

Rosneft's downstream operating expenses increased by 77.5% in the second quarter of 2013 compared with the first quarter of 2013. The increase was mainly due operating expenses of new production units and sales of accumulated intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories). Organic growth was 44.6% in the second quarter of 2013 compared with the first quarter of 2013 that resulted from sales of accumulated intragroup inventories, maintenance and repairs expenses growth, increase in cost of materials and additives for processing in Russia and other factors.

Downstream operating expenses increased by 13.1% in the six months of 2013 compared with the six months of 2012 mainly due to incorporation of operating expenses of new refining units, including Saratov refinery, Riyazan refinery and marketing units, which 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).

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	<i>June 30,</i>	<i>March 31,</i>	<i>Change</i>	<i>June 30,</i>	<i>June 30,</i>	<i>Change</i>
	<i>2013</i>	<i>2013</i>		<i>2013</i>	<i>2012</i>	
	<b>RUB/t</b>		<b>%</b>	<b>RUB/t</b>		<b>%</b>
<b>Operating expenses at refineries in Russia (RUB billion)</b>	<b>13.98</b>	<b>9.76</b>	<b>43.2%</b>	<b>23.74</b>	<b>17.34</b>	<b>36.9%</b>
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	772	783	(1.4)%	777	739	5.1%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	743	753	(1.3)%	747	708	5.5%
<b>Operating expenses at refineries outside Russia (RUB billion)</b>	<b>12.40</b>	<b>12.10</b>	<b>2.5%</b>	<b>24.50</b>	<b>24.50</b>	<b>-</b>
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	5 047	4 651	8.5%	4 843	4 676	3.6%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	5 023	4 665	7.7%	4 840	4 795	0.9%
<b>Total operating expenses at Rosneft's refineries (RUB billion)</b>	<b>26.38</b>	<b>21.86</b>	<b>20.7%</b>	<b>48.24</b>	<b>41.71</b>	<b>15.7%</b>

Operating expenses of Rosneft's refineries were RUB 26.38 billion in the second quarter of 2013, which is an increase of 20.7% compared with RUB 21.86 billion in the first quarter of 2013. Organic growth of the operating expenses of Rosneft's refineries was 3.2% compared with the first quarter of 2013.

In the six months of 2013 operating expenses of Rosneft's refineries increased by 15.7% compared with RUB 41.71 billion in the six months of 2012. Organic growth of operating expenses was 2.9%.

Operating expenses of Rosneft's refineries in Russia were RUB 13.98 billion, which is an increase of 43.2% compared with RUB 9.76 billion in the first quarter of 2013. Organic growth of 4.0% compared to the first quarter of 2013 was mainly due to increase in maintenance and repairs expenses.

In the six months of 2013 operating expenses of Rosneft's refineries in Russia, increased by 36.9% compared with RUB 17.34 billion in the six months of 2012 mainly due to incorporation of operating expenses of new refining units. Organic growth at refineries in Russia was 7.0% compared with the six months of 2012. The growth resulted mainly from increase of in costs of materials and supplies due to increase in production of petroleum products of Euro-4 and Euro-5 standard, electricity tariffs increase and other factors.

Operating expenses per tonne at Rosneft's refineries outside Russia are resulting from large spectrum of petroleum products output and especially petrochemical output and Nelson index (more complicated technological process).

Operating expenses Rosneft's refineries outside Russia increased by 2.5% compared with the first quarter of 2013 due to lower crude oil throughput in the first quarter of 2013 followed by scheduled turnarounds at PCK Schwedt refinery.

In the six months of 2013 the operating expenses of Rosneft's refineries outside Russia did not change significantly compared with the six months of 2012.

#### ***Other operating expenses***

Operating expenses related to other activities increased by 2.5% in the second quarter of 2013 compared with the first quarter of 2013 (including organic growth of 2.5%) due to the higher volumes of transport sales to the third parties, electric power sales and transmission and other services rendered to the third parties.

In the six months of 2013 other operating expenses increased by 10.1% compared with RUB 14.9 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 10.1%.

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>		<b>June 30, 2013</b>	<b>June 30, 2012</b>	
<b>Crude oil procurement</b>						
Cost of crude oil procured (RUB billion)	79	64	23.4%	143	123	16.3%
<i>including Domestic market</i>	27	14	92.9%	41	14	192.9%
<i>International market</i>	52	50	4.0%	102	109	(6.4)%
Volume of crude oil procured (million barrels)	37.0	24.0	54.2%	61.0	42.3	44.2%
<i>including Domestic market</i>	21.9	9.6	128.1%	31.5	11.8	166.9%
<i>International market</i>	15.1	14.4	4.9%	29.5	30.5	(3.3)%
<b>Gas procurement</b>						
Cost of gas procured (RUB billion)	3.0	1.4	114.3%	4.4	0.5	>100.0%
Volume of gas procured (bcm)	2.20	0.84	161.9%	3.04	0.33	>100.0%
<b>Petroleum products procurement</b>						
Cost of petroleum product procured (RUB billion) <sup>(1)</sup>	12	9	33.3%	21	25	(16.0)%
Volume of petroleum product procured (million of tonnes)	0.42	0.34	23.5%	0.76	0.96	(20.8)%
<b>Crude oil and gas refining services</b>						
Cost of refining of crude oil under processing agreements (RUB billion)	5	0.6	>100.0%	5.6	-	-
Volumes of crude oil refined under processing agreements (million of tonnes)	2.3	0.3	>100.0%	2.6	-	-
Volumes of refining of gas under processing agreements (bcm)	2.0	0.2	>100.0%	2.2	-	-
<b>Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)</b>	<b>99</b>	<b>75</b>	<b>32.0%</b>	<b>174</b>	<b>149</b>	<b>16.8%</b>

(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. 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 6 months ended</i>		<i>Change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>		<b>June 30, 2013</b>	<b>June 30, 2012</b>	
	(million bbl, except %)					
International market	15.1	14.4	4.9%	29.5	30.5	(3.3)%
Udmurtneft	5.0	3.9	28.2%	8.9	4.2	111.9%
Slavneft	15.5	2.0	67.0%	17.5	-	-
Others	1.4	3.7	(62.2)%	5.1	7.6	(32.9)%
<b>Total</b>	<b>37.0</b>	<b>24.0</b>	<b>54.2%</b>	<b>61.0</b>	<b>42.3</b>	<b>44.2%</b>

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the "Pipeline tariffs and Transportation costs" line of the consolidated statements of income and comprehensive income. In the second quarter of 2013 these transactions were exercised mainly with Gazpromneft, RussNeft.

The volume of crude oil swaps amounted to 42.1 million barrels and 26.0 million barrels in the second quarter of 2013 and in the first quarter of 2013, respectively. Rosneft's estimated benefits from these transactions were RUB 1.6 billion in the second quarter of 2013 and RUB 0.9 billion in the first quarter of 2013. In the six months of 2013 the volume of crude oil swaps amounted to 68.1 million barrels, which resulted in benefits for Rosneft in the six months 2013 in the amounts of RUB 2.5 billion.

### *Petroleum products purchase*

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 realization 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 second and first quarters of 2013:

	<i>For 3 months ended</i>						<i>% change</i>		
	<b>June 30, 2013</b>			<b>March 31, 2013</b>			<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>
	<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>	<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>			
High octane gasoline	1	0.03	27.9	3	0.11	25.4	(66.7)%	(72.7)%	9.8%
Low octane gasoline	0	0.00	0.0	-	-	-	-	-	-
Diesel	1	0.03	27.7	1	0.05	27.2	-	(40.0)%	1.8%
Fuel oil	0	0.01	12.1	0	0.00	0.00	-	-	-
Jet fuel	1	0.03	27.2	0	0.01	24.1	-	200.0%	12.9%
Other	1	0.04	27.2	1	0.03	19.5	-	33.3%	39.5%
<b><i>Petroleum products procured outside Russia</i></b>	<b>8</b>	<b>0.28</b>	<b>27.8</b>	<b>4</b>	<b>0.14</b>	<b>28.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>(0.7)%</b>
<b>Total</b>	<b>12</b>	<b>0.42</b>	<b>27.7</b>	<b>9</b>	<b>0.34</b>	<b>26.2</b>	<b>33.3%</b>	<b>23.5%</b>	<b>5.7%</b>

The increase in volumes of petroleum product purchases in the second quarter of 2013 in comparison to the first quarter of 2013 was due to increased demand at Rosneft refineries and at the internal market. Organic decline in the volume of purchases was 21.0%.

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

	<i>For 6 months ended</i>						<i>% change</i>		
	<b>June 30, 2013</b>			<b>June 30, 2012</b>			<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>
	<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>	<b>RUB billion</b>	<b>million of tonnes</b>	<b>Average price th. RUB/tonne</b>			
High octane gasoline	4	0.14	26.8	10	0.41	25.3	(60.0)%	(65.9)%	5.9%
Low octane gasoline	0	0.00	0.0	0	0.00	24.4	-	-	(100.0)%
Diesel	2	0.08	27.4	5	0.19	25.2	(60.0)%	(57.9)%	8.7%
Fuel oil	0	0.01	12.1	-	-	-	-	-	-
Jet fuel	1	0.04	26.1	1	0.04	24.4	-	-	7.0%
Other	2	0.07	24.2	1	0.05	21.0	100.0%	40.0%	15.2%
<b><i>Petroleum products procured outside Russia</i></b>	<b>12</b>	<b>0.42</b>	<b>27.9</b>	<b>8</b>	<b>0.27</b>	<b>28.8</b>	<b>50.0%</b>	<b>55.6%</b>	<b>(3.1)%</b>
<b>Total</b>	<b>21</b>	<b>0.76</b>	<b>27.1</b>	<b>25</b>	<b>0.96</b>	<b>25.8</b>	<b>(16.0)%</b>	<b>(20.8)%</b>	<b>5.0%</b>

The decrease in volumes of petroleum product purchases in the six months of 2013 in comparison to the six months of 2012 resulted from own consumption fulfilment according to the increase in refinery volumes. Organic decline in the volume of purchases was 38.1% compared with the six 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 8 billion (0.28 million tonn) and RUB 4 billion (0.14 million tonn) in the second quarter of 2013 and first quarter of 2013, respectively. Additional purchase of petroleum products was due to increased demand at the international market. Petroleum products purchased outside Russia in the six months of 2013 and 2012 were RUB 12 billion (0.42 mln tonn) and RUB 8 billion (0.27 mln tonn), respectively.

### ***Gas purchases and crude oil and gas processing***

Gas purchases amounted to RUB 3.0 billion in the second quarter of 2013, which was an increase of 114.3% compared with RUB 1.4 billion in the first quarter of 2013. The increase was due to new production assets effect.

Gas purchases in the six months of 2013 and 2012 were RUB 4.4 billion and RUB 0.5 billion, respectively.

The crude oil processing services are rendered by YANOS and Mozyr refinery. Gas processing is performed at LLC Yugragazpererabotka under processing agreement. The increase in oil and gas processing services resulted from extended Company's activity.

### **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 second quarter of 2013 were RUB 29 billion and in the first quarter of 2013 were RUB 17 billion. The increase was mainly driven by incorporation of expenses of new production units, by payment of commission fees under the long-term crude supply contracts and legal and consulting fees during the integration process and others.

In the six months of 2013 and 2012 general and administrative expenses were RUB 46 billion and RUB 33 billion, respectively.

## 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 second quarter of 2013 Rosneft's transportation costs increased by 47.1% and amounted to RUB 103 billion compared to the first quarter of 2013, whilst organic decrease amounted to 4.6%. 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 first half of 2013 Rosneft's transportation costs increased by 46.6% compared to the six months of 2012, whilst organic increase was 7.6%. Transportation cost growth was due to 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>		
	June 30, 2013				March 31, 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			
<b>CRUDE OIL</b>											
<b>International sales</b>											
Pipeline	24.6	94.3%	40.8	1.65	17.6	97.2%	29.8	1.70	39.8%	36.9%	(2.9)%
Railroad and mixed	1.5	5.7%	3.1	2.16	0.5	2.8%	0.5	1.07	200.0%	520.0%	101.9%
<b>Transportation to refineries</b>											
Pipeline <sup>(1)</sup>	16.9		10.6	0.62	11.4		7.6	0.67	48.2%	39.5%	(7.5)%
Railroad and mixed	1.8		6.3	3.41	1.3		4.8	3.75	38.5%	31.3%	(9.1)%
<b>PETROLEUM PRODUCTS</b>											
<b>International sales</b>											
Pipeline	1.1	7.6%	2.2	2.1	0.7	7.0%	1.8	2.43	57.1%	22.2%	(13.6)%
Railroad and mixed	10.6	73.1%	19.8	1.86	7.0	70.0%	12.5	1.78	51.4%	58.4%	4.5%
Pipeline and FCA <sup>(2)</sup>	2.8	19.3%			2.3	23.0%			21.7%		
<b>Other transportation expenses <sup>(3)</sup></b>											
			20				13			53.8%	
<b>Total</b>	<b>59.3</b>		<b>103</b>		<b>40.8</b>		<b>70.0</b>		<b>45.3%</b>	<b>47.1%</b>	

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

(2) Rosneft exported part of petroleum products in the second quarter of 2013 and in the first 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.

(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 decrease in crude oil pipeline transportation cost per tonne of international sales was 2.9%, which was due to the change in structure of transportation routes.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 101.9% which was due to the expansion of transportation routes.

The decrease in crude oil pipeline transportation cost per tonne of supplies to refineries was 7.5%, which was due to increased logistic efficiency.

The decrease in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 9.1% which was due to change in logistics scheme.

The decrease in pipeline cost per tonne of petroleum product international sales was 13.6% which was mainly due to increased efficiency of logistic routes.

Railroad and mixed transportation cost per tonne of petroleum product international sales increased by 4.5% in the second quarter of 2013 which was due to change in structure of transportation routes.

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

	<i>For 6 months ended</i>								<i>% change</i>		
	June 30, 2013				June 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			
<b>CRUDE OIL</b>											
<b>International sales</b>											
Pipeline	42.2	95.5%	70.6	1.67	31.7	97.2%	51.6	1.63	33.1%	37.0%	2.5%
Railroad and mixed	2.0	4.5%	3.6	1.91	0.9	2.8%	0.8	0.84	122.2%	337.5%	127.4%
<b>Transportation to refineries</b>											
Pipeline <sup>(1)</sup>	28.3		18.2	0.64	20.9		12.2	0.58	35.4%	49.2%	10.3%
Railroad and mixed	3.1		11.1	3.54	3.0		12.1	4.04	3.3%	(8.3)%	(12.4)%
<b>PETROLEUM PRODUCTS</b>											
<b>International sales</b>											
Pipeline	1.8	7.3%	4.0	2.27	0.4	2.1%	1.0	2.34	350.0%	300.0%	(3.0)%
Railroad and mixed	17.6	71.8%	32.3	1.83	15.4	81.9%	29.2	1.9	14.3%	10.6%	(3.7)%
Pipeline and FCA <sup>(2)</sup>	5.1	20.8%			3.0	16.0%			70.0%		
<b>Other transportation expenses <sup>(3)</sup></b>											
			33				11			200.0%	
<b>Total</b>	<b>100.1</b>		<b>173</b>		<b>75.3</b>		<b>118</b>		<b>32.9%</b>	<b>46.6%</b>	

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

(2) Rosneft exported part of petroleum products in the six 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 127.4% which resulted from change in structure of railroad routes.

Crude oil pipeline transportation cost per tonne of supplies to refineries increased by 10.3% 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 12.4%, 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 3.0% which was due to logistic efficiency.

The decrease in railroad and mixed cost per tonne of petroleum product international sales was 3.7%, which was due to petroleum products sales volumes growth on the local market of Germany, where transportation costs are low due to short transportation distances.

### **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 second quarter of 2013 and in the first quarter of 2013 exploration expenses did not change and amounted to RUB 3 billion.

In the six months of 2013 exploration expenses decreased by 33.3% compared with the same period of 2012 due to decreased in 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 93 billion in the second quarter of 2013 compared to RUB 56 billion in the fourth quarter of 2012. The increase was due to higher volumes of production and increased book value of fixed assets.

In the six months of 2013 depreciation, depletion and amortisation increased by 55.2% compared with RUB 96 billion in the six months of 2012.

### **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 6 months ended</i>		<i>Change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>		<b>June 30, 2013</b>	<b>June 30, 2012</b>	
	<b>(RUB billion, except %)</b>					
Mineral extraction tax	209	152	37.5%	361	274	31.8%
Excise tax	34	24	41.7%	57	36	58.3%
Social security tax	8	6	33.3%	16	12	33.3%
Property tax	7	4	75.0%	10	6	66.7%
Interest, penalties and other payments to budget	1	2	(50.0)%	3	4	(25.0)%
<b>Total taxes other than income tax</b>	<b>259</b>	<b>188</b>	<b>37.8%</b>	<b>447</b>	<b>332</b>	<b>34.6%</b>

Taxes other than income tax were RUB 259 billion and increased by 37.8% in the second quarter of 2013, compared with RUB 188 billion in the first quarter of 2013, including the effect of new assets acquisition. The organic decrease was 6.2% (RUB 11 billion) due to decrease in the mineral extraction tax rate (5.8%) and excise tax (5.6%) in the second quarter of 2013 compared to the first quarter 2013.

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	<b>June 30, 2013</b>	<b>March 31, 2013</b>		<b>June 30, 2013</b>	<b>June 30, 2012</b>	
Average enacted mineral extraction tax rate	4.95	5.26	(5.8)%	5.11	5.05	1.1%
Actual mineral extraction tax expense per tonne of crude oil produced	4.32	4.84	(10.7)%	4.53	4.81	(5.8)%
Actual mineral extraction tax expense per tonne of oil equivalent produced	3.83	4.37	(12.4)%	4.04	4.39	(8.0)%

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 6 months ended</i>		<i>Change. (%)</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012</i>	
	<b>(RUB billion, except %)</b>					
Export customs duty for crude oil	266	186	43.0%	452	347	30.3%
Export customs duty for petroleum products	93	57	63.2%	150	105	42.9%
<b>Total export customs duties</b>	<b>359</b>	<b>243</b>	<b>47.7%</b>	<b>602</b>	<b>452</b>	<b>33.2%</b>

Export custom duty growth of 47.7% in the second quarter of 2013 was due to increased export volumes, following the Company's expansion, due to export duty lag effect, partially compensated by decrease in custom duty rate. Export custom duty organic decrease in the second quarter of 2013 was 3% (Rub 7 billion) compared to the first quarter of 2013. In the six month of 2013 organic growth was practically insignificant and amounted to RUB 1 billion in comparison with the same period of 2012.

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

	<i>For 3 months ended</i>		<i>Change. (%)</i>	<i>For 6 months ended</i>		<i>Change. (%)</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012</i>	
	<b>(thousand RUB / tonne, except %)</b>					
Average Urals price	23.77	24.68	(3.7%)	24.23	24.14	0.4%
Average enacted export customs duty	12.00	12.36	(2.9%)	12.18	13.74	(11.4%)
Hypothetical export customs duty*	11.70	12.36	(5.3%)	12.03	11.93	0.8%
Average customs duty on crude oil exports to non-CIS countries subject to regular rate	12.05	12.38	(2.7%)	12.23	13.71	(10.8%)

\*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 22.0% to RUB 122 billion in the second quarter of 2013 compared with RUB 100 billion in the first quarter of 2013. Operating income growth was due to increased sales volumes of crude oil, petroleum product and gas, partially offset by decrease in average crude oil and petroleum product prices on the market, and increase in negative export duty lag effect.

As a percentage of total revenue operating income was 10.4% in the second quarter of 2013, 12.3% in the first quarter of 2013, 11.2% in the six months of 2013 and 11.9% in the six months of 2012.

Operating income increased by 26.1% in the six months of 2013 compared to RUB 176 billion in the six months of 2012. Increase in operating income is primarily driven by increased sales volumes of crude oil, petroleum product and gas, also to decreased export customs duty rates.

## 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 increased from RUB 4 billion in the first quarter of 2013 to RUB 18 billion in the second quarter of 2013.

In the second quarter of 2013 the increase 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, the collar contract, and accruals of finance expenses on bank loans.

In the six months of 2013 net finance expenses amounted to RUB 22 billion. In the six months of 2012 net finance income amounted to RUB 2 billion.

In the six months of 2013 the increase 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, the collar contract and accruals of finance expenses on bank loans drawn for the acquisition of TNK, and the repayment of bank deposits.

### **Other income and other expenses**

In the second quarter of 2013 other income amounted to RUB 1 billion compared to RUB 48 billion in the first quarter of 2013 (estimation of fair value of Verkhnechonskneftegaz non- controlling interest of RUB 48 billion). In the six months of 2013 and 2012 other income amounted to RUB 49 billion and RUB 1 billion, respectively.

In the second quarter of 2013 other expenses amounted to RUB 5 billion, compared to RUB 15 billion in the first quarter of 2013. The decrease in other expenses was mainly due to the change in the method of accounting of payment of commission fees under the long-term crude supply contracts. In the six months of 2013 and 2012 other expenses amounted to RUB 20 billion and RUB 18 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 loss was RUB 55 billion in the second quarter of 2013 compared with foreign exchange loss of RUB 11 billion in the first quarter of 2013. The increase in foreign exchange loss is attributed to losses recognition from the revaluation of obligations denominated in foreign currency in the second quarter of 2013.

Foreign exchange loss in the six months of 2013 was RUB 66 billion compared to foreign exchange loss of RUB 13 billion in the six months of 2012. The increase in foreign exchange loss is attributed to losses recognition from the revaluation of obligations denominated in foreign currency in the six 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 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Effective income tax rate for Rosneft under IFRS	22.1%	22.9%*	22.6%*	21.6%

\* Excluding the effect from the fair value estimation of Verkhnechonskneftegaz non controlling interest in the amount of RUB 48 billion.

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 second quarter 2013 was 22.1%. Effective tax rate decreased in the second quarter 2013 compared to the first quarter 2013 due to the decrease in taxable income which was significantly affected by losses recognized from the revaluation of liabilities denominated in foreign currency in the second quarter of 2013.

The income tax expense amounted to RUB 10 billion in the second quarter of 2013 compared to RUB 16 billion in the first quarter of 2013. Income tax expense amounted to RUB 26 billion and RUB 32 billion in the six months of 2013 and 2012, respectively.

### **Net Income/(Loss)**

As a result of the factors discussed above, net income amounted to RUB 35 billion in the second quarter of 2013 compared to the net income of RUB 102 billion in the first quarter of 2013. The decrease in the net income is mainly attributable to foreign exchange loss. Net income amounted to RUB 137 billion and RUB 116 billion in the six months of 2013 and 2012, respectively. The decrease in the net income is mainly attributable to foreign exchange loss which was partially offset by operating income increase and effect from the fair value estimation of Verkhnechonskneftegaz non controlling interest in the amount of RUB 48 billion.

## Liquidity and Capital Resources

### Cash Flows

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 6 months ended</i>		<i>Change</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012</i>	
	<i>(RUB billion)</i>	<i>(RUB billion)</i>		<i>(RUB billion)</i>	<i>(RUB billion)</i>	
Net cash provided by operating activities	211	362	0,58	573	224	2,56
Net cash used in investing activities	(259)	(1,317)	0,20	(1,576)	(230)	6,85
Net cash from/(used in) financing activities	69	968	0,07	1,037	(24)	□

### Operating Cash Flow

Net cash provided by operating activities amounted to RUB 211 billion in the second quarter of 2013 compared to RUB 362 billion in the first quarter of 2013. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of RUB 3 billion in the second quarter of 2013 and net inflow of RUB 2 billion in the first quarter of 2013).

Net cash provided by operating activities amounted to RUB 573 billion in the six months of 2013 compared to RUB 224 billion in the six 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 six months of 2013 and net inflow of RUB 1 billion in the six 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 214 billion in the second quarter of 2013 and RUB 360 billion in the first quarter of 2013. The adjusted net cash provided by operating activity amounted to RUB 574 billion in the six months of 2013 and RUB 223 billion in the six 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 6 months ended</i>		<i>Change</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012</i>	
	<i>(RUB billion)</i>	<i>(RUB billion)</i>		<i>(RUB billion)</i>	<i>(RUB billion)</i>	
<b>Net cash provided by operating activity</b>	<b>211</b>	<b>362</b>	0,58	573	224	2,56
Effect from operation with trading securities	3	(2)	□	1	(1)	□
<b>Adjusted net cash provided by operating activity</b>	<b>214</b>	<b>360</b>	0,59	574	223	2,57
Change in working capital before FX	13	240	0,05	253	12	21,08
<i>For reference:</i> One off effect from receipts under long term oil contracts	26	232	0,11	258	□	□
<b>Adjusted net cash provided by operating activity before change in working capital</b>	<b>201</b>	<b>120</b>	1,68	321	211	1,52

The decrease in the adjusted operating cash flow quarter-on-quarter primarily resulted from the increase in working capital by RUB 227 billion before forex effect in the second quarter of 2013. The working capital increase was due to the following factors:

- Increase in accounts receivable amount of RUB 50 billion, resulted from increase in crude oil supply at the end of reporting period and due to unification of terms of payments collection on export contracts;
- decrease in accounts payables by RUB 6 billion;
- decrease in tax payables by RUB 21 billion, mainly including MET, value-added tax and income tax payables;

which was compensated by:

- increase in prepayments of RUB 26 billion under long-term crude oil supply agreements.

In the six months of 2012 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of RUB 1 billion) amounted to RUB 223 billion. The adjusted net cash provided by operating activity in the six months of 2013 amounted to RUB 574 billion compared to the six months of 2012 resulted from the increase in net income by 18.1% and decrease in working capital.

### Investing Activities

Net cash used in investing activities was RUB 259 billion in the second quarter of 2013, compared to RUB 1,317 billion in the first quarter of 2013, including cash used for TNK-BP acquisition of RUB 1,195 billion. The decrease in cash used in investing activities was due to acquisition of minority interests in affiliated companies and decrease in sales of short-term investments compared to the first quarter of 2013. Net cash used in investing activities was RUB 1,576 billion and RUB 230 billion in the six 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 6 months ended</i>		<i>Change</i>
	<i>June 30, 2013</i>	<i>March 31, 2013</i>		<i>June 30, 2013</i>	<i>June 30, 2012</i>	
	<i>(RUB billion)</i>		<i>(%)</i>	<i>(RUB billion)</i>		<i>(%)</i>
Yuganskneftegaz	32	19	68.4%	51	48	6.3%
Vankorneft	20	19	5.3%	39	52	(25.0)%
TNK-Uvat	8	-	-	8	-	-
Orenburgneft	8	-	-	8	-	-
Samotlorneftegaz	4	-	-	4	-	-
Purneftegaz	4	5	(20.0)%	9	6	50.0%
Samaraneftegaz	3	3	-	6	5	20.0%
Verkhnechonskneftegaz	3	1	200.0%	4	-	-
Tomskneft VNK	2	2	-	4	4	-
Rospan International	2	-	-	2	-	-
Severnaya Neft	1	1	-	2	3	(33.3)%
TNK-Nyagan	1	-	-	1	-	-
Vanyoganneft JV	1	-	-	1	-	-
Other	14	7	100.0%	21	13	61.5%
<b>Total upstream segment</b>	<b>103</b>	<b>57</b>	<b>80.7%</b>	<b>160</b>	<b>131</b>	<b>22.1%</b>
The Company	-	-	-	-	1	(100.0)%
Tuapse refinery	16	9	77.8%	25	44	(43.2)%
Novokuibyshevsk refinery	5	4	25.0%	9	6	50.0%
Kuibyshev refinery	5	2	150.0%	7	6	16.7%
Angarsk refinery	3	3	-	6	3	100.0%
Achinsk refinery	3	3	-	6	8	(25.0)%
Syzran refinery	3	4	(25.0)%	7	4	75.0%
RORC	3	-	-	3	-	-
Saratov refinery	1	-	-	1	-	-
Komsomolsk refinery	1	2	(50.0)%	3	5	(40.0)%
Marketing Business Units and others <sup>1</sup>	8	5	60.0%	13	11	18.2%
<b>Total downstream</b>	<b>48</b>	<b>32</b>	<b>50.0%</b>	<b>80</b>	<b>88</b>	<b>(9.1)%</b>
<b>Other activities<sup>2</sup></b>	<b>7</b>	<b>3</b>	<b>133.3%</b>	<b>10</b>	<b>6</b>	<b>66.7%</b>
<b>Subtotal capital expenditures</b>	<b>158</b>	<b>92</b>	<b>71.7%</b>	<b>250</b>	<b>225</b>	<b>11.1%</b>
Increase/(decrease) in stock of materials for capital expenditures	-5	3	(266.7)%	-2	18	(111.1)%
<b>Total capital expenditures</b>	<b>153</b>	<b>95</b>	<b>61.1%</b>	<b>248</b>	<b>243</b>	<b>2.1%</b>
<b>Licence acquisition costs</b>	<b>-</b>	<b>5</b>	<b>(100.0)%</b>	<b>5</b>	<b>1</b>	<b>400.0%</b>

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

(2) Relating to other services companies.

In the second quarter of 2013 total capital expenditures (including construction material purchases), increased by 61.1% to RUB 153 billion compared with RUB 95 billion in the first quarter of 2013, while the organic growth was equal to 30.4% (RUB 28 billion). The increase in capital expenditures was due to seasonal factors.

In the six months of 2013 and 2012 total capital expenditures (including construction material purchases) amounted to RUB 248 billion and RUB 243 billion, respectively.

Upstream capital expenditures increased by 80.7% to RUB 103 billion in the second quarter of 2013, compared with RUB 57 billion in the first quarter of 2012, while the organic growth was equal to 33.3% (RUB 18 billion). In the six months of 2013 and 2012 upstream capital expenditures amounted to RUB 160 billion and RUB 131 billion, respectively. In the six months of 2013 construction works mainly include development of oil field infrastructure and construction of associated gas utilization facilities.

Downstream capital expenditures increased by 50.0% to RUB 48 billion in the second quarter of 2013, compared with RUB 32 billion in the first quarter of 2013, while the organic growth was equal to 37.5% (RUB 12 billion). In the six months of 2013 and 2012 downstream capital expenditures amounted to RUB 80 billion and RUB 88 billion, respectively. In the six 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 and Kuibyshev refineries.

Capital expenditures for other activities increased to RUB 7 billion in the second quarter of 2013, compared with RUB 3 billion in the first quarter of 2013. In the six months of 2013 and 2012 capital expenditures for other activities amounted to RUB 10 billion and RUB 6 billion, respectively. In the six months of 2013 capital expenditures for other activities relate 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 5 billion in the second quarter of 2013, compared with the net increase RUB 3 billion in the first quarter of 2013. In the six months of 2013 the net decrease in stock of materials for capital expenditures was RUB 2 billion, compared with the net increase RUB 18 billion in the six months of 2012.

The license acquisition costs in the first quarter of 2013 refer 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.

### **Financing activities**

Net cash provided by financing activities was RUB 69 billion in the second quarter of 2013 compared to RUB 968 billion of net cash provided by financing activities in the first quarter of 2013. The decrease in cash provided by financing activities is mainly due to long-term loans obtained in the first quarter of 2013. Net cash provided by financing activities amounted to RUB 1,037 billion in the six months of 2013 compared to net cash used in financing activities RUB 24 billion in the six months of 2012. Significant increase in cash provided by financing activity resulted from long term loans receipt in the first quarter of 2013.



## 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 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
EBITDA* margin	18.4%	19.2%	19.0%	18.3%
Net income margin	3.0%	12.6%	6.9%	7.8%
Net debt to annualised EBITDA	1.78	1.79	1.78	1.09
Current ratio	1.21	1.18	1.21	1.61
<b>RUB / bbl</b>				
EBITDA*/bbl	607	674	642	648
Upstream capital expenditure/bbl	289	246	272	312
Upstream operating expenses/bbl	158	114	141	98
Free cash flow before interest/bbl	98	143	115	(48)
<b>RUB / boe</b>				
EBITDA*/boe	538	609	573	592
Upstream capital expenditure/boe	257	223	243	285
Upstream operating expenses/boe	140	103	126	90
Free cash flow before interest/boe	87	129	103	(44)

\*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 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Upstream capital expenditures (RUB billion)	103	57	160	131
Upstream operating expenses (RUB billion)	56.3	26.4	82.7	41.2
Barrels of crude oil produced (million)	356.1	231.4	587.5	419.7
Barrels of oil equivalent produced (million)	401.3	256.0	657.4	459.1

### Calculation of Free Cash Flow

	<i>For 3 months ended</i>		<i>For 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Net cash provided by operating activities	211	362	573	224
Capital expenditures	(153)	(95)	(248)	(243)
Trading securities operations	3	(2)	1	(1)
One off effect from receipts under long term oil contracts	(26)	(232)	(258)	–
<b>Adjusted free cash flow</b>	<b>35</b>	<b>33</b>	<b>68</b>	<b>(20)</b>

### Calculation of adjusted EBITDA Margin

	<i>For 3 months ended</i>		<i>For 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>(RUB billion, except %)</b>				
Operating income	122	100	222	176
Depreciation, depletion and amortisation	93	56	149	96
<b>EBITDA</b>	<b>215</b>	<b>156</b>	<b>371</b>	<b>272</b>
One off effect*	1	–	6	–
<b>Adjusted EBIDTA</b>	<b>216</b>	<b>156</b>	<b>377</b>	<b>272</b>
Sales revenues	1,176	812	1,988	1,484
<b>Adjusted EBITDA margin</b>	<b>18.4%</b>	<b>19.2%</b>	<b>19.0%</b>	<b>18.3%</b>

One off effect relates to commissions under loan term crude oil supply agreements and consulting services incurred during integration process.

### *Calculation of Net Income Margin*

	<i>For 3 months ended</i>		<i>For 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	(RUB billion, except %)			
<b>Net income</b>	<b>35</b>	<b>102</b>	<b>137</b>	<b>116</b>
Sales revenues	1,176	812	1,988	1,484
<b>Net income margin</b>	<b>3.0%</b>	<b>12.6%</b>	<b>6.9%</b>	<b>7.8%</b>

### *Current ratio*

	<i>For 3 months ended</i>		<i>For 6 months ended</i>	
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	(RUB billion, except ratio)			
Current assets	1,307	1,144	1,307	784
Current liabilities	1,080	973	1,080	488
<b>Current ratio</b>	<b>1.21</b>	<b>1.18</b>	<b>1.21</b>	<b>1.61</b>



**Appendix 1. Pro Forma of the Company's production and crude oil processing for the first quarter of 2013 and first half of 2012 for illustrative purposes only.**

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	<b>June 30, 2013</b>	<b>March 31, 2013</b>	<i>Change</i>	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<i>Change</i>
	<b>(million barrels)</b>		<b>(%)</b>	<b>(million barrels)</b>		<b>(%)</b>
Yuganskneftegaz (Western Siberia)	121.5	120.8	0.6%	242.3	243.0	(0.3)%
Samaraneftegaz (Central Russia)	20.2	19.5	3.6%	39.7	39.0	1.8%
Purneftegaz (Western Siberia)	11.9	11.9	–	23.8	25.3	(5.9)%
Vankorneft (Eastern Siberia)	39.4	38.0	3.7%	77.4	61.1	26.7%
Severnaya Neft (Timan Pechora)	5.6	6.0	(6.7)%	11.6	13.1	(11.5)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.1	2.0	5.0%	4.1	4.3	(4.7)%
Tomskneft (Western Siberia)	9.3	9.1	2.2%	18.4	18.6	(1.1)%
Samotlorneftegas	40.7	40.0	1.8%	80.7	94.7	(14.8)%
Orenburgneft	36.7	36.3	1.1%	73.0	76.4	(4.5)%
Verkhnechonskneftegaz	14.1	13.7	2.9%	27.8	25.4	9.4%
TNK-Uvat	16.0	14.1	13.5%	30.1	22.9	31.4%
Varyeganneftez	13.8	13.8	–	27.6	26.6	3.8%
TNK-Nyagan	11.8	11.8	–	23.6	26.0	(9.2)%
Other	13.0	12.9	0.8%	25.9	26.7	(3.0)%
<b>Crude oil production by fully and proportionately consolidated enterprises</b>	<b>356.1</b>	<b>349.9</b>	<b>1.8%</b>	<b>706.0</b>	<b>703.1</b>	<b>0.4%</b>
Udmurtneft (Central Russia)	5.9	5.8	1.7%	11.7	11.6	0.9%
Polar Lights (Timan Pechora)	0.4	0.4	–	0.8	1.0	(20.0)%
Slavneft	15.5	15.5	–	31.0	32.5	(4.6)%
Other	2.9	2.9	–	5.8	4.5	28.9%
<b>Total share in production of joint ventures</b>	<b>24.7</b>	<b>24.6</b>	<b>0.4%</b>	<b>49.3</b>	<b>49.6</b>	<b>(0.6)%</b>
<b>Total crude oil production</b>	<b>380.8</b>	<b>374.5</b>	<b>1.7%</b>	<b>755.3</b>	<b>752.7</b>	<b>0.3%</b>

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

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	<u>June 30,</u>	<u>March 31,</u>	<i>Change</i>	<u>June 30,</u>	<u>June 30,</u>	<i>Change</i>
	<u>2013</u>	<u>2013</u>		<u>2013</u>	<u>2012</u>	
	(bcm)		(%)	(bcm)		(%)
Purneftegaz (Western Siberia)	1.03	1.02	1.0%	2.05	2.02	1.5%
Yuganskneftegaz (Western Siberia)	0.81	0.92	(12.0)%	1.73	1.46	18.5%
Krasnodarneftegaz (Southern Russia)	0.68	0.80	(15.0)%	1.48	1.42	4.2%
Samaraneftegaz (Central Russia)	0.13	0.12	8.3%	0.25	0.26	(3.8)%
Severnaya Neft (Timan Pechora)	0.06	0.07	(14.3)%	0.13	0.15	(13.3)%
Vankorneft (Eastern Siberia)	0.11	0.14	(21.4)%	0.25	0.22	13.6%
Sakhalin-1 (Far East) (net of royalty and government share)	0.08	0.13	(38.5)%	0.21	0.21	–
Tomskneft (Western Siberia)	0.23	0.20	15.0%	0.43	0.40	7.5%
Samotlorneftegaz	1.36	1.38	(1.4)%	2.74	2.66	3.0%
Rospan International	0.93	0.91	2.2%	1.84	1.75	5.1%
Orenburgneft	0.66	0.66	–	1.32	1.22	8.2%
Varyeganneftez	0.75	0.82	(8.5)%	1.57	1.64	(4.3)%
TNK-Nyagan	0.34	0.31	9.7%	0.65	0.57	14.0%
Other	0.52	0.53	(1.9)%	1.05	0.97	8.2%
<b>Gas production by fully and proportionately consolidated enterprises</b>	<b>7.69</b>	<b>8.01</b>	<b>(4.0)%</b>	<b>15.70</b>	<b>14.95</b>	<b>5.0%</b>
ITERA LLC	1.47	1.76	(16.5)%	3.23	–	–
Slavneft	0.1	0.10	–	0.20	0.17	17.6%
Other	0.05	0.04	25.0%	0.09	0.10	(10.0)%
<b>Total share in production of joint ventures</b>	<b>1.62</b>	<b>1.90</b>	<b>(14.7)%</b>	<b>3.52</b>	<b>0.27</b>	<b>&gt;100%</b>
<b>Total gas production</b>	<b>9.31</b>	<b>9.91</b>	<b>(6.1)%</b>	<b>19.22</b>	<b>15.22</b>	<b>26.3%</b>

\* Production volume equals extracted volume minus flared volume.

## Crude oil processing in comparative periods of 2013 and 2012

	<i>For 3 months ended</i>			<i>For 6 months ended</i>		
	<u>June 30,</u>	<u>March 31,</u>	<i>Change</i>	<u>June 30,</u>	<u>June 30,</u>	<i>Change</i>
	<u>2013</u>	<u>2013</u>		<u>2013</u>	<u>2012</u>	
	(million of tonnes)		(%)	(million of tonnes)		(%)
Crude oil processing at refineries in Russia	20.55	20.48	0.3%	41.03	39.47	4.0%
Crude oil processing at refineries outside Russia	3.06	3.04	0.7%	6.10	6.63	(8.0)%
<i>including crude oil processing at Ruhr Oel GmbH</i>	2.47	2.59	(4.6)%	5.06	5.10	(0.8)%
<i>including crude oil processing in Belarus, Ukraine</i>	0.59	0.45	31.1%	1.04	1.53	(32.0)%
<b>Total group crude oil processing</b>	<b>23.61</b>	<b>23.52</b>	<b>0.4%</b>	<b>47.13</b>	<b>46.10</b>	<b>2.2%</b>