



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED DECEMBER 31 AND SEPTEMBER 30, 2013 AND
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013, 2012 AND 2011**

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 December 31, 2013, 2012 and 2011 (the "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 term as "TNK assets" refer to the acquisition of TNK group, including its subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis, including financial and operational results of TNK group since the date of acquisition. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.

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

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

To convert tonnes to barrels a 7.362 ratio is used. To convert thousands of cubic meters of gas to barrels of oil equivalent a 5.883 ratio is used. Rosspan gas condensate and natural gas liquids 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, 2013 proved hydrocarbon reserves amounted to 41.77 billion barrels of oil equivalent, including 30.78 billion barrels of crude oil and NGL and 1,867 billion cubic meters of marketable gas, on the basis of the standards set forth by the Society of Petroleum Engineers, Petroleum Reserves Management System ("PRMS").

Rosneft's crude oil and natural gas liquids production (NGL) amounts to 4.2 million barrels per day (in the fourth quarter of 2013) and output of natural and associated gas is 12.07 billion cubic meters.

Rosneft's domestic refinery throughput is 0.23 million tons per day (average for the fourth quarter of 2013) in Russia. Current utilization of the refining capacities is close to maximum adjusted for planned turnarounds. 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 (ROG) where Rosneft processes both own and procured crude oil. Rosneft also processes crude oil, gas and petroleum products at external refineries (which are outside the Group).

Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
Financial results, RUB billion								
Revenues and equity share in profits of associates and joint ventures	1,350	1,356	(0.4)%	4,694	3,089	2,718	52.0%	13.6%
EBITDA	273	303	(9.9)%	947	618	662	53.2%	(6.6)%
Net income	134	280 ¹	(52.1)%	551	365	335	51.0%	9.0%
Capital expenditures	182	130	40.0%	560	473	391	18.4%	21.0%
Adjusted free cash flow*	49	84	(41.7)%	201	43	99	367.4%	(56.6)%
Net Debt	1,860	1,909	(2.6)%	1,860	591	440	214.7%	34.3%
Operational results								
Hydrocarbon production (th. boe per day)	4,989	4,884	2.1%	4,873	2,702	2,586	80.3%	4.5%
Crude oil and NGL production (th. barrels per day)	4,217	4,193	0.6%	4,196	2,439	2,380	72.0%	2.5%
Gas production (th.boe per day)	772	691	11.7%	677	263	206	157.4%	27.7%
Production of petroleum products in Russia (mln tonnes)	20.57	21.88	(6.0)%	74.89	48.80	48.61	53.5%	0.4%
Production of petroleum products outside Russia (mln tonnes)	3.22	3.34	(3.6)%	12.22	10.79	7.30	13.3%	47.8%

*Excluding one-off effect from prepayments under long term oil contracts of RUB 470 billion in the twelve months of 2013

¹ Including revaluation effect of TNK assets in the amount of RUB 167 billion (See p. 40 "Net income/(loss)").

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 and (ii) an acquisition of a 50% equity interest in TNK-BP from the AAR consortium.

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

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

During the period from the date of acquisition, 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, Venezuela and USA and also stakes in refineries in Germany and Italy.

Business Segments

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

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

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

Intersegment Sales

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

Significant events in the fourth quarter of 2013

Rosneft and NOVATEK completed Assets Swap

On December 27, 2013 Rosneft and NOVATEK completed assets swap. 40% of shares in Artic Russia B.V. held by Rosneft was swapped for 51% shares in Sibneftegas held by NOVATEK. Upon completion of the transaction, Rosneft, already holding a stake in Sibneftegas, consolidates 99.94% of shares in this company.

Rosneft obtained new licenses in North-West Siberia and Samara regions

Rosneft obtained new licenses for research, exploration and production in North -West Siberia, Udmurtya and Samara regions for RUB 4.5 billion.

Company placed 40 billion rubles in bonds

Rosneft has closed the placement of a total of 40 billion rubles in series Bo-05 and Bo-06 exchange-traded bonds. Coupon yield guidance was 7.95%-8.25%, corresponding yield of 8.11%-8.42% pa to offer in five years.

Rosneft announced the acquisition of oil trading business from Morgan Stanley

On December 20, 2013 the Company and Morgan Stanley (USA) signed a binding agreement to purchase the Global Oil Merchandising unit of Morgan Stanley Commodities division.

Rosneft acquired refuelling at the airport in Rostov-on-Don

On December 6, 2013 the Company's subsidiaries (LLC "RN-Aero" and LLC "RN-Trade") acquired 100% shares of JSC "Toplivozapravochny Kompleks (TZK) –AVIA", operator of refuelling complex at the airport in Rostov-on-Don.

Rosneft and Statoil plan to set up a joint venture

On December 6, 2013 Rosneft and Statoil signed the Shareholders and Operating Agreement for a joint venture to assess the feasibility of commercial production from the Domanik shale formation in licensed areas of the Company in the Samara region. The companies will set up a joint venture (JV) company to run a 3-year pilot programme and assess the potential for commercial production. The JV will be established with equity interests of 51% for Rosneft and 49% for Statoil. Both companies will contribute state-of-the-art technologies and professionals into the JV.

Rosneft and Oil Techno signed a joint venture agreement

On December 2, 2013 Rosneft and Oil Techno, signed a Shareholder Agreement as part of the plan to set up a joint venture. The JV's primary objective will be to provide Armenia with stable supplies of high quality petroleum products through wholesale and retail operations within the territory of the country as well as through the development of corresponding infrastructure for storage and distribution of petroleum products in Armenia.

Rosneft and Eni Agree Principal Terms of Trading Supply Deals and Cooperation in Logistics

On November 26, 2013 Rosneft and Eni signed a term sheet on mutual crude supply and a heads of agreement on logistics opportunities. These agreements outline principal terms of crude oil supply contracts to Eni refineries in Europe (Germany and Czech Republic) and joint participation and investments in logistics and commercial business.

Rosneft and Vietnam Oil and Gas Group PetroVietnam Signed Agreements for Offshore Projects Development

On November 12, 2013 Rosneft and Vietnam Oil and Gas Group signed Agreement on basic terms for geological survey, hydrocarbon exploration and production in the Pechora Sea.

Acquisition of 51% stake in Petroresurs

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

Rosneft consolidated 100% of Taas-Yuriakh Neftegazodobycha

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

Effect from changes in accounting policies for comparative periods 2012

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 JSC "Tomskneft" VNK 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.

	For 3 months ended			For 12 months ended		
	December 31, 2012 (restated)	December 31, 2012	% change	December 31, 2012 (restated)	December 31, 2012	% change
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	792	790	0.3%	3,089	3,078	0.4%
EBITDA	145	144	0.7%	618	609	1.5%
Net income/(loss)	62	57	8.8%	365	342	6.7%
Capital expenditures	123	122	0.8%	473	466	1.5%
Free cash flow	13	13	-	43	45	(4.4)%
Net debt	591	581	1.7%	591	581	1.7%
Financial ratios						
EBITDA margin	18.3%	18.2%		20.0%	19.8%	
Net income margin	7.8%	7.2%		11.8%	11.1%	
Net debt to annualised EBITDA	1.02	1.01		0.96	0.95	
Current ratio	2.09	2.15		2.09	2.15	
(RUR/bbl and RUR/t.)						
EBITDA/bbl	665	689	(3.5)%	724	746	(2.9)%
Capital expenditures/bbl	348	359	(3.1)%	323	329	(1.8)%
Upstream operating expenses/bbl	104	95	9.5%	100	90	11.1%
Operating expenses at refineries in Russia/t.	699	694	0.7%	691	685	0.9%
Free cash flow/bbl	60	62	(3.2)%	50	55	(9.1)%
Operating results						
Hydrocarbon production (th. boe per day)	2,823	2 823	-	2,702	2,702	-
Crude oil and NGL production (th. barrels per day)	2,479	2 479	-	2,439	2,439	-
Gas production (th.boe per day)	344	344	-	263	263	-
Production output in Russia (million tonnes)	12.56	12.56	-	48.80	48.80	-
Product output outside Russia (million tonnes)	2.77	2.77	-	10.79	10.79	-

Events after reporting date

Rosneft is planning to supply oil products to BP Oil International Limited

Rosneft Board of Directors approved the delivery to BP Oil International Limited of gasoil of 0.66 mln tons in the amount of USD 700 million. Rosneft will also supply to BP Oil International Limited fuel oil of 1.26 mln tons in the amount of USD 940 million and sulphur fuel oil of 1.32 mln tons in the amount of USD 1.2 billion.

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 between 4th and 3th quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013		2013	2012	2011	2013 – 2012	2012 – 2011
World market	(US\$ per barrel)		%	(US\$ per barrel)			%	
Brent (dated)	109.3	110.4	(1.0)%	108.6	111.6	111.3	(2.7)%	0.3%
Urals (average Med and NWE)	108.5	109.7	(1.0)%	107.7	110.3	109.1	(2.3)%	1.1%
Urals (FOB Primorsk)	106.4	109.0	(2.4)%	106.2	109.0	108.2	(2.5)%	0.7%
Urals (FOB Novorossysk)	107.7	109.7	(1.8)%	107.1	109.5	108.3	(2.2)%	1.1%
Dubai	106.8	106.3	0.5%	105.5	109.1	106.2	(3.3)%	2.7%
	(US\$ per tonne)			(US\$ per tonne)				
Naphtha (av. FOB/CIF Med)	912	890	2.5%	884	918	915	(3.7)%	0.4%
Naphtha (av. FOB Rotterdam/CIF NWE)	927	905	2.5%	901	934	929	(3.6)%	0.5%
Naphtha (CFR Japan)	934	920	1.5%	918	943	938	(2.6)%	0.5%
Fuel oil (av. FOB/CIF Med)	582	598	(2.7)%	594	631	609	(5.9)%	3.7%
Fuel oil (av. FOB Rotterdam/CIF NWE)	575	593	(3.0)%	589	629	607	(6.4)%	3.5%
High sulphur fuel oil 180 cst(FOB Singapore)	612	607	0.8%	619	672	649	(7.9)%	3.5%
Gasoil (av. FOB/CIF Med)	930	929	0.1%	920	953	932	(3.4)%	2.3%
Gasoil (av. FOB Rotterdam/CIF NWE)	930	930	0.1%	921	954	934	(3.4)%	2.2%
Gasoil (FOB Singapore)	924	916	0.9%	911	946	931	(3.7)%	1.6%
	(th. RUB per barrel)			(th. RUB per barrel)				
Brent (dated)	3.56	3.62	(1.8)%	3.46	3.47	3.27	(0.3)%	6.1%
Urals (average Med and NWE)	3.53	3.60	(1.8)%	3.43	3.43	3.21	0.0%	6.9%
Urals (FOB Primorsk)	3.46	3.58	(3.2)%	3.38	3.39	3.18	(0.2)%	6.6%
Urals (FOB Novorossysk)	3.50	3.60	(2.6)%	3.41	3.40	3.18	0.3%	6.9%
Dubai	3.48	3.49	(0.3)%	3.36	3.39	3.12	(0.9)%	8.7%
	(th. RUB per tonne)			(th. RUB per tonne)				
Naphtha (av. FOB/CIF Med)	29.7	29.2	1.7%	28.2	28.5	26.9	(1.2)%	5.9%
Naphtha (av. FOB Rotterdam/CIF NWE)	30.2	29.7	1.7%	28.7	29.0	27.3	(1.1)%	6.2%
Naphtha (CFR Japan)	30.4	30.2	0.7%	29.2	29.3	27.6	(0.2)%	6.2%
Fuel oil (av. FOB/CIF Med)	18.9	19.6	(3.5)%	18.9	19.6	17.9	(3.5)%	9.5%
Fuel oil (av. FOB Rotterdam/CIF NWE)	18.7	19.4	(3.8)%	18.8	19.5	17.8	(3.8)%	9.6%
High sulphur fuel oil 180 cst (FOB Singapore)	19.9	19.9	0.0%	19.7	20.9	19.1	(5.7)%	9.4%
Gasoil (av. FOB/CIF Med)	30.2	30.5	(0.7)%	29.3	29.6	27.4	(1.0)%	8.0%
Gasoil (av. FOB Rotterdam/CIF NWE)	30.3	30.5	(0.7)%	29.3	29.7	27.4	(1.2)%	8.4%
Gasoil (FOB Singapore)	30.1	30.0	0.1%	29.0	29.4	27.4	(1.3)%	7.5%
Russian market (net of VAT, including excise tax)	(th. RUB per tonne)			(th. RUB per tonne)				
Crude oil	10.7	11.3	(5.3)%	10.6	10.2	8.9	3.4%	14.6%
Fuel oil	8.7	9.7	(9.4)%	8.8	9.2	8.8	(4.6)%	4.5%
Summer diesel	25.9	25.9	0.3%	25.3	23.2	19.7	9.0%	17.8%
Winter diesel	30.4	28.9	5.4%	28.5	25.3	21.9	12.8%	15.5%
Jet fuel	25.7	23.3	10.2%	23.9	23.3	20.7	2.4%	12.6%
High octane gasoline	28.4	29.4	(3.3)%	27.2	25.5	24.1	6.9%	5.8%
Low octane gasoline	25.6	25.4	1.0%	24.9	23.4	22.1	6.4%	5.9%

Difference between movement of prices denominated in US\$ and those denominated in RUB is explained by nominal RUB appreciation against US\$ by 0.8% in the fourth quarter of 2013 compared to the third quarter of 2013 and nominal RUB depreciation against US\$ by 2.4% in 2013 compared to 2012, nominal RUB depreciation against US\$ by 5.8% in 2012 compared to 2011.

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 (net of VAT) was RUB 2.79 thousand per thousand cubic meters and RUB 2.97 thousand per thousand cubic meters in the fourth quarter of 2013 and third quarter of 2013, respectively.

In 2013 and 2012 average gas sale price (net of VAT) was RUB 2.63 thousand per thousand cubic meters and RUB 1.97 thousand per thousand cubic meters, respectively. In 2011 average gas sale price (net of VAT) was RUB 1.47 thousand per thousand cubic meters.

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 12 months ended December 31</i>		
	December 31, 2013	September 30, 2013	2013	2012	2011
Rouble inflation (CPI) for the period	1.7%	1.2%	6.5%	6.6%	6.1%
Average RUB/US\$ exchange rate for the period	32.53	32.80	31.85	31.09	29.39
RUB/US\$ exchange rate at the end of the period	32.73	32.35	32.73	30.37	32.20
Average RUB/EUR exchange rate for the period	44.28	43.44	42.31	39.95	40.88
RUB/EUR exchange rate at the end of the period	44.97	43.65	44.97	40.23	41.67

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 between 4th and 3rd quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
Mineral extraction tax								
Crude oil (RUB per tonne)	5,472	5,631	(2.8)%	5,330	5,066	4,455	5.2%	13.7%
Natural gas (RUB per th. cubic meters)*	402	402	-	334	251	237	33.1%	5.9%
Associated gas (RUB per th. cubic meters)	0	0	-	0	0	0	-	-
Export customs duty for crude oil								
Crude oil (US\$ per tonne)	399.4	383.0	4.3%	392.1	404.3	408.9	(3.0)%	(1.1)%
Crude oil (RUB per tonne)	12,993	12,564	3.4%	12,489	12,570	12,017	(0.6)%	4.6%
Crude oil (RUB per barrel)	1,765	1,707	3.4%	1,697	1,718	1,643	(1.2)%	4.6%
East Siberian Crude oil (RUB per tonne)	12,993	12,564	3.4%	12,489	12,570	9,920**	(0.6)%	26.7%
East Siberian Crude oil (RUB per barrel)	1,765	1,707	3.4%	1,697	1,718	1,356**	(1.2)%	26.7%
Export customs duty for petroleum products								
Gasoline (RUB per tonne)	11,692	11,306	3.4%	11,239	11,312	10,030	(0.6)%	12.8%
Naphtha (RUB per tonne)	11,692	11,306	3.4%	11,239	11,312	10,030	(0.6)%	12.8%
Light and middle distillates (RUB per tonne)	8,574	8,290	3.4%	8,242	8,295	8,054	(0.6)%	3.0%
Liquid fuels (fuel oil) (RUB per tonne)	8,574	8,290	3.4%	8,242	8,295	6,119	(0.6)%	35.6%

*Starting from July 1, 2013 mineral extraction tax on natural gas was increased. Starting from July 1, 2014 mineral extraction tax on natural gas will be increased according to Tax Code.

**A special export customs duty for crude oil produced at Verkhnechonsk and Vankor fields was in effect till May, 2011.

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	2011	From 1	From 30 June	From 1	From 30 June	2014	2015
		January	until	January	until		
		until	December 31,	until	December 31,		
		June 30,	2012	June 30,	2013		
		2012		2013			
High octane gasoline (RUB per tonne)							
High octane gasoline non-compliant with euro-3,4,5 (RUB per tonne)	5,995	7,725	8,225	10,100	10,100	11,110	13,332
High octane gasoline euro-3 (RUB per tonne)	5,672	7,382	7,882	9,750	9,750	10,725	12,879
High octane gasoline euro-4 (RUB per tonne)	5,143	6,822	6,822	8,560	8,960	9,916	10,858
High octane gasoline euro-5 (RUB per tonne)	5,143	6,822	5,143	5,143	5,750	6,450	7,750
Naphtha (RUB per tonne)	6,089	7,824	7,824	10,229	10,229	11,252	13,502
Diesel (RUB per tonne)							
Diesel below euro-3,4,5 (RUB per tonne)	2,753	4,098	4,300	5,860	5,860	6,446	7,735
Diesel euro-3 (RUB per tonne)	2,485	3,814	4,300	5,860	5,860	6,446	7,735
Diesel euro-4 (RUB per tonne)	2,247	3,562	3,562	4,934	5,100	5,427	5,970
Diesel euro-5 (RUB per tonne)	2,247	3,562	2,962	4,334	4,500	4,767	5,244
Lubricants (RUB per tonne)	4,681	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 12 months ended December 31,</i>		
	December 31, 2013	September 30, 2013	2013	2012	2011
	RUB billion	RUB billion	RUB billion	RUB billion	RUB billion
Total revenues	1,350	1,356	4,694	3,089	2,718
Total taxes*	702	710	2,487	1,677	1,378
Effective tax burden, %	52.0%	52.4%	53.0%	54.3%	50.7%

* 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 47.0% and 45.3% of Rosneft's total revenues in the fourth quarter of 2013 and in the third quarter of 2013, respectively. In 2013, 2012 and 2011 the mineral extraction tax and the export customs duty accounted for approximately 47.1%, 47.1% and 44.3% of Rosneft's total revenues.

Mineral Extraction Tax

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

The mineral extraction tax rate¹ in 2013 was calculated by multiplying the base rate of **RUB 470** (starting from **January 1, 2014** base rate increased to **RUB 493**, in 2015 base rate will be – **RUB 530**, in 2016 – **RUB 559**) 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, as well as factors which characterize the degree of depletion of a particular field, reserves of particular field and the degree of difficulty of extraction.

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;

¹ The mineral tax rate in 2012 was calculated by multiplying base rate of RUB 446 RUB.

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

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

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

The zero mineral extraction tax is also applied to Verkhnechonsk field until its accumulated production exceeds 25 million tonnes.

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

The Company has exploration and production licenses for the fields with hard to recover reserves. On July 23, 2013 the amendments to tax law specifying special tax regime for these reserves were approved, which provide for tax exemptions for the projects at the fields with hard to recover reserves, including Bajenov, Abalask, Khadumsk, Domanikov and Tumensky formations, also oil from deposits with permeability of less than $2 \times 10^{-3} \text{ mkm}^2$. Effect from decreased tax rate for September - December 2013 amounted to RUB 926 million.

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

Export Customs Duty on Crude Oil

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

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

<i>Urals price (US\$ per tonne)</i>	<i>Export customs duty(US\$ per tonne)</i>
Below and including 109.5 (15 US\$ per barrel)	Export customs duty is not levied
Above 109.5 to and including 146 (15 to 20 US\$ per barrel)	35% of the difference between the average Urals price in US\$ per tonne and US\$ 109.5
Above 146 to and including 182.5 (20 to 25 US\$ per barrel)	US\$ 12.78 plus 45% of the difference between the average Urals price in US\$ per tonne and US\$ 146
Above 182.5 (25 US\$ per barrel)	US\$ 29.2 plus 60% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since October 1, 2011 till December 31, 2013)
	US\$ 29.2 plus 59% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 till December 31, 2014)
	US\$ 29.2 plus 57% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 till December 31, 2015)
	US\$ 29.2 plus 55% of the difference between the average Urals price in US\$ per tonne and US\$ 182.5 (since January 1 till December 31, 2016)

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 crude oil 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 produced at offshore fields from the export customs duties, which commercial production will start from January 1, 2016. Such an exemption is set for various terms depending on the complexity of the field development project.

The government of the Russian Federation is entitled to establish special formulas for calculating the rates of export customs duties on crude oil in respect of:

- high-viscous oil - for a 10 years period starting from the date of application of the reduced export duty rate, but not later than January 1, 2023. The export customs duty rate is set at 10% of the established marginal export duty rate on oil.

- crude oil with special physical and chemical characteristics produced at certain crude oil fields. The export customs duty rate is set at 45% of the difference between the average Urals price denominated in US\$ per tonne and the amount of US\$ 365 per tonne.

Export customs duty on Eastern Siberian crude oil (Vankor and Verkhnechonsk)

Starting from July 1, 2010 the zero export duty rate applied for production of crude oil with specific physicochemical characteristics at a number of fields in Eastern Siberia (the Vankor and Verkhnechonsk fields) was replaced by a special rate calculated as $(\text{Price}-50) \times 0.45$, where “Price” is average Urals price in US\$ per barrel used for the calculation of ordinary export duty.

Starting from May 1, 2011 the Vankor and Verkhnechonsk fields were excluded from the list of fields subject to the special export duty rate.

Export customs duty on crude oil export to CIS

Export duties are not payable on crude oil exports to CIS countries that are members of the Customs Union. In accordance with the Agreement between the Government of the Russian Federation and the Government of Belarus dated January 27, 2010 crude oil exports to Belarus within specific limits established by the Russian Ministry of Energy are exempted from export duty until January 1, 2012. Starting from January 1, 2012 zero export duty rate is applicable to the crude oil exports to Belarus as for export to Kazakhstan. No new amendments were introduced in 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 (except LPG, (liquefied petroleum gas)) is set every month as the marginal export customs duty rate on crude oil multiplied by the estimated ratio depending on the type of petroleum product.

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

In January 2011 export customs duties on light and dark petroleum products were calculated using special formula, and amounted to 71% (for light petroleum products) and 38% (for dark petroleum products) of the export duty for crude oil.

Starting from February 2011 the export duties for petroleum products were directly linked to export duty for crude oil and were set at 67% of the export duty for crude oil for light products and at 46.7% of the export duty for crude oil for dark products.

Starting from May 1, 2011 the Russian Government introduced a special export duty for gasoline equivalent to 90% of the export duty for crude oil. Starting from June 1, 2011 the Russian Government introduced a special export duty for naphtha equivalent to 90% of the export duty for crude oil.

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.

Starting from January 1, 2014 the export duty rate for diesel fuel was lowered from 66% to 65%.

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 Russian railways (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 often depend on the type of cargo and the transportation route.

Recent changes of Transneft transportation tariffs

Petroleum products

Starting from 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.

Starting from November 8, 2013 a special multiplying ratio of 1.134 was introduced on the export transportation of stable natural gasoline via land border in the direction of the Baltic countries.

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.

The tariffs for export transportation of petroleum products increased by 10.0% and tariffs for domestic transportation of petroleum products increased by 8.6% in 2012 compared with 2011.

Crude oil

Starting from February 1, 2013 Transneft increased tariffs for crude oil transportation by 9.7% on average in Belarus. In December 2013, the FTS set fixed tariff of RUB 108.2 per tonne (excluding VAT) in the direction of "Purpe- Samotlor" following the mutual agreement between the Governments of Russia and China. The tariff is agreed by Transneft and Rosneft for 36 months period for the purpose of extending the capacity of the pipeline "Skovorodino-Mohe".(This tariff does not impact current tariffs for oil transportation by the branch of ESPO pipeline to China).

Starting from November 2012 Transneft increased tariffs for crude oil transportation by 5.5% on average while the network tariff for ESPO (Kozmino and China) increased by 10.2%. Transneft revised and increased the tariff for Rosneft's major transportation route "Yugansk – Primorsk" and route "Yugansk – Novorossiysk" by 3.5% and 6.8%, respectively. On year-average basis for the routes represented in the table below, tariffs for pipeline transportation of crude oil for export and domestic supplies increased by 4.9% in 2012 compared with 2011 while the tariff for Rosneft's major transportation route "Yugansk – Primorsk" on year-on-year average basis increased by 14.8% in 2012 compared with 2011.

Starting from September 2011 Transneft increased tariffs for crude oil transportation by 2.85% on average. Starting from November 2011 Transneft still increased tariffs for crude oil transportation by 5.0% on average.

Recent changes in railroad transportation tariffs

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

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

In January 2011 tariffs for railroad transportation were increased by 8.0% on average. There were no other changes in tariffs were during 2011.

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

	<i>for 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>for 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013		2013	2012	2011	2013 – 2012	2012 – 2011
	(th. RUB/tonne)		(%)	(th. RUB/tonne)			(%)	
CRUDE OIL								
Domestic								
<i>Pipeline</i>								
Yugansk – Samara refineries	0.79	0.79	–	0.79	0.75	0.73	5.3%	2.7%
Samara – Samara refineries	0.05	0.05	–	0.05	0.05	0.05	–	–
Yugansk – Angarsk refinery (long route)	–	–	–	–	1.26	1.21	–	4.1%
Purneftegaz – Angarsk refinery (long route)	1.56	1.56	–	1.42	–	–	–	–
Purpe – Tuapse refinery	1.65	1.65	–	1.65	1.57	1.50	5.1%	4.7%
Tomsk – Achinsk refinery	–	0.36	–	0.27	0.34	0.33	(20.6)%	3.0%
Purneftegaz – Achinsk refinery (long route)	–	1.07	–	0.71	–	–	–	–
Orenburgneft (Krotovka)–Saratov refinery	–	0.27	–	0.27	–	–	–	–
Orenburgneft (Pokrovka) – Saratov refinery	0.34	0.34	–	0.34	–	–	–	–
Samotlor – Ryazan	1.23	1.23	–	1.24	–	–	–	–
RN-Uvatneftegaz – Ryazan	1.06	1.06	–	1.06	–	–	–	–
Samotlor – Komsomolsk refinery (short route)	0.54	0.54	–	0.54	–	–	–	–
Samotlor – Angarsk refinery (short route)	0.94	0.94	–	0.94	–	–	–	–
<i>Pipeline and railroad</i>								
Yugansk – Komsomolsk refinery	–	–	–	–	4.14	3.93	–	5.3%
Purneftegaz – Komsomolsk refinery (long route)	4.55	4.55	–	4.55	–	–	–	–
Yugansk –RNPK	1.15	1.15	–	0.77	–	–	–	–
Export								
<i>Pipeline</i>								
Yugansk – Primorsk	1.60	1.60	–	1.60	1.55	1.35	3.2%	14.8%
Yugansk – Novorossiysk	1.59	1.59	–	1.59	1.50	1.46	6.0%	2.7%
Vankor (Purpe)-Kozmino / China	2.08	2.08	–	2.08	1.92	1.84	8.3%	4.3%
Samara – Novorossiysk	0.85	0.85	–	0.85	–	–	–	–
Yugansk – Germany	1.61	1.61	–	1.60	1.54	–	3.9%	–
Yugansk – Poland	1.53	1.53	–	1.53	1.45	1.33	5.5%	9.0%
Yugansk – Belarus (Naftan) (South Balyk)	–	1.71	–	1.28	1.40	–	(8.6)%	–
Yugansk – Belarus (Naftan) (Karkateevy)	1.50	–	–	1.50	1.47	1.31	2.0%	12.2%
Orenburgneft (Pokrovka) – Mozyr refinery	–	–	–	0.89	–	–	–	–
Samotlor – Novorossiysk	–	–	–	1.68	–	–	–	–
Verkhnechonskneftegaz – Kozmino	2.08	2.08	–	2.08	–	–	–	–
<i>Railroad</i>								
Stavropolneftegaz – CPC	0.75	0.75	–	0.75	0.68	0.66	10.3%	3.0%

	<i>for 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>for 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013		2013	2012	2011	2013 – 2012	2012 – 2011
	(th. RUB/tonne)		(%)	(th. RUB/tonne)			(%)	
PETROLEUM PRODUCTS EXPORT								
Diesel								
Samara refineries – Ventspils	2.20	2.08	5.8%	2.08	1.89	1.73	10.1%	9.2%
Angarsk refinery – Nakhodka	4.44	4.44	–	4.44	4.16	3.89	6.7%	6.9%
Komsomolsk refinery – Nakhodka	1.74	1.74	–	1.74	1.63	1.53	6.7%	6.5%
Achinsk refinery – Tuapse	5.01	5.01	–	5.01	4.69	4.38	6.8%	7.1%
RNPK – Ventspils	2.42	2.42	–	2.40	–	–	–	–
RNPK – Primorsk	1.87	1.88	(0.5)%	1.89	–	–	–	–
YANOS – Primorsk	1.64	1.65	(0.6)%	1.65	–	–	–	–
Fuel oil								
Angarsk refinery – Nakhodka	4.43	4.43	–	4.43	4.14	3.96	7.0%	4.5%
Komsomolsk refinery – Nakhodka	1.67	1.67	–	1.67	1.56	1.48	7.1%	5.4%
Achinsk refinery – Nakhodka	5.68	5.68	–	5.68	5.30	4.89	7.2%	8.4%
RNPK – Ust-Luga	2.31	2.33	(0.9)%	2.32	–	–	–	–
RNPK – Estonia	2.54	2.55	(0.4)%	2.54	–	–	–	–
SNPZ – Kerch	2.90	2.76	5.1%	2.86	–	–	–	–
YANOS – Estonia	2.04	2.05	(0.5)%	2.04	–	–	–	–
Naphtha								
Samara refineries – Tuapse	2.07	2.07	–	2.07	1.93	1.87	7.3%	3.2%
Achinsk refinery – Tuapse	4.86	4.86	–	4.86	4.58	4.30	6.1%	6.5%
Angarsk refinery – Nakhodka	4.19	4.19	–	4.19	3.92	3.78	6.9%	3.7%
Komsomolsk refinery – Nakhodka	1.71	1.71	–	1.71	1.60	1.50	6.9%	6.7%
Nizhnevartovsk NPO – Ventspils	3.76	3.52	6.8%	3.52	–	–	–	–

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 and NGL

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

The following table sets forth Rosneft’s crude oil and NGL production¹:

	<i>For 3 months ended</i>		<i>Change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>Change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013		2013	2012	2011	2013 – 2012	2012 – 2011
	(million of barrels)		(%)	(million of barrels)			(%)	
Yuganskneftegaz (Western Siberia)	122.6	122.3	0.2%	487.2	488.8	488.1	(0.3)%	0.1%
Samaraneftegaz (Central Russia)	20.7	20.7	–	81.1	78.8	77.6	2.9%	1.5%
Purneftegaz (Western Siberia)	11.8	11.9	(0.8)%	47.5	50.7	51.3	(6.3)%	(1.2)%
Vankorneft (Eastern Siberia)	40.2	40.2	–	157.8	133.9	109.7	17.8%	22.1%
Severnaya Neft (Timan Pechora)	5.5	5.6	(1.8)%	22.7	25.7	26.6	(11.7)%	(3.4)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.3	2.3	–	8.7	8.7	10.0	–	(13.0)%
Tomskneft (Western Siberia)	9.5	9.5	–	37.4	37.4 ⁴	–	–	(1.3)%
Samotlorneftegas	43.7	43.8	(0.2)%	136.4	–	–	–	–
Orenburgneft	38.8	38.3	1.3%	119.4	–	–	–	–
Verkhnechonskneftegaz	14.5	14.3	1.4%	44.6	–	–	–	–
RN-Uvatneftegaz	17.7	17.3	2.3%	52.8	–	–	–	–
Varyeganneftez	14.1	13.9	1.4%	43.5	–	–	–	–
RN-Nyaganneftegaz	11.8	11.9	(0.8)%	36.9	–	–	–	–
Taas Yuryakh ⁵	1.6	–	–	1.6	–	–	–	–
Other	8.8	9.0	(2.2)%	34.5	29.9	32.5	15.3%	(8.0)%
Crude oil and NGL production by fully and proportionately consolidated enterprises	363.6	361.0	0.7%	1,312.1	853.9	795.8	53.7%	7.3%
JSC “Tomskneft” VNK (Western Siberia)	–	–	–	–	–	37.9	–	–
Udmurtneft (Central Russia)	6.0	5.9	1.7%	23.6	23.5	23.2	1.3%	1.3%
Polar Lights (Timan Pechora)	0.4	0.4	–	1.6	1.9	2.2	(15.8)%	(13.6)%
Verkhnechonskneftegaz (Eastern Siberia) ³	–	–	–	3.1	13.3	9.5	(76.7)%	40.0%
Slavneft	15.1	15.4	(1.9)%	47.9	–	–	–	–
Other	2.9	3.1	(6.5)%	9.3	–	–	–	–
Total share in production of associates	24.4	24.8	(1.6)%	85.5	38.7	72.8	120.9%	46.8%
Total crude oil and NGL production	388.0	385.8	0.6%	1,397.6	892.6	868.6	56.6%	2.8%
Daily crude oil production (th. barrels per day)	4,217	4,193	0.6%	4,196	2,439	2,380	72.0%	2.5%

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

² For information: to convert tonnes to barrels a 7.315 ratio was used in 2012 and 2011.

³ Before the date of acquisition of TNK assets.

⁴ Tomskneft is presented with effect of retrospective changes in the accounting policy.

⁵ Crude oil production from acquisition date

In the fourth quarter of 2013 Rosneft’s average daily crude oil and NGL production was 4,217 th. barrels per day, which is an increase of 0.6 % compared with the third quarter of 2013. The increase in production level was due to organic production growth at Brownfields mainly due to launch of new wells and efficient drilling program. Efficient drilling program is realised at Vankor and Uvat Brownfields. The Company also accelerates the launch of new fields at Western Siberia and Eastern Siberia and also extending activity at fields with hard to recover reserves.

In 2013 organic daily crude oil and NGL production growth of 1.0% (excluding associates) was due to production increase at Vankorneft and Samaraneftegaz fields compared to same period of 2012.

In 2012 Rosneft's average daily crude oil production was 2.5% higher than in 2011. The growth was driven primarily by production increase at Vankorneft, Verkhnechonskneftegaz, Samaraneftegaz, Udmurtneft and Yuganskneftegaz fields, which was partially offset by production decrease at Sakhalin-1 and Timan Pechora.

Production of Gas

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

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013		2013	2012	2011	2013 – 2012	2012 – 2011
	(bcm)		(%)		(bcm)		(%)	
Purneftegaz (Western Siberia)	1.06	1.06	–	4.17	4.07	3.71	2.5%	9.7%
Yuganskneftegaz (Western Siberia)	1.07	0.98	9.2%	3.78	3.16	2.86	19.6%	10.5%
Krasnodarneftegaz (Southern Russia)	0.85	0.73	16.4%	3.06	2.90	2.73	5.5%	6.2%
Samaraneftegaz (Central Russia)	0.13	0.12	8.3%	0.50	0.53	0.50	(5.7)%	6.0%
Severnaya Neft (Timan Pechora)	0.07	0.06	16.6%	0.26	0.29	0.26	(10.3)%	11.5%
Vankorneft (Eastern Siberia)	0.27	0.11	145.5%	0.63	0.47	0.37	34.0%	27.0%
Sakhalin-1 (Far East) (net of royalty and government share)	0.12	0.07	71.4%	0.40	0.34	0.31	17.6%	9.7%
JSC “Tomskneft” VNK (Western Siberia)	0.24	0.19	26.3%	0.86	0.84 ³	–	2.4%	–
NGK “Itera” LLC	3.32	2.95	12.5%	6.27	–	–	–	–
Samotlorneftegaz	1.43	1.37	4.4%	4.33	–	–	–	–
Rospan International	0.98	0.91	7.7%	2.93	–	–	–	–
Orenburgneft	0.79	0.65	21.5%	2.18	–	–	–	–
Varyeganneftez	0.79	0.71	11.3%	2.33	–	–	–	–
TNK-Nyagan	0.38	0.36	5.6%	1.12	–	–	–	–
Other	0.43	0.41	4.9%	1.67	1.13	1.25	47.8%	(9.6)%
Gas production by fully and proportionately consolidated enterprises	11.93	10.68	11.7%	34.49	13.73	11.99	151.2%	14.5%
JSC “Tomskneft” VNK (Western Siberia)	–	–	–	–	–	0.73	–	–
NGK “Itera” LLC	–	–	–	3.23	2.62	–	23.3%	–
Slavneft	0.10	0.10	–	0.31	–	–	–	–
Other	0.04	0.04	–	0.14	0.04	0.07	250.0%	(42.9)%
Total share in production of joint ventures	0.14	0.14	–	3.68	2.66	0.80	38.3%	>100%
Total gas production	12.07	10.82	11.6%	38.17	16.39	12.79	132.9%	28.1%
Natural gas	6.03	5.37	12.3%	18.54	7.28	4.68	154.7%	55.6%
Associated gas	6.04	5.45	10.8%	19.63	9.11	8.11	115.5%	12.3%

* Production volume equals extracted volume minus flared volume.

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

² Before the date of acquisition of additional shares.

³ JSC “Tomskneft” VNK is presented with effect of retrospective changes in the accounting policy.

In the fourth quarter of 2013 Rosneft's gas production at Company's subsidiaries was 12.07 bcm, which was 11.6% higher than in the third quarter of 2013, including the effect of consolidation of NGK “Itera” LLC. High organic gas production growth at Brownfields was attributable to sustainable gas compressor operations and mode optimization of gas supplying pipelines at Yuganskneftegaz, start of gas drive recovery at Vankor fields and increase in seasonal gas supply to consumers in Krasnodar region (Krasnodarneftegaz).

Increase in gas production and gas monetization strategy is one of Companies' priority objects. Rosneft manages the increase in construction of gas gathering facilities at Rospan and Purneftegaz fields.

In 2013 Rosneft's gas production was significantly higher than in 2012, mainly due to NGK "Itera" LLC acquisition and incorporation of gas production results of new production units. Organic gas production growth was 2.4%* (excluding associates) mainly at Yuganskneftegaz, Vankorneftegaz, Purneftegaz and Krasnodarneftegaz. Currently, the Company participates in significant gas projects in Yamalo-Nenetsky district and Western Siberia, develops gas resources at continental shelf and demonstrates sustainable production growth in comparative periods.

In 2012 Rosneft's natural and associated gas production was significantly higher than in 2011, mainly due to NGK "Itera" LLC acquisition which led to the overall increase in gas production by 2.62 bcm. Excluding the effect of NGK "Itera" LLC acquisition, gas production growth by 0.98 bcm year-on-year was due to the number of factors: stable operations at the Luginetskaya compressor station of JSC "Tomskneft" VNK in 2012, higher crude oil production at the Vankor field and at the Priobskoe field of Yuganskneftegaz, the launch of compressor stations at the Komsomolskoe field of Purneftegaz in September 2011 and the construction of gas pipeline to the fields of Severnaya Neft.

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.

**Estimated by pro-forma data presented in Appendix 1.*

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 (ROG) 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.¹

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
	<i>(million of tonnes)</i>		<i>(%)</i>	<i>(million of tonnes)</i>			<i>(%)</i>	
Crude oil processing at Rosneft's own refineries in Russia	21.41	22.63	(5.4)%	77.78	50.85	50.65	53.0%	0.4%
Crude oil processing at refineries outside Russia	3.24	3.39	(4.4)%	12.34	10.73	7.21	15.0%	48.8%
<i>including crude oil processing at Ruhr Oel GmbH (ROG)</i>	2.78	2.76	0.7%	10.60	10.73	7.21	(1.2)%	48.8%
<i>including crude oil processing in Belarus</i>	0.46	0.63	(27.0)%	1.74	-	-	-	-
Total group crude oil processing	24.65	26.02	(5.3)%	90.12	61.58	57.86	46.3%	6.4%
Petroleum product output:								
High octane gasoline	2.80	2.99	(6.4)%	10.08	5.34	5.33	88.8%	0.2%
Low octane gasoline	0.06	0.04	50.0%	0.19	0.35	0.35	(45.7)%	-
Naphtha	1.33	1.37	(2.9)%	4.64	3.67	3.83	26.4%	(4.2)%
Diesel	6.64	6.93	(4.2)%	24.08	17.22	17.25	39.8%	(0.2)%
Fuel oil	7.01	7.22	(2.9)%	25.28	16.39	16.91	54.2%	(3.1)%
Jet fuel	0.79	0.99	(20.2)%	3.01	1.50	1.20	100.7%	25.0%
Petrochemicals	0.22	0.15	46.7%	0.70	0.53	0.54	32.1%	(1.9)%
Other*	1.72	2.19	(21.5)%	6.91	3.80	3.20	81.8%	18.8%
Product output at Rosneft's own refineries in Russia	20.57	21.88	(6.0)%	74.89	48.80	48.61	53.5%	0.4%
Product output at refineries outside Russia	3.22	3.34	(3.6)%	12.22	10.79	7.3	13.3%	47.8%
<i>including crude oil output at Ruhr Oel GmbH (ROG)</i>	2.79	2.75	1.4%	10.60	10.79	7.3	(1.8)%	47.8%
<i>including product output in Belarus</i>	0.43	0.59	(27.1)%	1.62	-	-	-	-
Total group product output	23.79	25.22	(5.7)%	87.11	59.59	55.91	46.2%	6.6%

*including production of petroleum products at gas refineries

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

In the fourth quarter of 2013 Rosneft's total refinery throughput amounts to 24.65, lower by 5.3% compared with the third quarter of 2013. The refinery throughput inside Russia reduced by 1.22 mln tons mainly due to planned turnarounds at Syzran, Saratov and Ryazan refineries.

Following the turnarounds in previous periods the throughput at German refineries increased by 0.7%.

Organic growth of oil throughput in Russia amounts to 1.7%* in 2013 compared with 2012 and was due to global refineries modernization. Oil throughput at Ruhr Oel GmbH (ROG) refineries slightly decreased in 2013 compared with 2012 due to unscheduled turnarounds at Gelsenkirchen refinery, PCK Schwedt refinery and Bayernoil refinery.

In 2012 Rosneft's refinery throughput was 6.4% higher than in 2011 mainly due to the acquisition of a 50% stake in Ruhr Oel GmbH (ROG) in May 2011. Throughput at Russian refineries increased by 0.4%. Increase in jet fuel production resulted from change in output structure of the Syzran refinery following the demand growth.

*Estimated by pro-forma data presented in Appendix 1.

Results of Operations

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

	<i>For 3 months ended</i>				
	December 31, 2013		September 30, 2013		Change
		% of total revenue		% of total revenue	%
(RUB billion, except %)					
Revenues and equity share in profits of associates and joint ventures					
Oil and gas sales	712	52.8%	691	51.0%	3.0%
Petroleum products and petrochemicals sales	620	45.9%	648	47.8%	(4.3)%
Support services and other revenues	18	1.3%	14	1.0%	28.6%
Equity share in profits of associates and joint ventures	0	0%	3	0.2%	(100.0)%
Total revenues and equity share in profits of associates and joint ventures	1,350	100.0%	1 356	100.0%	(0.4)%
Costs and expenses					
Production and operating expenses	121	9.0%	99	7.3%	22.2%
Cost of purchased oil, gas and petroleum products and refining costs	120	8.9%	138	10.2%	(13.0)%
General and administrative expenses	32	2.4%	33	2.4%	(3.0)%
Pipeline tariffs and transportation costs	111	8.2%	108	8.0%	2.8%
Exploration expenses	6	0.4%	5	0.4%	20.0%
Depreciation, depletion and amortisation	123	9.1%	120	8.8%	2.5%
Taxes other than income tax	286	21.2%	291	21.5%	(1.7)%
Export customs duty	401	29.7%	379	27.9%	5.8%
Total cost and expenses	1,200	88.9%	1 173	86.5%	2.3%
Operating income	150	11.1%	183	13.5%	(18.0)%
Finance income	7	0.5%	7	0.5%	-
Finance expenses	(16)	(1.2)%	(11)	(0.8)%	45.5%
Other income	35	2.6%	158	11.7%	(77.8)%
Other expenses	(13)	(1.0)%	(26)	(1.9)%	(50.0)%
Foreign exchange differences	(14)	(1.0)%	9	0.7%	-
Income before income tax	149	11.0%	320	23.6%	(53.4)%
Income tax expense	(15)	(1.1)%	(40)	(2.9)%	(62.5)%
Net income	134	9.9%	280	20.6%	(52.1)%
Other comprehensive income/(loss)					
Foreign exchange differences on translation of foreign operations	-1	(0.1)%	3	0.2%	>100.0%
Gain/(loss) from changes in fair value of financial assets available for-sale	0	-	0	0.0%	-
Total other comprehensive income/(loss), net of tax	(1)	(0.1)%	3	0.2%	>100.0%
Total comprehensive income, net of tax	133	9.8%	283	20.9%	(53.0)%

The table below provides information on the Results of Operations for the period 2013, 2012 and 2011:

	<i>For 12 months ended December 31,</i>			<i>% change</i>	
	2013	2012	2011	2013 -2012	2012 -2011
	(RUB billion)			(%)	
Revenues and equity share in profits of associates and joint ventures					
Oil and gas sales	2,428	1,526	1,392	59.1%	9.6%
Petroleum products and petrochemicals sales	2,196	1,498	1,265	46.6%	18.4%
Support services and other revenues	58	42	45	38.1%	(6.7)%
Equity share in profits of associates and joint ventures	12	23	16	(47.8)%	43.8%
Total revenues and equity share in profits of associates and joint ventures	4,694	3,089	2,718	52.0%	13.6%
Costs and expenses					
Production and operating expenses	389	247	189	57.5%	30.7%
Cost of purchased oil, gas and petroleum products and refining costs	432	319	298	35.4%	7.0%
General and administrative expenses	111	68	52	63.2%	30.8%
Pipeline tariffs and transportation costs	392	241	216	62.7%	11.6%
Exploration expenses	17	23	13	(26.1)%	76.9%
Depreciation, depletion and amortisation	392	206	193	90.3%	6.7%
Taxes other than income tax	1,024	672	498	52.4%	34.9%
Export customs duty	1,382	901	790	53.4%	14.1%
Total cost and expenses	4,139	2,677	2,249	54.6%	19.0%
Operating income	555	412	469	34.7%	(12.2)%
Finance income	21	24	20	(12.5)%	20.0%
Finance expenses	(56)	(15)	(19)	>100.0%	(21.1)%
Other income	242	87	25	>100.0%	>100.0%
Other expenses	(59)	(50)	(48)	18.0%	4.2%
Result of operations with foreign currency, foreign exchange differences	(71)	11	(22)	-	-
Income/ (loss) before income tax	632	469	425	34.8%	10.4%
Income tax expense	(81)	(104)	(90)	(22.1)%	15.6%
Net income/ (loss)	551	365	335¹	51.0%	9.0%
Other comprehensive income/ (loss)					
Foreign exchange differences on translation of foreign operations	(11)	2	(1)	>100.0%	-
Gain/(loss) from changes in fair value of financial assets available for-sale	3	(3)	1	>100.0%	-
Total other comprehensive income/ (loss), net of tax	(8)	(1)	-	>100.0%	-
Total comprehensive income (loss), net of tax	543	364	335	49.2%	8.7%

¹ Corrected in line with retrospective changes in the accounting policy due to adoption of new standards, refer to "Effect from changes in accounting policies for comparative periods 2012"

	<i>For 3 months ended</i>		<i>For 12 months ended</i>		
	December 31, 2013	September 30, 2013	December 31, 2013	December 31, 2012	December 31, 2011
EBITDA	273	303	947	618	662
Operating income margin	11.1%	13.5%	11.8%	13.3%	17.3%
Share of pipeline and transportation costs in revenue	8.2%	8.0%	8.4%	7.8%	7.9%
Net income margin	9.9%	20.6%	11.7%	11.8%	12.3%

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

Revenues and equity share in profits of associates and joint ventures

In the fourth quarter of 2013 revenues and equity share in profits of associates and joint ventures amounted to RUB 1,350 billion or downturn 0.4%, due to decrease in world market crude oil price.

In 2013 revenues and equity share in profits of associates and joint ventures was RUB 4,694 billion or upturn 52.0%, which was driven by TNK assets acquisition, and was offset by decrease in world market prices. Urals price decreased by 2.3 % and the world market prices for diesel and fuel oil denominated in RUB fell down by 1.2% and 3.8% respectively.

In 2012 revenues and equity share in profits of associates and joint ventures were 13.6% higher compared to 2011, that was driven by increase in sales volumes and price. Urals price increased by 1.1% and the world market prices for diesel and fuel oil denominated in RUB rose by 8.4% and 9.6% respectively.

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

	<i>For 3 months ended</i>		<i>change between 4th and 3^d quarters</i>			<i>For 12 months ended December 31,</i>					<i>change for 12 months ended December 31,</i>		
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013	2012	2011	2013 – 2012	2012 – 2011		
	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	%	%		
(RUB billion, except %)													
Crude oil													
International Sales to non-CIS	608	45.2%	596	43.9%	2.0%	2,116	45.1%	1,421	46.0%	1,321	48.6%	48.9%	7.6%
Europe and other directions	451	33.6%	444	32.7%	1.6%	1,574	33.6%	1,033	33.4%	955	35.1%	52.4%	8.2%
Asia	157	11.6%	152	11.2%	3.3%	542	11.5%	388	12.6%	366	13.5%	39.7%	6.0%
International sales to CIS	41	3.0%	36	2.7%	13.9%	128	2.7%	78	2.5%	54	2.0%	64.1%	44.4%
Domestic	22	1.6%	24	1.8%	(8.3)%	81	1.7%	5	0.2%	3	0.1%	>100.0%	66.7%
Total crude oil	671	49.8%	656	48.4%	2.3%	2,325	49.5%	1,504	48.7%	1,378	50.7%	54.6%	9.1%
Gas	41	3.0%	35	2.6%	17.1%	103	2.2%	22	0.7%	14	0.5%	>100.0%	57.1%
Petroleum products													
International Sales to non-CIS	322	23.8%	336	24.8%	(4.2)%	1,165	24.8%	856	27.7%	712	26.2%	36.1%	20.2%
Europe and other directions	235	17.4%	265	19.6%	(11.3)%	871	18.5%	628	20.3%	488	18.0%	38.7%	28.7%
Asia	87	6.4%	71	5.2%	22.5%	294	6.3%	228	7.4%	224	8.2%	28.9%	1.8%
International Sales to CIS	25	1.9%	32	2.4%	(21.9)%	84	1.8%	11	0.4%	8	0.3%	>100.0%	37.5%
Domestic	230	17.0%	239	17.6%	(3.8)%	794	16.9%	497	16.1%	448	16.4%	59.8%	10.9%
Wholesale	132	9.7%	141	10.4%	(6.4)%	455	9.7%	297	9.6%	270	9.9%	53.2%	10.0%
Retail	98	7.3%	98	7.2%	0.0%	339	7.2%	200	6.5%	178	6.5%	69.5%	12.4%
Sales of bunker fuel to end-users	16	1.2%	19	1.4%	(15.8)%	59	1.3%	50	1.6%	37	1.4%	18.0%	35.1%
Total petroleum products	593	43.9%	626	46.2%	(5.3)%	2,102	44.8%	1,414	45.8%	1,205	44.3%	48.7%	17.3%
Petrochemical products	27	2.0%	22	1.6%	22.7%	94	2.0%	84	2.7%	60	2.2%	11.9%	40.0%
International sales	23	1.7%	20	1.5%	15.0%	82	1.7%	73	2.3%	50	1.8%	12.3%	46.0%
Domestic	4	0.3%	2	0.1%	100.0%	12	0.3%	11	0.4%	10	0.4%	9.1%	10.0%
Support services and other revenues	18	1.3%	14	1.0%	28.6%	58	1.2%	42	1.4%	45	1.7%	38.1%	(6.7)%
Equity share in profits of associates and joint ventures	0	0.0%	3	0.2%	(100.0)%	12	0.3%	23	0.7%	16	0.6%	(47.8)%	43.8%
Total sales	1,350	100.0%	1,356	100.0%	(0.4)%	4,694	100.0%	3,089	100.0%	2,718	100.0%	52.0%	13.6%

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

Sales Volumes

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

	<i>For 3 months ended</i>		<i>Change between 4th and 3^d quarters</i>			<i>For 12 months ended December 31,</i>				<i>Change for 12 months ended December 31,</i>			
	December 31, 2013		September 30, 2013		2013	2013		2012		2011		2013 – 2012	2012 – 2011
	mln bbls	% of total volume	mln bbls	% of total volume	%	mln bbls	% of total volume	mln bbls	% of total volume	mln bbls	% of total volume	%	
Crude oil													
International Sales to non-CIS	180.4	46.1%	171.6	43.4%	5.1%	644.2	45.4%	438.2	46.9%	433.8	48.9%	47.0%	1.0%
Europe and other directions	131.8	33.7%	124.4	31.5%	5.9%	468.2	33.0%	306.5	32.8%	301.4	34.0%	52.8%	1.7%
Asia	48.6	12.4%	47.2	11.9%	3.0%	176.0	12.4%	131.7	14.1%	132.4	14.9%	33.6%	(0.5)%
CIS	20.6	5.3%	18.4	4.7%	12.0%	72.1	5.1%	47.5	5.1%	33.6	3.8%	51.8%	41.4%
Domestic	12.6	3.2%	13.2	3.4%	(4.5)%	50.1	3.5%	3.7	0.4%	2.2	0.2%	>100.0%	68.2%
Total crude oil	213.6	54.6%	203.2	51.5%	5.1%	766.4	54.0%	489.4	52.4%	469.6	52.9%	56.6%	4.2%
Crude oil													
International Sales to non-CIS	24.5	46.1%	23.3	43.4%	5.1%	87.5	45.4%	59.9	46.9%	59.3	48.9%	47.0%	1.0%
Europe and other directions	17.9	33.7%	16.9	31.5%	5.9%	63.6	33.0%	41.9	32.8%	41.2	34.0%	52.8%	1.7%
Asia	6.6	12.4%	6.4	11.9%	3.0%	23.9	12.4%	18.0	14.1%	18.1	14.9%	33.6%	(0.5)%
CIS	2.8	5.3%	2.5	4.7%	12.0%	9.8	5.1%	6.5	5.1%	4.6	3.8%	51.8%	41.4%
Domestic	1.7	3.2%	1.8	3.4%	(4.5)%	6.8	3.5%	0.5	0.4%	0.3	0.2%	>100.0%	68.2%
Total crude oil	29.0	54.6%	27.6	51.5%	5.1%	104.1	54.0%	66.9	52.4%	64.2	52.9%	56.6%	4.2%
Petroleum products													
International Sales to non-CIS	12.7	23.9%	13.4	24.9%	(5.2)%	47.5	24.6%	33.2	25.9%	30.5	25.2%	43.1%	8.9%
Europe and other directions	9.3	17.5%	10.8	20.0%	(13.9)%	35.8	18.5%	24.7	19.2%	21.1	17.4%	44.9%	17.1%
Asia	3.4	6.4%	2.6	4.9%	30.8%	11.7	6.1%	8.5	6.7%	9.4	7.8%	37.6%	(9.6)%
International Sales to CIS	0.9	1.7%	1.1	2.1%	(18.2)%	3.1	1.6%	0.5	0.4%	0.4	0.3%	>100.0%	25.0%
Domestic	8.8	16.6%	9.7	18.1%	(9.3)%	31.8	16.5%	21.4	16.8%	21.4	17.7%	48.6%	0.0%
Wholesale	6.0	11.3%	6.7	12.5%	(10.4)%	21.6	11.2%	14.6	11.5%	14.9	12.3%	47.9%	(2.0)%
Retail	2.8	5.3%	3.0	5.6%	(6.7)%	10.2	5.3%	6.8	5.3%	6.5	5.4%	50.0%	4.6%
Sales of bunker fuel to end-users	0.9	1.7%	1.0	1.9%	(10.0)%	3.3	1.7%	2.8	2.2%	2.5	2.1%	17.9%	12.0%
Total petroleum products	23.3	43.9%	25.2	47.0%	(7.5)%	85.7	44.4%	57.9	45.3%	54.8	45.3%	48.0%	5.7%
Petrochemical products	0.8	1.5%	0.8	1.5%	0.0%	3.1	1.6%	2.9	2.3%	2.2	1.8%	6.9%	31.8%
International sales	0.6	1.1%	0.6	1.1%	0.0%	2.3	1.2%	2.2	1.8%	1.5	1.2%	4.5%	46.7%
Domestic	0.2	0.4%	0.2	0.4%	0.0%	0.8	0.4%	0.7	0.5%	0.7	0.6%	14.3%	0.0%
Total crude oil and products	53.1	100.0%	53.6	100.0%	(0.9)%	192.9	100.0%	127.7	100.0%	121.2	100.0%	51.1%	5.4%
Gas													
Sales Volumes	bcm		bcm			bcm		bcm		bcm			
	14.55		11.90		22.3%	39.07		11.08		9.74		>100.0%	13.8%

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 between 4th and 3^d quarters</i>	<i>For 12 months ended</i>				<i>% change for 12 months ended December 31,</i>			
	<i>December 31, 2013</i>		<i>September 30, 2013</i>			<i>December 31, 2013</i>		<i>December 31, 2012</i>		<i>December 31, 2011</i>		<i>2013 - 2012</i>	<i>2012 - 2011</i>
	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>2013</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>		
Average prices on foreign markets													
Crude oil, excluding CIS	3.39	25.0	3.47	25.5	(2.0)%	3.29	24.2	3.24	23.7	3.04	22.3	2.1%	6.3%
Europe and other directions	3.45	25.4	3.56	26.2	(3.1)%	3.37	24.8	3.37	24.6	3.17	23.2	0.8%	6.0%
Asia	3.23	23.8	3.23	23.8	0.0%	3.08	22.7	2.95	21.6	2.76	20.2	5.1%	6.9%
Crude oil, CIS	1.92	14.1	1.92	14.1	0.0%	1.76	13.0	1.66	12.1	1.61	11.8	7.4%	2.5%
Petroleum products, non- CIS		25.3		25.1	0.8%		24.5		25.8		23.4	(5.0)%	10.3%
Europe and other directions		25.2		24.6	2.4%		24.3		25.4		23.2	(4.3)%	9.5%
Asia		25.8		27.2	(5.1)%		25.2		26.8		23.9	(6.0)%	12.1%
Petroleum products, CIS		27.2		29.7	(8.4)%		27.0		23.4		21.8	15.4%	7.3%
Average domestic prices													
Crude oil	1.70	12.5	1.81	13.3	(6.0)%	1.61	11.9	1.40	10.3	1.39	10.2	15.5%	1.0%
Petroleum products		25.9		24.6	5.3%		24.9		23.1		20.9	7.8%	10.5%
Wholesale		22.0		21.2	3.8%		21.1		20.2		18.2	4.5%	11.0%
Retail		34.3		32.2	6.5%		33.0		29.4		27.1	12.2%	8.5%
Gas (th.rub. /th. cubic meter)		2.79		2.97	(6.1)%		2.63		1.97		1.47	33.5%	34.0%
Sales of bunker fuel to end-users		18.0		18.5	(2.7)%		18.0		17.9		15.4	0.6%	16.2%
Petrochemical products		29.5		30.0	(1.7)%		29.9		29.8		27.0	0.3%	10.4%
<i>International sales</i>		36.4		36.4	0.0%		35.8		33.9		33.0	5.6%	2.7%
<i>Domestic</i>		14.1		11.4	23.7%		14.3		16.8		14.0	(14.9)%	20.0%

**average price is calculated from unrounded figures*

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries amounted in the fourth quarter of 2013 to RUB 608 billion compared to RUB 596 billion in the third quarter of 2013. Sales volumes upturn of 5.1% (positive impact on revenues of RUB 31 billion) was partially offset by average prices decrease of 2.0% (negative impact on revenues of RUB 19 billion). Increase in sales volumes was due to increased deliveries under long-term crude oil supply agreements.

In 2013 revenues from international crude oil sales to non-CIS countries increased by 48.9% compared to 2012 and amounted to RUB 695 billion. Sales volumes growth followed by Company's expansion was 47.0% (positive impact on revenues of RUB 652 billion) and was accompanied by a slight increase in sales volumes by 2.1% (favourable impact on revenues of RUB 43 billion).

In 2012 revenues from international crude oil sales to non-CIS countries increased by 7.6% compared to 2011. A 6.3% upturn in average prices (positive impact on revenues of RUB 87 billion) was accompanied by a slight increase in sales volumes by 1.0% (favourable impact on revenues of RUB 13 billion).

The deviation between sales prices on the Asian markets and average world market prices (Dubai) in the fourth quarter of 2013 was due to deliveries to Transneft of 6.0 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 fourth quarter of 2013. Excluding revenues from crude oil sales to Transneft (RUB 20 billion) in the fourth quarter of 2013 the average sales price on the Asian markets in comparison with third quarter 2013 remains unchanged and amounts to RUB 3.6 thousand per barrel.

In 2013 the average price on the Asian markets amounted to RUB 3.5 thousand per barrel excluding revenues from crude oil sales to Transneft (RUB 78 billion).

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS in the fourth quarter of 2013 increased by 13.9% compared to the third quarter 2013 and amounted to RUB 41 billion due to growth of sales volume by 12.0%.

In 2013 revenues from international crude oil sales to CIS countries were RUB 128 billion or 64.1% upturn in comparison with 2012, which is mainly attributable to sales volumes growth of 51.8% (positive impact on revenues of RUB 40 billion) and was accompanied by a 7.4% increase in average sales price (favourable impact on revenues of RUB 10 billion).

In 2012 revenues from international crude oil sales to CIS countries (Belarus and Kazakhstan) were RUB 24 billion higher in comparison with 2011, which is attributable to sales volumes growth of 41.4% (positive impact on revenues of RUB 22 billion). Average price upturn of 2.5% led to revenue growth of RUB 2 billion.

Domestic Sales of Crude Oil

Revenue from domestic sales of crude oil in the fourth quarter of 2013 decreased by 8.3% compared to the third quarter 2013 and amounted to RUB 22 billion. Decrease in sales volume on the domestic market by 4.5% (negative impact on revenues of RUB 1 billion), was accompanied by downturn of average crude oil price by 6.0% (unfavourable impact on revenues of RUB 1 billion).

In 2013 revenues from domestic sales of crude oil were RUB 81 billion. The increase in sales volume more than 12 times (the positive impact on revenues of RUB 65 billion) was accompanied by growth of average crude oil price by 15.5% (the positive impact of RUB 11 billion).

International Petroleum Product Sales to Non-CIS

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

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2013			September 30, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	4	0.2	28.9	6	0.2	30.4	(33.3)%	0.0%	(4.9)%
Low octane gasoline	1	0.1	34.1	0	0.0	35.5	–	–	(3.9)%
Naphtha	29	0.9	30.5	36	1.3	29.6	(19.4)%	(30.8)%	3.0%
Diesel (Gasoil)	89	3.0	30.0	89	2.9	30.4	0.0%	3.4%	(1.3)%
Fuel oil	109	5.3	19.8	119	6.2	19.6	(8.4)%	(14.5)%	1.0%
Jet fuel	0	0.0	37.1	1	0.0	37.3	(100.0)%	0.0%	(0.5)%
Other	22	0.8	28.4	14	0.5	25.7	57.1%	60.0%	10.5%
Total petroleum products exported to non-CIS	254	10.3	24.5	265	11.1	24.2	(4.2)%	(7.2)%	1.2%
<i>Petroleum products sold from ROG refineries</i>	65	2.3	28.9	68	2.2	30.0	(4.4)%	4.5%	(3.7)%
<i>Petroleum products bought and sold outside Russia</i>	3	0.1	30.9	3	0.1	31.1	0.0%	0.0%	(0.6)%
Total	322	12.7	25.3	336	13.4	25.1	(4.2)%	(5.2)%	0.8%

Revenue from the international sales of petroleum products to non-CIS countries were RUB 322 billion in the fourth quarter of 2013, which is 4.2% lower compared to the third quarter of 2013 (negative effect of RUB 14 billion). The decrease resulted from sales volumes downturn of 5.2% (negative impact of RUB 18 billion), that was partially offset by upturn of average prices by 0.8% (favourable impact of RUB 4 billion).

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

	<i>For 12 months ended December 31,</i>									<i>% change between 12 months ended December 31, 2013 and 2012</i>			<i>% change between 12 months ended December 31, 2012 and 2011</i>		
	2013			2012			2011			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	RUB billion	million of tonnes	Average price th.RUB/ tonne	RUB billion	million of tonnes	Average price th.RUB/ tonne						
High octane gasoline	17	0.6	29.2	7	0.2	37.2	14	0.6	25.4	>100.0%	>100.0%	(21.5)%	(50.0)%	(66.7)%	46.5%
Low octane gasoline	2	0.1	34.9	5	0.2	30.1	6	0.3	27.7	(60.0)%	(50.0)%	15.9%	(16.7)%	(33.3)%	8.7%
Naphtha	118	4.1	28.7	104	3.6	28.8	94	3.5	26.7	13.5%	13.9%	(0.3)%	10.6%	2.9%	7.9%
Diesel (Gasoil)	322	11.1	29.1	203	7.0	29.1	183	6.8	27.0	58.6%	58.6%	0.0%	10.9%	2.9%	7.8%
Fuel oil	397	20.7	19.2	254	12.6	19.9	241	13.1	18.4	56.3%	64.3%	(3.5)%	5.4%	(3.8)%	8.2%
Jet fuel	2	0.0	37.6	1	0.0	37.6	1	0.0	31.7	100.0%	–	0.0%	0.0%	–	18.6%
Other	50	1.9	26.4	5	0.3	27.0	8	0.3	25.5	>100.0%	>100.0%	(2.2)%	(37.5)%	0.0%	5.9%
Total petroleum products exported to non-CIS	908	38.5	23.6	579	23.9	24.2	547	24.6	22.3	56.8%	61.1%	(2.5)%	5.9%	(2.8)%	8.5%
<i>Petroleum products sold from ROG refineries</i>	245	8.6	28.5	260	8.7	29.7	165	5.9	27.9	(5.8)%	(1.1)%	(4.0)%	57.6%	47.5%	6.5%
<i>Petroleum product purchased and sold outside Russia</i>	12	0.4	30.1	17	0.6	29.3	–	–	–	(29.4)%	(33.3)%	2.7%	–	–	–
Total	1,165	47.5	24.5	856	33.2	25.8	712	30.5	23.4	36.1%	43.1%	(5.0)%	20.2%	8.9%	10.3%

In 2013 revenues from the export of petroleum products to non-CIS countries were RUB 1,165 billion, 36.1% higher compared to 2012. Sales volume increased by 43.1% (favourable impact on revenues of RUB 369 billion). Significant increase in sales volumes was partially offset by average price decline of 5.0% (negative impact on revenues of RUB 60 billion).

In 2012 revenues from the export of petroleum products to non-CIS countries were 20.2% higher compared to 2011. The increase in sales volumes was due to acquisition of a 50% share in Ruhr Oel GmbH (ROG).

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>		
	December 31, 2013			September 30, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	96	2.8	33.2	97	3.1	31.9	(1.0)%	(9.7)%	4.1%
Low octane gasoline	1	0.1	28.4	1	0.0	22.7	0.0%	–	25.1%
Diesel	88	2.9	29.9	89	3.1	28.2	(1.1)%	(6.5)%	6.0%
Fuel oil	7	0.7	10.1	5	0.5	10.9	40.0%	40.0%	(7.3)%
Jet fuel	23	0.9	27.3	27	1.1	24.7	(14.8)%	(18.2)%	10.5%
Other	15	1.4	10.5	20	1.9	10.1	(25.0)%	(26.3)%	4.0%
Total	230	8.8	25.9	239	9.7	24.6	(3.8)%	(9.3)%	5.3%

Revenues from sales of petroleum products on the domestic market were RUB 230 billion in the fourth quarter of 2013, 3.8% lower compared to the third quarter of 2013. The decrease in petroleum products sales resulted from declined volumes of crude oil processing at refineries in Russia due to planned turnarounds at the Company's refineries, including the Syzran, Saratov and Ryazan refineries.

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

	<i>For 12 months ended December 31,</i>									<i>% change between 12 months ended December 31, 2013 and 2012</i>			<i>% change between 12 months ended December 31, 2012 and 2011</i>		
	2013			2012			2011			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	RUB billion	million of tonnes	Average price th.RUB/ tonne	RUB billion	million of tonnes	Average price th.RUB/ tonne						
High octane gasoline	334	10.5	31.7	188	6.3	30.0	174	6.3	27.4	77.7%	66.7%	5.7%	8.0%	0.0%	9.5%
Low octane gasoline	4	0.2	24.0	7	0.4	24.7	7	0.3	22.5	(42.9)%	(50.0)%	(2.8)%	0.0%	33.3%	9.8%
Diesel	305	10.7	28.4	212	8.7	24.9	196	9.5	20.7	43.9%	23.0%	14.1%	8.2%	(8.4)%	20.3%
Fuel oil	19	1.9	10.2	17	1.6	10.6	19	2.1	9.2	11.8%	18.8%	(3.8)%	%	(23.8)%	15.2%
Jet fuel	77	3.1	25.4	39	1.6	25.4	25	1.1	22.1	97.4%	93.8%	0.0%	56.0%	45.5%	14.9%
Other	55	5.4	10.1	34	2.8	10.9	27	2.1	12.7	61.8%	92.9%	(7.3)%	25.9%	33.3%	(14.2)%
Total	794	31.8	24.9	497	21.4	23.1	448	21.4	20.9	59.8%	48.6%	7.8%	10.9%	0.0%	10.5%

Revenues from sales of petroleum products on the domestic market in 2013 were 59.8% higher in comparison to 2012 and amounted to RUB 794 billion. The increase was due to sales volumes growth by 48.6% (favorable impact on revenues of RUB 240 billion) and 7.8% upturn in average prices (positive impact on revenues of RUB 57 billion).

The Company significantly extended its customer base of jet fuelling (high premium margin sales) due to participation of important partners that resulted in growth of the jet fuel sales more than twice in comparison with 2012.

Revenues from sales of petroleum products on the domestic market were RUB 497 billion in 2012 which is an increase of 10.9% compared with 2011. This resulted from a 10.5% upturn in average prices (positive impact on revenues of RUB 49 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 fourth quarter of 2013 were RUB 16 billion, a decrease of 15.8% in comparison with the previous quarter, due to seasonal factor.

Revenues from sales of bunker fuel in 2013 increased by 18.0% or RUB 9 billion in comparison with 2012. 16.2% upturn in average prices accompanied by a 12.0% increase in sales volumes led to revenue growth of 35.1% or RUB 13 billion in 2012 compared to 2011.

The Company expands its bunker fuel business. Rosneft entered into long-term contracts with contractors in the Far East, arranged bunker fuel sales from "Rosneft Marine Transshipment Complex (Deepwater Berth)" and from the bunker fuel tankers in the Black Sea. Furthermore, the second bunker fuel tanker in the Black Sea was put into operation in 2013.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the fourth quarter of 2013 were RUB 27 billion, or 22.7% increase, compared to the third quarter of 2013, which was due to the domestic sales price growth.

The sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) in the fourth quarter 2013 in comparison to the third quarter 2013 increased by 6.0% and equaled to 0.6 mln tonnes.

In 2013, revenues from sales of petrochemical products increased by 11.9% compared to 2012, due to the growth of sales volume by 6.9% (positive impact on revenues of RUB 6 billion). In 2013 sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) amounted to 2.2 mln tonnes.

In the year ended 31 December 2012, revenues from sales of petrochemical products increased by 40.0% compared to 2011, due to the acquisition of a portion of Ruhr Oel GmbH (ROG) in May 2011. The sales volumes of petrochemical product from Ruhr Oel GmbH (ROG) were 2.05 mln tones and 1.38 mln tones in 2012 and 2011, respectively.

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>Change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>Change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
Revenue	(RUB billion)		%	(RUB billion)			%	
Western Siberia	27.6	14.8	86.5%	55.4	5.7	4.1	871.9%	39.0%
South Russia	2.9	2.5	16.0%	9.7	8.0	6.8	21.3%	17.6%
Far East	0.4	0.2	100.0%	1.3	1.4	1.2	(7.1)%	16.7%
European part of Russia	9.3	12.4	(25.0)%	29.9	6.7	2.1	346.3%	219.0%
Outside Russian Federation	0.4	5.5	(92.7)%	6.6	0.0	0.0	–	–
Total	40.6	35.4	14.7%	102.9	21.8	14.2	>100.0%	53.5%
Sales volumes	(bcm)			(bcm)				
Western Siberia	10.31	6.17	67.1%	24.02	4.54	5.09	429.1%	(10.8)%
South Russia	0.86	0.74	16.2%	3.11	3.02	2.91	3.0%	3.8%
Far East	0.16	0.10	60.0%	0.58	0.72	0.71	(19.4)%	1.4%
European part of Russia	3.08	4.33	(28.9)%	10.42	2.80	1.03	272.1%	171.8%
Outside Russian Federation	0.14	0.56	(75.0)%	0.94	0.00	0.00	–	–
Total	14.55	11.90	22.3%	39.07	11.08	9.74	>100.0%	13.8%
Average price	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)				
Western Siberia	2.63	2.23	17.9%	2.24	1.25	0.80	79.2%	56.3%
South Russia	3.33	3.40	(2.1)%	3.12	2.64	2.35	18.2%	12.3%
Far East	2.35	2.44	(3.7)%	2.29	1.88	1.62	21.8%	16.0%
European part of Russia	3.01	3.05	(1.3)%	2.91	2.45	2.09	18.8%	17.2%
Outside Russian Federation	2.60	9.72	(73.3)%	6.97	0.00	0.00	–	–
Total	2.79	2.97	(6.1)%	2.63	1.97	1.47	33.5%	34.0%

*average price is calculated from unrounded figures

In the fourth quarter of 2013 revenues from gas amounted to RUB 41 billion. The increase in gas sales was mainly driven by incorporation of NGK “Itera” LLC results in the Company's activity. The share of NGK “Itera” LLC gas sales in the fourth quarter 2013 was equalled to 43.8% in the total Company's gas sales. Organic growth in sales volume was caused by the seasonal increase in demand due to the start of the autumn-winter heating period. One of the main factors which determined the price in the fourth quarter of 2013 was the remoteness of final consumers from the gas producing facilities. In October 2013 gas tariffs were revised and increased by 1.9%.

Price fluctuation in the fourth quarter of 2013 in comparison with the third quarter of 2013 was also due to the changes in sales structure, lower exports to Europe and increase in sales volumes in the Western Siberia. The increased share of sales to households in heating periods in the total sales volumes negatively impacted the average gas sales price.

Gas sales growth of RUB 81 billion in 2013 in comparison with 2012 was driven by the acquisition of TNK and NGK “Itera” LLC assets. The Company is aimed to expand its gas business taking into consideration the integration of NGK “Itera” LLC assets, the acquisition of Sibneftegas assets at the end of December 2013, the development company's prospective fields and the increase in associated petroleum gas utilization.

Revenue growth from gas sales of 53.5% in 2012 in comparison with 2011 was driven by an increase in average prices of 34.0% and an increase in sales volumes which had a positive impact on revenues of RUB 6 billion and RUB 2 billion, respectively.

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>Change between 4th and 3^d quarters</i>		<i>For 12 months ended December 31,</i>						<i>Change for 12 months ended December 31,</i>			
					2013		2012		2011		2013 – 2012		2012 – 2011	
	December 31, 2013	September 30, 2013	2013	2013	2013	2013	2012	2012	2011	2011	2013	2012	2013	2012
	% of total revenue	% of total revenue	%	%	%	%	%	%	%	%	%	%	%	
(RUB billion, except %)														
Drilling services	0.9	4.9%	1.0	7.0%	(10.0)%	2.9	5.0%	2.2	5.3%	1.2	2.7%	31.8%	83.3%	
Sales of materials	3.8	20.9%	3.1	21.7%	22.6%	13.0	22.3%	10.1	24.3%	10.1	22.6%	28.7%	0.0%	
Repairs and maintenance services	1.4	7.7%	0.9	6.3%	55.6%	2.7	4.6%	3.3	7.9%	3.2	7.2%	(18.2)%	3.1%	
Rent services	1.0	5.5%	1.1	7.7%	(9.1)%	3.6	6.2%	2.8	6.7%	2.5	5.6%	28.6%	12.0%	
Construction services	0.4	2.2%	0.1	0.7%	300.0%	0.7	1.2%	2.2	5.3%	2.8	6.3%	(68.2)%	(21.4)%	
Transport services	2.5	13.7%	1.6	11.2%	56.3%	8.5	14.6%	7.2	17.3%	8.1	18.1%	18.1%	(11.1)%	
Electric power sales and transmission	2.5	13.7%	1.4	9.8%	78.6%	6.2	10.6%	4.6	11.1%	8.9	19.9%	34.8%	(48.3)%	
Other revenues	5.7	31.4%	5.1	35.6%	11.8%	20.8	35.5%	9.2	22.1%	7.9	17.6%	126.1%	16.5%	
Total	18.2	100.0%	14.3	100.0%	27.3%	58.4	100.0%	41.6	100.0%	44.7	100.0%	40.4%	(6.9)%	

Support services and other revenues were 27.3% higher in the fourth quarter of 2013 compared to the third quarter of 2013 and amounted to RUB 18.2 billion.

In 2013 support services and other revenues were 40.4 % higher than 2012 and amounted to RUB 58.4 billion.

Equity share in profits of associates and joint ventures

The equity share in profits of associates and joint ventures decreased by RUB 3 billion in the fourth quarter of 2013 compared with the third quarter of 2013. The decrease in profits incurred by Rosneft's associates mainly resulted from re-estimation of financial results of Venezuela assets. Excluding this effects the equity share in profits of associates remains unchanged and amounted RUB 3 billion.

In 2013 the equity share in profits of associates and joint ventures decreased by RUB 11 billion and amounted to RUB 12 billion. The decrease in equity share in profits of associates is mainly due to exemption of Verkhnechonskneftegaz equity results and incorporation of total Verkhnechonskneftegaz results into Company's consolidation from the date of acquisition.

In 2012 and 2011 the equity share in profits of associates and joint ventures amounted to RUB 23 billion and RUB 16 billion, respectively.

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 between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
	(RUB billion, except %)							
Upstream	61.7	57.5	7.3%	201.9	85.0	70.7	>100.0%	20.2%
Upstream ecological reserves	1.7	–	–	1.7	0.7	–	>100.0%	–
Downstream	49.4	34.1	44.9%	153.7	130.0	89.8	18.2%	44.8%
Other	8.3	7.0	18.6%	31.7	30.8	28.7	2.9%	7.3%
Total	121.1	98.6	22.8%	389.0	246.5	189.2	57.8%	30.3%

Upstream production and operating expenses

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

In the fourth quarter of 2013 the Company revised the estimates of ecological reserves. The result of revision was reflected in "Upstream ecological reserves" and amounted to RUB 1.7 billion year-to-date.

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 7.3% in the fourth quarter of 2013 compared with the previous quarter and amounted to RUB 61.7 billion. The increase in operating expenses was due to geological and engineering expenses growth, increase in equipment maintenance and repairs and seasonal growth of electricity tariffs.

In 2013 upstream production and operating expenses increased by more than 100.0% compared with 2012. The growth of expenses was mainly due to incorporation of operating expenses of new production units and due to gas program implementation. Organic growth of lifting cost per bbl was 11.4*% in 2013 compared with 2012 due to increased electricity tariffs, increase in price of materials, fuel and lubricants and other factors.

In 2012 upstream production and operating expenses increased by 20.2% up to RUB 85.0 billion compared with 2011.

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

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
	(RUB per bbl and RUB per boe, except %)							
Expenses per bbl of crude oil produced	169.8	159.3	6.6%	153.9	99.5	88.8	54.7%	12.0%
Expenses per boe	149.0	141.5	5.3%	136.6	90.8	81.6	50.4%	11.3%

Downstream production operating expenses

Rosneft's downstream operating expenses increased by 44.9% in the fourth quarter of 2013 compared with the third quarter of 2013. The increase was mainly due to realization of accumulated intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories).

*Estimated by pro-forma data

Downstream operating expenses increased by 18.2% in 2013 compared with 2012 mainly due to incorporation of operating expenses of new refining units, including Saratov refinery, Ryazan refinery and marketing units. This growth was significantly compensated by accumulation of intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories).

Downstream operating expenses increased by 44.8% in 2012 compared with 2011.

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

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
Operating expenses at refineries in Russia (RUB billion)	18.10	15.62	15.9%	57.46	35.14	27.71	63.5%	26.8%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	968	778	24.4%	829	720	576	15.1%	25.0%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	932	755	23.4%	799	691	547	15.6%	26.3%
Operating expenses at refineries outside Russia (RUB billion)*	4.08	3.14	29.9%	15.81	14.98	–	5.5%	–
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	1,463	1,140	28.3%	1,492	1,388	–	7.5%	–
Operating expenses per tonne of crude oil throughput (RUB per tonne)	1,468	1,139	28.9%	1,492	1,396	–	6.9%	–
Total operating expenses at Rosneft's refineries (RUB billion)	22.18	18.76	18.2%	73.27	50.12	27.71	46.2%	80.9%

**refineries outside Russia also procured for processing additives and materials: in the fourth quarter of 2013 – in the amount of RUB 7.30 billion, in the third quarter of 2013 – in the amount of RUB 7.44 billion., in the years 2013 and 2012 – in the amount of RUB 30.65 billion and RUB 33.70 billion, respectively. In the year of 2011 processing costs were reflected in 'Cost of purchased oil, gas and petroleum products and refining cost' of financial statements.*

Operating expenses of Rosneft's refineries were RUB 22.18 billion in the fourth quarter of 2013, which is an increase of 18.2% compared with the third quarter of 2013. In 2013 operating expenses of Rosneft's refineries increased by 46.2% compared with RUB 73.27 billion in 2012.

Operating expenses of Rosneft's refineries in Russia were RUB 18.10 billion, representing an increase of 15.9% compared with the third quarter of 2013 that was mainly due to increase in electricity tariffs, planned maintenance and repairs expenses.

In 2013 operating expenses of Rosneft's refineries in Russia increased to RUB 57.46 billion (or, by 63.5%) compared with RUB 35.14 billion in 2012 mainly due to incorporation of operating expenses of new refining units. Organic growth of the refining costs per tonne at Rosneft's refineries in Russia was 10.1%* compared with 2012. The growth resulted mainly from higher materials and supplies due to increased production of Euro-4 and Euro-5 standard petroleum products and other factors.

In 2012 these expenses increased by 26.8% to RUB 35.14 billion compared with RUB 27.71 billion in 2011. The growth resulted mainly from increase in volumes of additives used to produce euro-standard products in accordance with requirements of technical regulations for motor fuel quality. The growth was also due to higher prices for additives and other materials involved in production and increase in the electricity tariffs.

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

***Estimated by pro-forma data*

Other operating expenses

Operating expenses related to other activities increased by 18.6% in the fourth quarter of 2013 compared with the third quarter of 2013 due to the higher volumes of drilling services, energy transmission services and other services rendered to the third parties.

In 2013 other operating expenses increased by 2.9% up to RUB 31.7 billion compared with RUB 30.8 billion in 2012. The increase was primarily due to higher volumes of drilling services, sales of materials and other services rendered to the third parties.

In 2012 these expenses increased by 7.3% in 2011. The increase was primarily due to the higher volumes of drilling and other services rendered to the third parties.

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

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

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
Crude oil procurement								
Cost of crude oil procured (RUB billion)	95	103	(7.8)%	341	261	225	30.7%	16.0%
<i>including Domestic market</i>	31	36	(13.9)%	108	40	72	>100%	(44.4)%
<i>International market</i>	64	67	(4.5)%	233	221	153	5.4%	44.4%
Volume of crude oil procured (million of barrels)	39.8	42.5	(6.4)%	143.3	91.4	104.1	56.8%	(12.2)%
<i>including Domestic market</i>	21.9	23.6	(7.2)%	77.0	28.3	59.1	>100%	(52.1)%
<i>International market</i>	17.9	18.9	(5.3)%	66.3	63.1	45.0	5.1%	40.2%
Inventory revaluation write-off (RUB billion)	-	14	-	14	-	-	100%	-
Gas procurement								
Cost of gas procured (RUB billion)	12.3	9.3	32.3%	26.0	1.2	1.0	>100%	20.0%
Volume of gas procured (bcm)	7.57	5.37	40.1%	14.9	0.72	0.55	>100%	30.9%
Petroleum products procurement								
Cost of petroleum product procured (RUB billion) ¹	7	7	0.0%	35	57	61	(38.6)%	(6.6)%
Volume of petroleum product procured (million of tonnes)	0.32	0.26	23.1%	1.34	2.1	2.4	(36.2)%	(12.5)%
Crude oil, gas and petroleum products refining services								
Cost of refining of crude oil under processing agreements (RUB billion)	5.1	4.9	4.0%	15.6	-	11	100%	-
Volumes of crude oil refined under processing agreements (million of tonnes)	0.6	0.8	(25.0)%	4.0	-	7.2	100%	-
Volumes of refining of gas under processing agreements (bcm)	0.7	0.8	(12.5)%	3.7	-	-	100%	-
Volumes of refining of petroleum products under processing agreements (million of tonnes)	2.3	1.9	21.1%	4.4	-	-	100%	-
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	120	138	(13.0)%	432	319	298	35.4%	7.0%

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 procurement

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

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

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended 31 December,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 – 2012	2012 – 2011
	(million bbl, except %)							
International market	17.9	18.9	(5.3)%	66.3	63.1	45.0	5.1%	40.2%
Udmurtneft	5.2	5.6	(7.1)%	19.7	12.6	9.1	56.3%	38.5%
Tomskneft	-	-	-	-	-	39.7	-	-
Slavneft	15.1	15.4	(1.9)%	48.0	-	-	-	-
Others	1.6	2.6	(38.5)%	9.3	15.7	10.3	(40.8)%	52.4%
Total	39.8	42.5	(6.4)%	143.3	91.4	104.1	56.8%	(12.2)%

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

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

The volume of crude oil swaps amounted to 68.7 million barrels and 81.6 million barrels in 2013 and 2012, respectively. The gain from these transactions was approximately RUB 2.5 billion for 2013 and RUB 2.3 billion for 2012.

Petroleum products procurement

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

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

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

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2013			September 30, 2013			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	1	0.05	29.9	1	0.05	30.5	0	0.0%	2.0%
Diesel	1	0.05	26.8	1	0.03	26.4	0	66.7%	(1.5)%
Fuel oil	0	0.02	11.9	0	0.02	11.8	0	-	(0.8)%
Jet fuel	1	0.03	25.7	1	0.02	25.6	0	50.0%	(0.4)%
Other	0	0.00	0.0	0	0.00	0.0	-	-	-
Petroleum products procured outside Russia	4	0.17	29.7	4	0.14	30.3	-	21.4%	(2.0)%
Total	7	0.32	23.3	7	0.26	27.9	-	23.1%	(16.5)%

The volume of petroleum product procured in the fourth quarter of 2013 increased to 0.32 million of tonnes. The increase resulted from insufficient fulfillment of seasonal increased consumption of petroleum products from Company resources caused by turnarounds.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in 2013, 2012 and 2011:

	<i>For 12 months ended December 31,</i>									<i>% change for 12 months ended December 31, 2013 and 2012</i>			<i>% change for 12 months ended December 31, 2012 and 2011</i>		
	2013			2012			2011			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	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne						
High octane gasoline	6	0.24	28.2	24	0.90	26.7	50	1.85	26.6	(75.0)%	(73.3)%	7.9%	(52.0)%	(51.4)%	0.4%
Low octane gasoline	0	0.00	30.6	0	0.00	25.0	1	0.06	18.4	-	-	22.4%	(100.0)%	(100.0)%	35.9%
Diesel	4	0.17	27.0	10	0.41	25.1	8	0.42	20.5	(60.0)%	(58.5)%	7.6%	25.0%	(2.4)%	22.4%
Fuel oil	1	0.05	11.9	-	-	-	-	-	-	100.0%	100.0%	100%	-	-	-
Jet fuel	2	0.09	25.9	2	0.07	24.3	-	0.00	18.3	-	28.6%	6.6%	-	-	32.8%
Other	2	0.07	22.8	3	0.13	20.9	2	0.11	19.0	(33.3)%	(46.2)%	9.1%	50.0%	18.2%	10.0%
Petroleum products procured outside Russia	20	0.73	28.7	18	0.61	29.1	-	-	-	11.1%	19.7	(1.4)%	-	-	-
Total	35	1.34	26.4	57	2.12	25.5	61	2.44	24.9	(38.6)%	(36.2)%	3.5%	(6.5)%	(13.1)%	2.4%

The decrease in volumes of petroleum product purchased in 2013 compared to 2012 was due consumption fulfilment from Company's resources following the increase in processing volumes.

The decrease in volumes of petroleum product purchases in 2012 in comparison to 2011 was due to increased supplies for retail sales from own refineries.

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

Petroleum products procurement outside Russia

Petroleum products procured outside Russia amounted to RUB 4 billion (0.17 million tonnes) and RUB 4 billion (0.14 million tonnes) in the fourth quarter of 2013 and the third quarter of 2013, respectively. Additional petroleum products procurement mostly depends on demand fluctuations on the international market. Petroleum products purchased outside Russia in 2013 and 2012 were RUB 20 billion (0.73 mln tonnes) and RUB 18 billion (0.61 mln tonnes), respectively.

Gas procurement and crude oil and gas processing

Gas purchases amounted to RUB 12.3 billion in the fourth quarter of 2013, which was an increase of more than 32.3 % compared with RUB 9.3 billion in the third quarter of 2013. The increase was due to incorporation of NGK "Itera" LLC expenses in the fourth quarter of 2013.

Gas purchases in 2013, 2012 and 2011 were RUB 26.0 billion, RUB 1.2 billion and RUB 1.0 billion, respectively.

In the fourth quarter of 2013 the structure of processing services has changed. The share in volumes of crude oil and gas processing decreased due to sufficient fulfilment of own resources but share in volumes of petroleum products processing increased.

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

General and Administrative Expenses

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

The company strengthened control over administrative expenses. General and administrative expenses in the fourth quarter of 2013 were RUB 32 billion and in the third quarter of 2013 were RUB 33 billion.

In 2013 and 2012 general and administrative expenses were RUB 111 billion and RUB 68 billion, respectively. The increase was mainly driven by the incorporation of expenses of acquired assets, payment of commission fees under the long-term crude supply contracts, legal and consulting fees during the integration process with TNK and other services. In 2011 general and administrative expenses were RUB 52 billion.

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 fourth quarter of 2013 Rosneft's transportation costs increased by 2.8% and amounted to RUB 111 billion compared to the third quarter of 2013. The growth mainly resulted from a change in structure of crude oil dispatches to refineries and a reduction of petroleum products exported under FCA terms where the Company doesn't bear any transportation expenses.

In 2013 Rosneft's transportation costs increased by 62.7% compared to 2012. The growth in transportation costs was due to incorporation of expenses of new assets, transportation volumes growth and tariffs indexation, partially offset by the change in structure of transportation routes.

In 2012 Rosneft's transportation costs increased by 11.6% compared to 2011. The increase resulted from transportation tariffs growth, which was 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>		
	December 31, 2013				September 30, 2013				Volume	Cost	Cost per tonne
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t			
CRUDE OIL											
International sales											
Pipeline	25.3	92.7%	41.7	1.65	24.4	94.6%	40.7	1.66	3.7%	2.5%	(0.6)%
Railroad and mixed	2.0	7.3%	4.5	2.37	1.4	5.4%	3.3	2.31	42.9%	36.4%	2.6%
Transportation to refineries											
Pipeline ¹	22.6		17.2	0.76	24.2		18.6	0.77	(6.6)%	(7.5)%	(1.3)%
Railroad and mixed	1.6		6.9	4.24	1.4		5.5	4.02	14.3%	25.5%	5.5%
PETROLEUM PRODUCTS											
International sales											
Pipeline	1.0	6.8%	2.0	1.98	1.1	7.0%	2.1	1.95	(9.1)%	(4.8)%	1.5%
Railroad and mixed	11.8	79.7%	23.3	1.97	11.0	70.1%	20.4	1.88	7.3%	14.2%	4.8%
Pipeline and FCA ²	2.0	13.5%			3.6	22.9%			(44.4)%		
Other transportation expenses³			15				17			(11.8)%	
Total	66.3		111		67.1		108		(1.2)%	2.8%	

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

² Rosneft exported part of petroleum products in the fourth quarter of 2013 and in the third 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 fuel filling stations. Other transportation expenses also include Rosneft expenses on crude oil swap deals excluding effect of price economy.

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

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 2.6% due to increased export volumes and change in mix of transportation routes.

Crude oil pipeline transportation cost per tonne of supplies to refineries remained practically unchanged in the fourth quarter of 2013 compared to the third quarter of 2013.

The increase in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 5.5% which was due to higher volumes transported to Komsomolsk refinery (long route) and lower volumes transported to Saratov Refinery (short route).

The increase in pipeline cost per tonne of petroleum product international sales was 1.5% mainly due to change in transportation structure.

Railroad and mixed transportation cost per tonne of petroleum product international sales increased by 4.8% in the fourth quarter of 2013 due to change in structure of transportation routes.

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

	For 12 months ended December 31,												% change between the twelve months ended December 31, 2013 and 2012			% change between the twelve months ended December 31, 2012 and 2011		
	2013				2012				2011				Volume	Cost	Cost per tonne	Volume	Cost	Cost per tonne
	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	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t						
CRUDE OIL																		
International sales																		
Pipeline	91.9	94.5%	153.0	1.66	64.7	97.4%	105.6	1.63	61.5	96.3%	92.5	1.50	42.0%	44.9%	1.8%	5.2%	14.2%	8.7%
Railroad and mixed	5.4	5.5%	11.4	2.19	1.7	2.6%	1.4	0.84	2.4	3.7%	2.6	1.09	>100%	>100%	>100%	(29.2)%	(46.2)%	(22.9)%
Transportation to refineries																		
Pipeline ¹	75.1		54.0	0.72	43.4		25.8	0.59	42.0		24.2	0.58	73.0%	>100%	22.0%	3.3%	6.6%	1.7%
Railroad and mixed	6.1		23.5	3.83	6.1		24.2	3.97	6.2		23.7	3.84	-	(2.9)%	(3.5)%	(1.6)%	2.1%	3.4%
PETROLEUM PRODUCTS																		
International sales																		
Pipeline	3.9	7.1%	8.1	2.10	1.4	3.8%	3.3	2.39	0.6	1.9%	1.4	2.22	>100%	>100%	(12.1)%	>100%	>100%	7.7%
Railroad and mixed	40.4	73.5%	76.0	1.88	27.0	73.4%	47.0	1.74	25.5	77.2%	49.7	1.95	49.6%	61.7%	8.0%	5.9%	(5.4)%	(10.8)%
Pipeline and FCA ²	10.7	19.5%			8.4	22.8%			6.9	20.9%			27.4%			21.7%		
Other transportation expenses ³			65				34				22			91.2%			54.5%	
Total	233.5		392		152.7		241		145.1		216		52.9%	62.7%		5.2%	11.6%	

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

² Rosneft exported part of petroleum products in 2013, 2012 and 2011 through its own Tuapse pipeline 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 fuel filling stations. Other transportation expenses also include Rosneft expenses on crude oil swap deals excluding economy in price.

In 2013 the increase in crude oil pipeline transportation cost per tonne of international sales was 1.8% due to tariffs indexation and change in structure of transportation routes.

In 2012 the increase in crude oil pipeline transportation cost per tonne of international sales was 8.7% in 2012 due to an increase in tariffs by 2.7% – 14.8%.

In 2013 the growth in crude oil railroad and mixed transportation cost per tonne of international sales increased significantly which resulted from an increase in sales volumes and change in structure of railroad routes.

In 2012, the decrease in crude oil railroad and mixed transportation cost per tonne of international sales was 22.9% in 2012 due to the cease of Purneftegaz crude oil supply to CPC.

In 2013 crude oil pipeline transportation cost per tonne of supplies to refineries increased by 22.0% as a result of tariffs growth and change in structure of transportation routes.

In 2012 crude oil pipeline transportation cost per tonne of supplies to refineries increased by 1.7% as a result of tariffs growth that was partially offset by increased supplies to Ruhr Oel GmbH (ROG) of crude oil procured on the international market.

In 2013 the decrease in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 3.5%, due to increased logistic efficiency.

In 2012 the increase in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 3.4% due to an increase in tariffs.

In 2013 the decrease in pipeline cost per tonne of petroleum product international sales was 12.1% due to logistic efficiency.

In 2012 the increase in pipeline cost per tonne of petroleum product international sales was 7.7% due to increase in tariffs.

In 2013 the increase in railroad and mixed cost per tonne of petroleum product international sales was 8.0% due to change in structure of transportation routes.

The decrease in railroad and mixed cost per tonne of petroleum product international sales was 10.8% in 2012 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 fourth quarter of 2013 exploration expenses amounts to RUB 6 billion in comparison with RUB 5 billion in the third quarter of 2013 due to increased volumes of exploration drillings.

In 2013 exploration expenses decreased by 26.1% compared with 2012 due to decreased volumes of seismic works and other geological works not related to the exploration drilling on different license areas of the Company.

In 2012 exploration expenses were RUB 23 billion and increased by 76.9% compared with 2011 due to increased volumes of seismic exploration works at the blocks in the Black sea and Arctic off-shore.

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 123 billion in the fourth quarter of 2013 compared to RUB 120 billion in the third quarter of 2013, including effect of re-estimation of TNK fixed assets under purchase price allocation of RUB 11 billion. Excluding this effect, the increase of RUB 14 billion was due to increased production volumes and increased book value of fixed assets.

In 2013 depreciation, depletion and amortisation increased by 90.3% compared with RUB 206 billion in 2012, mainly due to incorporation of acquired assets into the Company.

Taxes Other than Income Tax

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

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

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 - 2012	2012- 2011
	(RUB billion, except %)							
Mineral extraction tax	233	235	(0.9)%	829	553	414	49.9%	33.6%
Excise tax	38	41	(7.3)%	136	79	55	72.2%	43.6%
Social security tax	7	8	(12.5)%	31	23	15	34.8%	53.3%
Property tax	6	6	-	22	12	11	83.3%	9.1%
Interest, penalties and other payments to budget	2	1	100.0%	6	5	3	20.0%	66.7%
Total taxes other than income tax	286	291	(1.7)%	1 024	672	498	52.4%	34.9%

Taxes other than income tax were RUB 286 billion and decreased by 1.7% in the fourth quarter of 2013, compared with RUB 291 billion in the third quarter of 2013. The changes is mainly explained by decrease in excise duties due to decrease in exports of petroleum products subject to excise duties.

In 2013 taxes other than income was RUB 1 024 billion, an increase of 52.4% (RUB 352 billion) compared to RUB 672 billion in 2012. The increase is mainly due to incorporation of other tax expenses of new acquired assets in 2013 and due to an increase in mineral extraction tax rate and excise duties.

In 2012 taxes other than income tax increased by 34.9% compared with 2011 mainly due to the beginning of the mineral extraction tax accruals for crude oil produced at the Vankor field and the increase in base rate of the mineral extraction tax and the excise tax rate indexation during 2012.

The following table sets the actual mineral extraction tax rates per tonne of crude oil and per tonne of oil equivalent produced for the periods analysed:

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 - 2012	2012- 2011
	(thousand RUB per ton, except %)							
Average enacted mineral extraction tax rate	5.47	5.63	(2.8)%	5.33	5.07	4.46	5.2%	13.7%
Actual mineral extraction tax expense per tonne of crude oil produced	4.78	4.84	(1.2)%	4.70	4.73	3.81	(0.6)%	24.1%
Actual mineral extraction tax expense per tonne of oil equivalent produced	4.19	4.29	(2.3)%	4.17	4.33	3.50	(3.7)%	23.7%

The actual mineral extraction tax rate is lower than generally established tax rate for the analysed period primarily due to the reduced rates for crude oil produced at fields with reserve depletion of over 80% and due to application of zero mineral extraction tax rate in the Irkutsk and the Krasnoyarsk regions until its accumulated production exceeds 25 million tonnes. The difference between enacted rate and actual rate is also affected by the normal delay in the inventory turnover.

In 2011 the actual average mineral extraction tax rate and expense duty on application of the zero rate for crude oil produced at the Vankor fields was applicable till August 2011. Since May 2012, the reduced mineral extraction tax is applicable to the Severo-Vankorsky license area of Vankor field. 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 between 4th and 3^d quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 - 2012	2012- 2011
	(RUB billion, except %)							
Export customs duty for crude oil	300	273	9.9%	1,025	689	612	48.8%	12.6%
Export customs duty for gas	-	1	-	1	-	-	-	-
Export customs duty for petroleum products	101	105	(3.8)%	356	212	178	67.9%	19.1%
Total export customs duties	401	379	5.8%	1,382	901	790	53.4%	14.1%

Export custom duty growth of 5.8% in the fourth quarter of 2013 was due to increased export volume, negative export duty lag effect and was partially compensated by a decrease in customs duty rates.

In 2013 export custom duty growth was 53.4% compared to 2012, mainly due to the expansion of Company's export operations resulted from consolidation of new acquired assets.

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

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 - 2012	2012-2011
	(thousand RUB, except %)							
Average Urals price	25.78	26.25	(1.8)%	25.67	25.08	23.45	2.4%	7.0%
Average enacted export customs duty	12.99	12.56	3.4%	12.49	12.57	12.02	(0.6)%	4.6%
Hypothetical export customs duty*	12.81	13.12	(2.4)%	12.50	12.55	12.61	(0.4)%	(0.5)%
Average customs duty on crude oil exports to non-CIS countries subject to regular rate (th. RUB/tonne)	13.01	12.52	3.9%	12.49	12.57	12.04	(0.6)%	4.4%

*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 decreased by 18.0% to RUB 150 billion in the fourth quarter of 2013 compared with RUB 183 billion in the third quarter of 2013. Operating income reduction was primarily due to decreased sales prices of crude oil, decreased sales volumes of petroleum products on domestic and international markets, accompanied by negative export duty lag effect and increased production expenses. As a percentage of total revenue operating income was 11.1% in the fourth quarter of 2013, 13.5% in the third quarter of 2013.

Operating income increased by 34.7% in 2013 compared to RUB 412 billion in 2012. Increase in operating income is primarily driven by increased sales volumes of petroleum product and gas, following the expansion of Company's activity. As a percentage of total revenue operating income was 11.8% in 2013 and 13.3% in 2012.

Finance Income and Expenses

Finance income and expenses include interest received on deposits, deposit certificates and loans issued, interest paid on loans and borrowings received, results from changes in fair value of financial assets measured at fair value, results from operations with derivative financial instruments, 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 by RUB 5 billion in the fourth quarter of 2013 compared to the third quarter of 2013. The increase in net finance expenses is mainly attributable to changes in quarterly net effect from operations with derivative financial instruments, particularly cross-currency rate swap and forward contracts: the net gain from the operations recorded is RUB 0 billion and RUB 5 billion in the fourth quarter of 2013 and in the third quarter of 2013, respectively.

In 2013 net finance expenses amounted to RUB 35 billion. In 2012 net finance income amounted to RUB 9 billion, respectively. In 2013 the increase in net finance expenses is mainly attributable to accrual of finance expenses on loans drawn for the acquisition of TNK assets, the repayment of bank deposits, and changes in net effect from operations with derivative financial instruments, particularly cross-currency rate swap, forward and collar contracts.

Net finance income in 2012 amounted to RUB 9 billion compared to RUB 1 billion in 2011. The increase is mainly attributable to changes in net effect from operations with derivative financial instruments and the extinguishment of restructured tax liabilities in 2011 and 2012.

Other income and other expenses

In the fourth quarter of 2013 other income amounted to RUB 35 billion compared to RUB 158 billion, including effect of RUB 167 billion of revaluation of TNK assets.

In 2013, 2012 and 2011 other income amounted to RUB 242 billion (including effect of RUB 167 billion fair price of TNK assets estimation), RUB 87 billion and RUB 25 billion, respectively.

In the fourth quarter of 2013 other expenses amounted to RUB 13 billion compared to RUB 26 billion in the third quarter of 2013. The decrease in other expenses is mainly due to strengthened control over expenses, the decrease in expenses on disposal of fixed assets and results of stocktaking.

In 2013, 2012 and 2011 other expenses amounted to RUB 59 billion, RUB 50 billion and RUB 48 billion, respectively.

Foreign Exchange Gain / (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 14 billion in the fourth quarter of 2013 compared with foreign exchange gain of RUB 9 billion in the third quarter of 2013. This change was attributed to revaluation of obligations denominated in foreign currency as a result of the significant weakening of the RUB against the US\$ in November 2013.

Foreign exchange loss in 2013 was RUB 71 billion compared to foreign exchange gain of RUB 11 billion in 2012. The increase in foreign exchange loss was attributed to losses recognition from the revaluation of obligations denominated in foreign currency due RUB depreciation against USD in 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 12 months ended December 31,</i>		
	December 31, 2013	September 30, 2013	2013	2012	2011
Effective income tax rate for Rosneft under IFRS	20.5%	24.5%	22.5%*	22.2%	21.2%

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

The Company applies the provision of IAS 12 "Income taxes" to determine effective tax rate. The effective tax rate is calculated as the ratio of income tax expense to income before tax. The effective tax rate in the fourth quarter of 2013 was 20.5%.

The income tax expense amounted to RUB 15 billion in the fourth quarter of 2013 compared to 40 RUB billion in the third quarter of 2013. In the fourth quarter of 2013 the income tax expense includes the adjustment of deferred tax estimation - income of RUB 17 billion for 2013. Income tax expense amounted to RUB 81 billion and RUB 104 billion in 2013 and 2012, respectively.

Net Income/(Loss)

As a result of the factors discussed above, net income amounted to RUB 134 billion in the fourth quarter of 2013 compared to the net income of RUB 113 billion in the third quarter of 2013 (excluding the effect of RUB 167 billion referring to the revaluation of TNK assets). Foreign exchange loss had a significant negative impact on the net income quarterly results.

Net income amounted to RUB 551 billion and RUB 365 billion in 2013 and 2012, respectively. The increase in the net income is mainly attributable to operating income and other income increase (including the effect of new assets acquired) which were partially offset by foreign exchange losses. In 2011 net profit was RUB 335 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 between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>Change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 - 2012	2012- 2011
	(RUB billion)		times	(RUB billion)			times	
Net cash provided by operating activities	377	263	1.43	1,213	521	487	2.33	1.07
Net cash used in investing activities	(362)	(282)	1.28	(2,220)	(452)	(394)	4.91	1.15
Net cash from/(used in) financing activities	11	(80)	-	968	73	(56)	13.26	-

Operating Cash Flow

Net cash provided by operating activities amounted to RUB 377 billion in the fourth quarter of 2013 compared to RUB 263 billion in the third quarter of 2012. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of RUB 17 billion in the fourth quarter of 2013 and net outflow of RUB 0 billion in the third quarter of 2013).

Net cash provided by operating activities amounted to RUB 1,213 billion in 2013 compared to RUB 521 billion in 2012. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net outflow of RUB 18 billion in 2013 and net inflow of RUB 5 billion in 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 394 billion in the fourth quarter of 2013 and RUB 263 billion in the third quarter of 2013. The adjusted net cash provided by operating activity amounted to RUB 1,231 billion in 2013 and RUB 516 billion in 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 between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>Change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 - 2012	2012- 2011
	(RUB billion)		times	(RUB billion)			times	
Net cash provided by operating activity	377	263	1.43	1,213	521	487	2.33	1.07
Effect from operation with trading securities	17	-	-	18	(5)	3	-	-
Adjusted net cash provided by operating activity	394	263	1.50	1,231	516	490	2.39	1.05
One off effect from receipts under long term oil contracts	163	49	3.33	470	-	-	-	-
Adjusted net cash provided by operating activity before change in working capital	231	214	1.08	761	516	490	1.47	1.05

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

- increase in prepayments under long-term crude oil supply agreements and current prepayments for crude oil and petroleum products supply in January 2014;
- increase in account payables of RUB 33 billion

which was compensated by:

- increase in customs duty and transportation prepayments of RUB 46 billion for the first weeks of 2014. These prepayments are regularly made at the end of the year.

In 2013 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of RUB 18 billion) amounted to RUB 1,231 billion in comparison with RUB 516 billion (adjusted for the result of the operations with trading securities of RUB 5 billion) in 2012.

Investing Activities

Net cash used in investing activities was RUB 362 billion in the fourth quarter of 2013, compared to RUB 282 billion in the third quarter of 2013. The increase in cash used in investing activities was due to acquisition of interests in associate companies and increase in capital expenditures in the fourth quarter of 2013 compared to the third quarter of 2013.

Net cash used in investing activities was RUB 2,220 billion and RUB 452 billion in 2013 and 2012, respectively. The increase in net cash used is mainly due to the acquisition of new assets in 2013. In 2011 Net cash used in investing activities was RUB 394 billion.

Capital Expenditures

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

	<i>For 3 months ended</i>		<i>% change between 4th and 3^d quarters</i>	<i>For 12 months ended December 31,</i>			<i>% change for 12 months ended December 31,</i>	
	December 31, 2013	September 30, 2013	2013	2013	2012	2011	2013 -2012	2012-2011
	(RUB billion, except %)							
LLC "RN-Yuganskneftegaz"	27	22	22.7%	100	108	96	(7.4)%	12.5%
JSC "Vankorneft"	15	13	15.4%	67	95	86	(29.5)%	10.5%
LLC "RN- Uvatneftegaz"	– *	10	(100.0)%	18*	–	–	–	–
JSC "Orenburgneft"	10	7	42.9%	25	–	–	–	–
JSC "Samotlorneftegaz"	4	3	33.3%	11	–	–	–	–
LLC "RN-Purneftegaz"	5	4	25.0%	18	18	15	–	20.0%
JSC "Samaraneftegaz"	2	3	(33.3)%	11	11	9	–	22.2%
JSC "Verkhnechonskneftegaz"	6	6	–	16	–	–	–	–
JSC "Tomskneft" VNK	2	1	100.0%	7	7	–	–	–
JSC "Rospan International"	3	2	50.0%	7	–	–	–	–
LLC "RN-Severnaya Neft"	2	1	100.0%	5	6	6	(16.7)%	–
JSC "RN- Nyaganneftegaz"	3	2	50.0%	6	–	–	–	–
LLC "JV "Vanyoganneft"	1	1	–	3	–	–	–	–
Other	18	10	80.0%	49	31	28	58.1%	10.7%
Total upstream segment	98*	85	15.3%	343*	276	240	24.3%	15.0%
JSC "NK "Rosneft"	1	–	–	1	1	1	–	–
Tuapse refinery	32	12	166.7%	69	76	59	(9.2)%	28.8%
Novokuibyshevsk refinery	8	4	100.0%	21	13	7	61.5%	85.7%
Kuibyshev refinery	5	4	25.0%	16	11	6	45.5%	83.3%
Angarsk refinery	3	4	(25.0)%	13	9	6	44.4%	50.0%
Achinsk refinery	6	3	100.0%	15	14	5	7.1%	180.0%
Syzran refinery	4	2	100.0%	13	8	5	62.5%	60.0%
Ryazan refinery	3	3	–	9	–	–	–	–
Saratov refinery	2	–	–	3	–	–	–	–
Komsomolsk refinery	–	6	(100.0)%	9	9	5	–	80.0%
Marketing Business Units and others ¹	14	7	100.0%	34	29	24	17.2%	20.8%
Total downstream segment	78	45	73.3%	203	170	118	19.4%	44.1%
Other activities ²	12	1	>100.0%	23	19	17	21.1%	11.8%
Subtotal capital expenditures	188*	131	43.5%	569*	465	375	22.4%	24.0%
Increase/(decrease) in stock of materials for capital expenditures	(6)	(1)	>100.0%	(9)	8	16	(212.5)%	(50.0)%
Total capital expenditures	182*	130	40.0%	560*	473	391	18.4%	21.0%
License acquisition costs	4	3	33.3%	12	4	7	200.0%	(42.9)%

¹ Relating to companies providing processing and storage services.

² Relating to other services companies.

* Including government grants in the amount of RUB 7 billion, which reduced capital expenditures.

In the fourth quarter of 2013 total capital expenditures (including construction material purchases), increased by 40.0% to RUB 182 billion compared with RUB 130 billion in the third quarter of 2013. Increase in capital expenditure in the fourth quarter of 2013 is mainly attributable to planned capital expenditures at the end of the year.

In 2013, 2012 and 2011 total capital expenditures (including construction material purchases) amounted to RUB 560 billion, RUB 473 billion and RUB 391 billion, respectively. The increase is due to incorporation of capital expenditures of new acquired entities.

Upstream capital expenditures increased by 15.3% to RUB 98 billion in the fourth quarter of 2013, compared with RUB 85 billion in the third quarter of 2012.

In 2013, 2012 and 2011 upstream capital expenditures amounted to RUB 343 billion, RUB 276 billion and RUB 240 billion, respectively. In 2013 construction works mainly include development of oil field infrastructure and construction of associated gas utilization facilities. The increase is due to incorporation of capital expenditures of newly acquired entities.

Downstream capital expenditures increased by 73.3% to RUB 78 billion in the fourth quarter of 2013, compared with RUB 45 billion in the third quarter of 2013.

In 2013, 2012 and 2011 downstream capital expenditures amounted to RUB 203 billion, RUB 170 billion and RUB 118 billion, respectively. In 2013 construction works mainly relate to continued programme for capacity upgrade and expansion at Rosneft's refineries, including modernisation of the Tuapse, Novokuibyshevsk, Syzran, Kuibyshev, Achinsk, Komsomolsk, Angarsk, Ryazan refineries.

In 2013 as part of the refinery modernization program in order to increase the refining depth and throughput and completely switch to production of the Euro-5 motor fuels the Company delivered large-scale equipment to Kuibyshev, Novokuibyshevsk, Syzran, Achinsk, Komsomolsk and Angarsk refineries and began installation works.

Capital expenditures for other activities increased to RUB 12 billion in the fourth quarter of 2013, compared with RUB 1 billion in the third quarter of 2013.

In 2013, 2012 and 2011 capital expenditures for other activities amounted to RUB 23 billion, RUB 19 billion and RUB 17 billion, respectively. In 2013 capital expenditures for other activities related to planned acquisition of transportation and other equipment.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling the materials to contractors that provide construction and drilling services at subsidiaries' fields. The net decrease in stock of materials for capital expenditures was RUB 6 billion in the fourth quarter of 2013, compared with RUB 1 billion in the third quarter of 2013. In 2013 the net decrease in stock of materials for capital expenditures was RUB 9 billion. In 2012 and 2011, the net increase in stock of materials for capital expenditures was RUB 8 billion and RUB 16 billion, respectively.

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

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

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

In the fourth quarter of 2013 the Company acquired licenses for research, exploration and production in the Nenets and Khanty-Mansi Autonomous Areas, Udmurtya, Samara region and Okhotsk Sea.

In 2012 and 2011 the license acquisition costs refer to the acquisition of licenses for research, exploration and production:

- In the Barents sea, in the Pechora sea, at blocks in the Ingooshetia and Samara regions in 2012;
- At blocks in the Nenets Autonomous Area, Krasnoyarsk region, Samara region and in the Okhotsk sea in 2011.

Financing activities

Net cash provided by financing activities was RUB 11 billion in the fourth quarter of 2013 compared to RUB 80 billion of net cash used in financing activities in the third quarter of 2013. The significant change in financing activities was mainly due to dividends paid in the third quarter in amount of RUB 85 billion.

Net cash provided by financing activities amounted to RUB 968 billion in 2013 compared to RUB 73 billion in 2012. Significant increase in cash provided by financing activity mainly resulted from long term loans drawn down from banks in the first quarter of 2013.

On June 20, 2013 the annual general shareholders' meeting approved dividends for 2012 in the amount of RUB 8.05 per share, exceeding by 6.9% the dividend per share for 2011. Total amount of recommended dividends for 2012 was RUB 85,315 million.

Net cash used in financing activities amounted to RUB 56 billion in 2011.

Debt Obligations

Rosneft net debt mounts to RUB 1,860 billion as of December 31, 2013 compared to RUB 1,909 billion as of September 30, 2013. The decrease is mainly attributable to planned repayments of loans drawn down for the acquisition of TNK assets.

Rosneft's total loans and borrowings was RUB 2,360 billion as of December 31, 2013 compared to RUB 2,373 billion as of September 30, 2013. The decrease was mainly attributable to planned loans repayment. In 2013 the Company made repayments of loans drawn down for acquisition of TNK assets in the amount of RUB 166.9 billion.

Additionally, net debt was adjusted for the amount of other short-term liabilities of RUB 7 billion and RUB 6 billion as of December 31, 2013 and September 30, 2013, respectively. The liabilities resulted from the incorporation of TNK assets, and were primarily disclosed in other short term liabilities.

Portion of Rosneft's long-term loans are secured by oil export contracts. As of December 31, 2013, September 30, 2013 and December 31, 2012 and: 23.6%, 23.2% and 48.4%, respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of December 31, 2013, September 30, 2013 and December 31, 2013 pledged oil exports constituted 4.2%, 5.2%, and 13.6%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

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

As of the date	December 31, 2013	September 30, 2013	December 31, 2013
	RUB billion		
Short term debt	684	522	143
Other short term liabilities	7	6	-
Long term debt	1,676	1,851	837
Total debt	2,367	2,379	980
Cash and cash equivalents	275	246	299
Short-term Financial assets	232	224	90
Net debt	1,860	1,909	591

Key Financial Ratios

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31, 2013	September 30, 2013	2013	2012	2011
EBITDA* margin	20.4%	23.5%	20.7%	20.0%	24.4%
Net income margin	9.9%	20.6%	11.7%	11.8%	12.3%
Net debt to annualised EBITDA	1.79 ¹	1.89	1.79 ¹	0.96	0.66
Current ratio	1.05	1.32	1.05	2.09	1.89
	RUB / bbl				
EBITDA*/bbl	756	881	739	724	832
Upstream capital expenditure/bbl	270	235	261	323	302
Upstream operating expenses/bbl	170	159	154	100	89
Free cash flow before interest/bbl	135	233	153	50	124
	RUB / boe				
EBITDA*/boe	664	782	656	661	764
Upstream capital expenditure/boe	237	209	232	295	277
Upstream operating expenses/boe	149	142	137	91	82
Free cash flow before interest/boe	118	207	136	46	114

*Calculated from adjusted data

¹ Estimation, including Itera results from 01.01.2013

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 12 months ended December 31,</i>		
	December 31, 2013	September 30, 2013	2013	2012	2011
Upstream capital expenditures (RUB billion)	98	85	343	276	240
Upstream operating expenses (RUB billion)	61.7	57.5	201.9	85.0	70.7
Barrels of crude oil produced (million)	363.6	361.0	1,312.1	853.9	795.8
Barrels of oil equivalent produced (million)	414.3*	406.5*	1,478.1*	934.5	866.4

*Excluding Itera gas production

Calculation of Adjusted Free Cash Flow

	<i>For 3 months ended</i>		<i>For 12 months ended December 31,</i>		
	December 31, 2013	September 30, 2013	2013	2012	2011
			(RUB billion)		
Net cash provided by operating activities	377	263	1,213	521	487
Capital expenditures	(182)	(130)	(560)	(473)	(391)
Trading securities operations	17	–	18	(5)	3
One-off effect from receipts under long term oil contracts	(163)	(49)	(470)	–	–
Adjusted free cash flow	49	84	201	43	99

Calculation of adjusted EBITDA Margin

	For 3 months ended		For 12 months ended December 31,		
	December 31, 2013	September 30, 2013	2013	2012	2011
	(RUB billion, except %)				
Operating income	150	183	555	412	469
Depreciation, depletion and amortisation	123	120	392	206	193
EBITDA	273	303	947	618	662
One off effect	2 ²	15	23 ¹	-	-
Adjusted EBITDA	275	318	970	618	662
Sales revenues	1,350	1,356	4 694	3,089	2,718
Adjusted EBITDA margin	20.4%	23.5%	20.7%	20.0%	24.4%

¹ One-off effect relates to commissions under loan term crude oil supply agreements and consulting services incurred during integration process in the amount of RUB 7 billion, the effect of inventory evaluation of RUB 14 billion under TNK purchase price allocation in the third quarter of 2013 and effect of re-estimation of land restoration liabilities.

² One off effect from re-estimation of land restoration liabilities.

Calculation of Net Income Margin

	For 3 months ended		For 12 months ended December 31,		
	December 31, 2013	September 30, 2013	2013	2012	2011
	(RUB billion, except %)				
Net income	134	280	551	365	335
Revenues	1,350	1,356	4,694	3,089	2,718
Net income margin	9.9%	20.6%	11.7%	11.8%	12.3%

Current ratio

	For 3 months ended		For 12 months ended December 31		
	December 31, 2013	September 30, 2013	2013	2012	2011
	(RUB billion, except %)				
Current assets	1,455	1,402	1,455	949	838
Current liabilities	1,387	1,059	1,387	453	443
Current ratio	1.05	1.32	1.05	2.09	1.89

Calculation of Capital Employed and Related Indicators

	For 12 months ended December 31		
	2013	2012	2011
	(RUB billion)		
Short-term loans, other liabilities and current portion of long-term debt	691	143	165
Long-term debt	1,676	837	596
Cash and cash equivalents	(275)	(299)	(166)
Short-term financial assets	(232)	(90)	(155)
Net debt¹	1,860	591	440
Shareholders' equity	3,126	2,283	2,068
Minority interest in subsidiaries' earnings	39	39	36
Equity	3,165	2,322	2,104
Capital employed	5,025	2,913	2,544
Average equity, including minority interest²	2,744	2,196	1,948
Average capital employed³	3,969	2,707	2,357

¹ The net debt estimation is set presented in "Debt obligations" section.

² Average equity including minority interest is calculated as a simple average of the equity including minority interest at the start and end of the given period.

³ Average capital employed is calculated as a simple average of the capital employed at the start and the end of the given period.

Calculation of Return on Average Capital Employed (ROACE)

	<i>For 12 months ended December 31</i>		
	2013	2012	2011
		(RUB billion, except %)	
Operating income	555	412	469
Income tax expense	(81)	(104)	(90)
Return used for calculation of ROACE	474	308	379
Average capital employed	3,969	2,707	2,357
ROACE	11.9%	11.4%	16.0%

Calculation of Return on Average Equity (ROAE)

	<i>For 12 months ended December 31</i>		
	2013	2012	2011
		(RUB billion, except %)	
Net income	551	365	335
Average equity, including minority interest	2,744	2,196	1,948
ROAE, annualized where appropriate	20.1%	16.6%	17.2%

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

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

	For 12 months ended December 31,		% change
	2013	2012	
Financial results, RUB billion			
Revenues and equity share in profits of associates and joint ventures	5,069	4,946	2.5%
EBITDA	1,033	1,032	0.1%
Net income	582	614	(5.2)%
Capital expenditures	593	618	(4.0)%
Operational results			
Crude oil and NGL production (th. barrels per day)	4 189	4,155	0.8%
Gas production (th.boe per day)	679	554	22.6%
Product output in Russia (million tonnes)	84.95	83.56	1.7%
Product output outside Russia (million tonnes)	12.73	13.34	(4.6)%

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

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

	For 3 months ended			Change (%)	For 12 months ended		Change (%)
	December 31, 2013	September 30, 2013			December 31, 2013	December 31, 2012	
	(million barrels)				(million barrels)		
Yuganskneftegaz (Western Siberia)	122.6	122.3	0.2%	487.2	488.8	(0.3)%	
Samaraneftegaz (Central Russia)	20.7	20.7	–	81.1	78.8	2.9%	
Purneftegaz (Western Siberia)	11.8	11.9	(0.8)%	47.5	50.7	(6.3)%	
Vankorneft (Eastern Siberia)	40.2	40.2	–	157.8	133.9	17.8%	
Severnaya Neft (Timan Pechora)	5.5	5.6	(1.8)%	22.70	25.7	(11.7)%	
Sakhalin-1 (Far East) (net of royalty and government share)	2.3	2.3	–	8.7	8.7	–	
JSC "Tomskneft" VNK (Western Siberia)	9.5	9.5	–	37.4	37.4	–	
Samotlorneftegas	43.7	43.8	(0.2)%	174.1	187.5	(7.1)%	
Orenburgneft	38.8	38.3	1.3%	151.8	153.9	(1.4)%	
Verkhnechonskneftegaz	14.5	14.3	1.4%	56.6	52.9	7.0%	
RN-Uvatneftegaz	17.7	17.3	2.3%	65.1	55.0	18.4%	
Varyeganneftez	14.1	13.9	1.4%	55.6	58.5	(5.0)%	
RN-Nyaganeftegaz	11.8	11.9	(0.8)%	47.3	51.9	(8.9)%	
Taas-Yuryakh	1.6	–	–	1.6	–	–	
Other	8.8	9.0	(2.2)%	36.1	37.1	(2.8)%	
Crude oil production by fully and proportionately consolidated enterprises	363.6	361.0	0.7%	1 430.6	1,420.8	0.7%	
Udmurtneft (Central Russia)	6.0	5.9	1.7%	23.6	23.5	0.4%	
Polar Lights (Timan Pechora)	0.4	0.4	–	1.6	1.9	(15.8)%	
Slavneft	15.1	15.4	(1.9)%	61.5	65.1	(5.5)%	
Other	2.9	3.1	(6.5)%	11.8	9.5	24.2%	
Total share in production of joint ventures	24.4	24.8	(1.6)%	98.5	100.0	(1.5)%	
Total crude oil production	388.0	385.8	0.6%	1,529.1	1,520.8	0.5%	

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

	For 3 months ended			Change (%)	For 12 months ended		Change (%)
	December 31, 2013	September 30, 2013	December 31, 2013		December 31, 2012		
	(bcm)	(bcm)	(bcm)		(bcm)		
Purneftegaz (Western Siberia)	1.06	1.06	–	4.17	4.07	2.5%	
Yuganskneftegaz (Western Siberia)	1.07	0.98	9.2%	3.78	3.16	19.6%	
Krasnodarneftegaz (Southern Russia)	0.85	0.73	16.4%	3.06	2.90	5.5%	
Samaraneftegaz (Central Russia)	0.13	0.12	8.3%	0.50	0.53	(5.7)%	
Severnaya Neft (Timan Pechora)	0.07	0.06	16.6%	0.26	0.29	(10.3)%	
Vankorneft (Eastern Siberia)	0.27	0.11	145.5%	0.63	0.47	34.0%	
Sakhalin-1 (Far East) (net of royalty and government share)	0.12	0.07	71.4%	0.40	0.34	17.6%	
JSC "Tomskneft" VNK (Western Siberia)	0.24	0.19	26.3%	0.86	0.84	2.4%	
NGK "ITERA" LLC	3.32	2.95	12.5%	6.27	–	–	
Samotlorneftegaz	1.43	1.37	4.4%	5.54	5.96	(7.0)%	
Rospan International	0.98	0.91	7.7%	3.73	3.49	6.9%	
Orenburgneft	0.79	0.65	21.5%	2.76	2.48	11.3%	
Varyeganneftez	0.79	0.71	11.3%	3.07	3.26	(5.8)%	
RN-Nyaganneftegaz	0.38	0.36	5.6%	1.39	1.23	13.0%	
Other	0.43	0.41	4.9%	1.89	2.28	(17.1)%	
Gas production by fully and proportionately consolidated enterprises	11.93	10.68	11.7%	38.31	31.30	22.4%	
NGK "ITERA" LLC	–	–	–	3.23	2.62	23.3%	
Slavneft	0.10	0.10	–	0.40	0.41	(2.4)%	
Other	0.04	0.04	–	0.17	0.15	13.3%	
Total share in production of joint ventures	0.14	0.14	–	3.80	3.18	19.5%	
Total gas production	12.07	10.82	11.6%	42.11	34.48	22.1%	

* Production volume equals extracted volume minus flared volume.

Crude oil processing in comparative periods of 2013 and 2012

	For 3 months ended			Change (%)	For 12 months ended		Change (%)
	December 31, 2013	September 30, 2013	December 31, 2013		December 31, 2012		
	(million of tonnes)	(million of tonnes)	(million of tonnes)		(million of tonnes)		
Crude oil processing at refineries in Russia	21.41	22.63	(5.4)%	84.95	83.56	1.7%	
Crude oil processing at refineries outside Russia	3.24	3.39	(4.4)%	12.73	13.34	(4.6)%	
including crude oil processing at Ruhr Oel GmbH (ROG)	2.78	2.76	0.7%	10.60	10.73	(1.2)%	
including crude oil processing in Belarus, Ukraine	0.46	0.63	(27.0)%	2.13	2.61	(18.5)%	
Total group crude oil processing	24.65	26.02	(5.3)%	97.68	96.90	0.8%	