



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED MARCH 31, 2013 AND 2012
AND FOR THE QUARTER ENDED DECEMBER 31, 2012**

The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended March 31, 2013 and 2012 and December 31, 2012 (the "Interim Consolidated Financial Statements"). Such terms as "Rosneft", "Company" and "Group" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies, including TNK-BP consolidated subsidiaries. Such terms as "TNK-BP assets" or "TNK-BP acquisition" refer to the acquisition of TNK-BP group, including its subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis, including financial and operational results of TNK-BP 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. Rospan gas condensate and natural liquid volumes are converted to barrels of oil equivalent at 8.3 and 10.6 barrels per ton, respectively.

Overview

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

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

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

Rosneft's crude oil production amounts to 4.17 million barrels per day (in the first quarter of 2013) and output of natural and associated gas is 5.97 billion cubic meters.

Rosneft, excluding TNK-BP subsidiaries, processes part of the crude oil produced at its seven domestic refineries with total primary refining capacity of 1.1 million barrels per day, including mini refineries.

Rosneft's domestic refinery throughput, excluding TNK-BP assets, is 1.0 million barrels per day (average for the first quarter of 2013) in Russia which equals around 42% of the Company's crude oil output. Current utilization of the refining capacities is close to maximum. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries. Rosneft also holds a 50% stake in Ruhr Oel GmbH where Rosneft processes both own and procured crude oil.

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

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

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

The Company obtained additional production capacities at TNK-BP refineries in Russia: Saratov, Ryazan, Yaroslavl regions, Nignevartovsk, and outside Russia: in Ukraine and Belarus.

The Company, including TNK-BP assets, will extend wholesale of petroleum products through the enlarged retail network of 2,435 service stations and will extend export volumes of petroleum products in Europe, Asia and CIS.

Financial and operating results of TNK-BP group since March 21, 2013 (since the acquisition date, for 11 days).

	<i>For 11 days ended March 31, 2013</i>
Financial results, RUB billion	
Revenues and equity share in profits of associates and joint ventures	53
EBITDA	10
Net income	6
Capital expenditures	3
Free cash flow	(23)
Net Debt	65
Operational results	
Liquids production (mln tonnes)	2.54
Gas production (bcm)	0.53
Production of petroleum products in Russia (mln tonnes)	1.00
Production of petroleum products outside Russia (mln tonnes)	0.06

In December 2012, Rosneft signed two loan agreements with a group of international banks for the total amount of US\$ 16.8 billion to finance the acquisition of 50% stake in each of TNK-BP Limited and TNK Industrial Holdings Limited from BP, pursuant to which Rosneft obtains a 5-year loan of US\$ 4.1 billion and a 2-year loan of US\$ 12.7 billion. In February 2013, Rosneft signed loan agreements for the total amount of US\$ 14.212 billion to acquire a 50% stake in TNK-BP Limited from AAR (Alfa, Access, Renova) Consortium. Also in March 2013, Rosneft received a short-term loan for the amount of US\$ 6.0 billion from a Russian bank to finance the AAR acquisition.

Financial and Operating Highlights*

	<i>For 3 months ended</i>		<i>% change</i>	<i>For 3 months ended</i>		<i>% change</i>
	March 31, 2013	December 31, 2012		March 31, 2013	March 31, 2012	
Financial results, RUB billion						
Revenues and equity share in profits of associates and joint ventures	812	792	2.5%	812	759	7.0%
EBITDA	156	145	7.6%	156	176	(11.4)%
Net income	102	62	64.5%	102	117	(12.8)%
Capital expenditures	95	123	(22.8)%	95	120	(20.8)%
Adjusted free cash flow	33**	13	153.8%	33**	(45)	-
Net Debt	1,781	591	>100.0%	1,781	458	>100.0%
Operational results						
Hydrocarbon production (th. boe per day)	4,804	2,823	70.2%	4,804	2,634	82.4%
Crude oil production (th. barrels per day)	4,169	2,479	68.2%	4,169	2,408	73.1%
Gas production (th.boe per day)	635	344	84.6%	635	226	180.9%
Product output in Russia (million tonnes)	12.69	12.56	1.0%	12.69	12.26	3.5%
Product output outside Russia (million tonnes)	2.66	2.77	(4.0)%	2.66	2.68	(0.7)%

*Financial and operating results of Rosneft group, excluding the effect from TNK-BP acquisition are presented in Attachments for reference.

**Excluding one-off effect from receipts under long term oil contracts of RUB 232 billion.

Business Segments and Intersegment sales

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

Business Segments

As at the reporting date (March 31, 2013) 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 first quarter of 2013

Changes in accounting policies

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		<i>% Change</i>
	December 31, 2012 <i>(restated)</i>	December 31, 2012	<i>% Change</i>	March 31, 2012 <i>(restated)</i>	March 31, 2012	
<u>Financial results, RUB billion.</u>						
Revenues and equity share in profits of associates and joint ventures	792	790	0.3%	759	757	0.3%
EBITDA	145	144	0.7%	176	174	1.1%
Net income	62	57	8.8%	117	112	4.5%
Capital expenditures	123	122	0.8%	120	118	1.7%
Free cash flow	13	13	-	(45)	(46)	(2.2)%
Net debt	591	581	1.7%	458	452	1.3%
<u>Financial ratios</u>						
EBITDA margin	18.3%	18.2%		23.2%	23.0%	
Net income margin	7.8%	7.2%		15.4%	14.8%	
Net debt to annualised EBITDA	1.02	1.01		0.65	0.65	
Current ratio	2.07	2.15		1.74	1.81	
<u>(RUR/bbl and RUR/t.)</u>						
EBITDA/bbl	665	689	(3.5)%	839	868	(3.3)%
Capital expenditures/bbl	348	359	(3.1)%	300	304	(1.3)%
Upstream operating expenses/bbl	103.9	94.8	9.6%	97.8	88.3	10.8%
Operating expenses at refineries in Russia/t.	694	694	-	651	651	-
Free cash flow/bbl	60	62	(3.2)%	(215)	(230)	(6.5)%
<u>Operating results</u>						
Hydrocarbon production (th. boe per day)	2,823	2,823		2,634	2,634	
Crude oil production (th. barrels per day)	2,479	2,479		2,408	2,408	
Gas production (th.boe per day)	344	344		226	226	
Production output in Russia (million tonnes)	12.56	12.56		12.26	12.26	
Product output outside Russia (million tonnes)	2.77	2.77		2.68	2.68	

Acquisition of licenses and 30 percent interest in ExxonMobil

In March 2013 Neftegaz America Shelf LP (Neftegaz), an indirect independent subsidiary of Rosneft, acquires 30 percent interest in 20 deepwater exploration blocks in the Gulf of Mexico held by ExxonMobil for exploration.

At the end of January 2013, a Russian Government order was signed granting Rosneft 12 licenses for areas in the Barents Sea, Kara Sea, Chukotka and Laptev Sea.

Other events

In 2013 Rosneft also signed long-term crude supply contracts with Glencore and Vitol, two of the world's leading trading companies. The prepayments under the contracts are used by the Company for corporate-wide and investment purposes.

Within the extended cooperation in crude oil trading Rosneft and CNPC signed heads of terms of crude supplies, which envisage contracts on additional supplies via the Skovorodino-Mohe pipeline over the next 25 years.

Macroeconomic Factors Affecting Results of Operations

Main factors, excluding the effect from acquisition of TNK-BP, affecting Rosneft's results of operations are:

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

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

Changes in Crude Oil, Petroleum Product and Gas Prices

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

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2013	December 31, 2012		March 31, 2013	March 31, 2012	
World market	(US\$ per barrel)			(US\$ per barrel)		
Brent (dated)	112.6	110.0	2.4%	112.6	118.5	(5.0)%
Urals (average CIF Med and NWE)	110.8	108.7	1.9%	110.8	116.9	(5.2)%
Urals (FOB Primorsk)	109.3	107.8	1.4%	109.3	115.8	(5.6)%
Urals (FOB Novorossysk)	110.1	108.2	1.8%	110.1	116.0	(5.1)%
Dubai	108.2	107.5	0.7%	108.2	116.1	(6.8)%
	(US\$ per tonne)			(US\$ per tonne)		
Naphtha (av. FOB/CIF Med)	923	921	0.3%	923	997	(7.4)%
Naphtha (av. FOB Rotterdam/CIF NWE)	943	939	0.4%	943	1.013	(6.9)%
Naphtha (CFR Japan)	962	944	1.9%	962	1.021	(5.8)%
Fuel oil 3.5% (av. FOB/CIF Med)	615	590	4.3%	615	682	(9.8)%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	611	587	4.1%	611	684	(10.7)%
High sulphur fuel oil 180 cst (FOB Singapore)	641	625	2.4%	641	734	(12.8)%
Gasoil 0.1% (av. FOB/CIF Med)	954	945	0.9%	954	997	(4.3)%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	958	952	0.7%	958	993	(3.5)%
Gasoil 0.25% (FOB Singapore)	941	937	0.4%	941	992	(5.2)%
	(th. RUB per barrel)			(th. RUB per barrel)		
Brent (dated)	3.42	3.42	0.0%	3.42	3.59	(4.7)%
Urals (average CIF Med and NWE)	3.37	3.38	(0.3)%	3.37	3.54	(4.8)%
Urals (FOB Primorsk)	3.32	3.35	(0.9)%	3.32	3.50	(5.1)%
Urals (FOB Novorossysk)	3.35	3.36	(0.3)%	3.35	3.51	(4.6)%
Dubai	3.29	3.34	(1.5)%	3.29	3.52	(6.5)%
	(th. RUB per tonne)			(th. RUB per tonne)		
Naphtha (av. FOB/CIF Med)	28.1	28.6	(1.7)%	28.1	30.2	(7.0)%
Naphtha (av. FOB Rotterdam/CIF NWE)	28.7	29.2	(1.7)%	28.7	30.7	(6.5)%
Naphtha (CFR Japan)	29.2	29.3	(0.3)%	29.2	30.9	(5.5)%
Fuel oil 3.5% (av. FOB/CIF Med)	18.7	18.3	2.2%	18.7	20.6	(9.2)%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	18.6	18.2	2.2%	18.6	20.7	(10.1)%
High sulphur fuel oil 180 cst (FOB Singapore)	19.5	19.4	0.5%	19.5	22.2	(12.2)%
Gasoil 0.1% (av. FOB/CIF Med)	29.0	29.4	(1.4)%	29.0	30.2	(4.0)%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	29.1	29.6	(1.7)%	29.1	30.1	(3.3)%
Gasoil 0.25% (FOB Singapore)	28.6	29.1	(1.7)%	28.6	30.0	(4.7)%
Russian market	(th. RUB per tonne)			(th. RUB per tonne)		
(net of VAT, including excise tax)						
Crude oil	10.5	10.3	1.9%	10.5	10.7	(1.9)%
Fuel oil	8.3	9.1	(8.8)%	8.3	8.9	(6.7)%
Summer diesel	24.5	24.6	(0.4)%	24.5	21.8	12.4%
Winter diesel	27.7	27.9	(0.7)%	27.7	24.6	12.6%
Jet fuel	24.0	24.5	(2.0)%	24.0	23.5	2.1%
High octane gasoline	26.8	27.4	(2.2)%	26.8	23.1	16.0%
Low octane gasoline	24.5	24.6	(0.4)%	24.5	22.2	10.4%

Sources: Platts (world market), Kortes/Argus (Russian market).

Difference between movement of prices denominated in US\$ and those denominated in RUB is explained by nominal RUB appreciation against US\$ by 2.1% in the first quarter of 2013 compared to the fourth quarter of 2012 and nominal RUB depreciation against US\$ by 0.5% in the first quarter of 2013 compared to the first quarter of 2012.

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

The regulated price has affected, and is likely to continue to affect, the pricing of Rosneft gas sales. Rosneft's average gas sale price (without VAT) was RUB 2.09 thousand per thousand cubic meters and RUB 2.05 thousand per thousand cubic meters in the first quarter of 2013 and fourth quarter of 2012, respectively. In the first quarter of 2012 average gas sale price was RUB 1.78 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>		
	March 31, 2013	December 31, 2012	March 31, 2012
Rouble inflation (CPI) for the period	1.9%	1.4%	1.5%
Average RUB/US\$ exchange rate for the period	30.41	31.08	30.26
RUB/US\$ exchange rate at the end of the period	31.08	30.37	29.33
Average RUB/EUR exchange rate for the period	40.19	40.31	39.68
RUB/EUR exchange rate at the end of the period	39.80	40.23	39.17

Source: CBR.

Taxation

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2013	December 31, 2012		March 31, 2013	March 31, 2012	
Mineral extraction tax						
Crude oil (RUB per tonne)	5,261	5,007	5.1%	5,261	5,284	(0.4)%
Natural gas (RUB per th. cubic meters)	265	251	5.6%	265	251	5.6%
Associated gas (RUB per th. cubic meters)	0	0	-	0	0	-
Export customs duty for crude oil						
Crude oil (US\$ per tonne)	406.5	406.6	(0.0)%	406.5	400.8	1.4%
Crude oil (RUB per tonne)	12,363	12,637	(2.2)%	12,363	12,130	1.9%
Crude oil (RUB per barrel)	1,690	1,728	(2.2)%	1,690	1,658	1.9%
Export customs duty for petroleum products						
Gasoline (RUB per tonne)	11,128	11,373	(2.2)%	11,128	10,916	1.9%
Naphtha (RUB per tonne)	11,128	11,373	(2.2)%	11,128	10,916	1.9%
Light and middle distillates (RUB per tonne)	8,160	8,340	(2.2)%	8,160	8,005	1.9%
Liquid fuels (fuel oil) (RUB per tonne)	8,160	8,340	(2.2)%	8,160	8,005	1.9%

In 2012 and first quarter of 2013 the export customs duty rate for East Siberian Crude crude oil was not different from ordinary crude oil rate.

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	until June 30, 2012	until December 31, 2012	until June 30, 2013	until December 31, 2013	2014	2015
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	9,416	10,358
High octane gasoline euro-5 (RUB per tonne)	5,143	6,822	5,143	5,143	5,750	5,750	6,223
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:

	For 3 months ended		
	March 31, 2013	December 31, 2012	March 31, 2012
Total revenues	812	792	759
Total taxes*	447	425	408
Effective tax burden, %	55.0%	53.7%	53.8%

* 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 48.6% and 47.4% of Rosneft's total revenues in the first quarter of 2013 and in the fourth quarter of 2012, respectively. In the first quarter of 2012 the mineral extraction tax and the export customs duty accounted for approximately 45.7% of Rosneft's total revenues.

Mineral Extraction Tax

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

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

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

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

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

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

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

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

Currently the Ministry of Finance of Russian Federation, the Ministry of Energy of Russian Federation and the Ministry of Economic Development and Trade of the Russian Federation are finalising changes to the special tax regime for certain offshore projects. The project categorises offshore projects into one of four groups depending on its complexity and specifies special MET rates for each project group ranging from 5% to 30% of international oil prices.

The Company has exploration and production licences for the fields with hard to recover reserves. The Ministries of the Russian Federation mentioned above are finalising the law on the lowered MET rate in respect of hard to recover reserves.

Export Customs Duty on Crude Oil

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

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

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

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

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

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

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

In accordance with the amendments to the Russian Federation law on customs tariffs, starting from 1 April 2013 the Government of the Russian Federation will establish formulas for calculation of the export customs duties on crude oil based on international oil prices. The rates of the export customs duties will be based on the established formulas and will be calculate by the authorized Federal Executive Body.

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

Export customs duty on crude oil export to CIS

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

Export Customs Duty on Petroleum Products

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

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

Changes in Transport Tariffs of Pipeline and Railway Monopolies

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

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

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

Recent changes of Transneft transportation tariffs

Petroleum products

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

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

Crude oil

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

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

Recent changes of railroad transportation tariffs

In January 2013 tariffs for railroad transportation were increased by 7.0% on average. In January 2012 tariffs for railroad transportation were increased by 6.0% on average.

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	<i>March 31,</i>	<i>December 31,</i>	<i>Change</i>	<i>March 31,</i>	<i>March 31,</i>	<i>Change</i>
	<i>2013</i>	<i>2012</i>		<i>2013</i>	<i>2012</i>	
	<i>(th. RUB/tonne)</i>		<i>(%)</i>	<i>(th. RUB/tonne)</i>	<i>(%)</i>	
CRUDE OIL						
Domestic						
<i>Pipeline</i>						
Yugansk – Samara refineries	0.79	0.78	1.3%	0.79	0.75	5.3%
Samara – Samara refineries	0.05	0.05	0.0%	0.05	0.05	0.0%
Yugansk – Angarsk refinery (long route)	1.32	1.30	1.5%	1.32	1.02	5.6%
Purneftegaz – Angarsk refinery (long route)	1.56	-	-	1.56	-	-
Purpe – Tuapse refinery	1.65	1.62	1.9%	1.65	1.56	5.8%
Tomsk – Achinsk refinery	0.36	0.35	2.9%	0.36	0.34	5.9%
Purneftegaz – Achinsk refinery (long route)	1.07	-	-	1.07	-	-
Orenburgneft (Krotovka)– Saratov NPZ*	0.27	-	-	0.27	-	-
Orenburgneft (Pokrovka) – Saratov NPZ*	0.34	-	-	0.34	-	-
Samotlor – Ryazan*	1.26	-	-	1.26	-	-
TNK UVAT – Ryazan*	1.06	-	-	1.06	-	-
Samotlor – Komsomolskiy NPZ*	0.54	-	-	0.54	-	-
Samotlor – Angarskaya NHK*	0.94	-	-	0.94	-	-
<i>Pipeline and railroad</i>						
Yugansk – Komsomolsk refinery	4.32	4.17	3.6%	4.32	4.14	4.3%
Purneftegaz – Komsomolsk refinery (long route)	4.54	-	-	4.54	-	-
Exports						
<i>Pipeline</i>						
Yugansk – Primorsk	1.60	1.58	1.3%	1.60	1.54	3.9%
Yugansk – Novorossysk	1.59	1.55	2.6%	1.59	1.49	6.7%
Vankor (Purpe)-Kozmino	2.08	2.02	3.0%	2.08	1.89	10.1%
Yugansk – Germany	1.60	1.56	2.6%	1.60	1.49	7.4%
Yugansk – Poland	1.53	1.49	2.7%	1.53	1.43	7.0%
Yugansk – Belorussia (Naftan)	1.71	1.62	5.6%	1.71	1.35	26.7%
Orenburgneft (Pokrovka) – Mozyr NPZ*	0.89	-	-	0.89	-	-
Samotlor – Novorossysk*	1.59	-	-	1.59	-	-
Verkhnechonskneftegaz – Kozmino*	2.08	-	-	2.08	-	-
<i>Railroad</i>						
Stavropolneftegaz – CPC	0.75	0.68	10.3%	0.75	0.70	7.1%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	1.99	1.90	4.7%	1.99	1.82	7.6%
Angarsk refinery – Nakhodka	4.44	4.16	6.7%	4.44	4.16	6.7%
Komsomolsk refinery – Nakhodka	1.74	1.63	6.7%	1.74	1.63	6.7%
Achinsk refinery – Tuapse	5.01	4.69	6.8%	5.01	4.69	6.8%
RNPK – Ventspils*	1.84	-	-	1.84	-	-
RNPK – Primorsk*	1.56	-	-	1.56	-	-
YANOS – Primorsk*	1.33	-	-	1.33	-	-
Fuel oil						
Angarsk refinery – Nakhodka	4.43	4.14	7.0%	4.43	4.14	7.0%
Komsomolsk refinery – Nakhodka	1.67	1.56	7.1%	1.67	1.56	7.1%
Achinsk refinery – Nakhodka	5.68	5.30	7.2%	5.68	5.30	7.2%
RNPK – Ust-Luga*	1.72	-	-	1.72	-	-
RNPK – Estonia*	2.00	-	-	2.00	-	-
SNPZ – Kerch*	1.93	-	-	1.93	-	-
YANOS – Estonia*	1.50	-	-	1.50	-	-
Naphtha						
Samara refineries – Tuapse	2.07	1.93	7.3%	2.07	1.93	7.3%
Achinsk refinery – Tuapse	4.86	4.58	6.1%	4.86	4.58	6.1%
Angarsk refinery – Nakhodka	4.19	3.92	6.9%	4.19	3.92	6.9%
Komsomolsk refinery – Nakhodka	1.71	1.60	6.9%	1.71	1.60	6.9%
Nignevartovsk NPO – Ventspils*	3.24	-	-	3.24	-	-

* Transportation tariffs of TNK-BP

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

Before the acquisition of TNK-BP assets Rosneft had main fully consolidated production and development enterprises, which produced crude oil in Western Siberia, Eastern Siberia, Timan Pechora, Central Russia, southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project and a 50% stake in OJSC Tomskneft, both accounted for using proportionate consolidation method. In addition, Rosneft participates in production joint ventures accounted for using the equity method: Udmurtneft – 49.54%, Polar Lights – 50.0% and Verknechonskneftegaz – 25.94% (before the date of TNK-BP acquisition). Starting from the date of TNK-BP acquisition the Company's production includes new upstream production enterprises, located both in Russia and outside Russia, including full consolidation results of Verknechonskneftegaz.

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	<i>March 31, 2013</i>	<i>December 31, 2012</i>	<i>Change</i>	<i>March 31, 2013</i>	<i>March 31, 2012</i>	<i>Change</i>
	<i>(million barrels)</i>		<i>(%)</i>	<i>(million barrels)</i>		<i>(%)</i>
Yuganskneftegaz (Western Siberia)	120.8	122.9	(1.7)%	120.8	121.4	(0.5)%
Samaraneftgaz (Central Russia)	19.5	19.9	(2.0)%	19.5	19.3	1.0%
Purneftgaz (Western Siberia)	11.9	12.5	(4.8)%	11.9	12.8	(7.0)%
Vankorneft (Eastern Siberia)	38.0	37.7	0.8%	38.0	30.4	25.0%
Severnaya Neft (Timan Pechora)	6.0	6.2	(3.2)%	6.0	6.6	(9.1)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.0	2.2	(9.1)%	2.0	2.1	(4.8)%
Tomskneft (Western Siberia)	9.1	9.3	(2.2)%	9.1	9.3	(2.2)%
Other Rosneft	7.4	7.5	(1.3)%	7.4	7.8	(5.1)%
<i>Samotlorneftegaz*</i>	4.9	–	–	4.9	–	–
<i>Orenburgneft*</i>	4.5	–	–	4.5	–	–
<i>Verkhnechonskneftegaz*</i>	1.7	–	–	1.7	–	–
<i>TNK Uvat*</i>	1.8	–	–	1.8	–	–
<i>Other TNK-BP assets*</i>	3.8	–	–	3.8	–	–
Crude oil production by fully and proportionately consolidated enterprises	231.4	218.2	6.0%	231.4	209.7	10.3%
Udmurtneft (Central Russia)	5.8	6.0	(3.3)%	5.8	5.8	0.0%
Polar Lights (Timan Pechora)	0.4	0.5	(20.0)%	0.4	0.5	(20.0)%
Verkhnechonskneftegaz (Eastern Siberia) ¹	3.1	3.4	(8.8)%	3.1	3.1	0.0%
Other Rosneft	0.1	–	–	0.1	–	–
<i>Slavneft*</i>	1.9	–	–	1.9	–	–
<i>Other TNK-BP assets*</i>	0.3	–	–	0.3	–	–
Total share in production of joint ventures	11.6	9.9	17.2%	11.6	9.4	23.4%
Total crude oil production	243.0	228.1	6.5%	243.0	219.1	10.9%
Daily crude oil production (th. barrels per day)	4,169	2,479	68.2%	4,169	2,408	73.1%

¹ Before the date of TNK-BP acquisition.

*Production is included starting from the date of TNK-BP acquisition.

In the first quarter of 2013 Rosneft's average daily crude oil production was 4,169 th. barrels per day, which is an increase of 68.2% compared with the fourth quarter of 2012, including the effect from TNK-BP acquisition of 1,674 th. barrels per day (estimated for 11 days starting from the date of acquisition). The increase in production level was mainly due to the effect of TNK-BP production assets acquisition of 18.4 million barrels. Excluding the effect of TNK-BP acquisition, daily organic production growth in the period increased by 0.6% due to organic oil production growth at Vankor, driven mainly by the launch of new wells. Overall daily production growth was partially offset by the natural decline in production at Western Siberia and Russian Far East fields.

In the first quarter of 2013 Rosneft's average daily crude oil production was 73.1% higher than in the first quarter of 2012. The growth, excluding the acquisition of TNK-BP assets effect, was driven primarily by production increase at Vankor and Samaraneftegaz fields and was partially offset by production decrease at Purneftegaz and Severnaya Neft.

Production of Gas

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2013	December 31, 2012	<i>Change</i>	March 31, 2013	March 31, 2012	<i>Change</i>
	(bcm)		(%)	(bcm)		(%)
Purneftegaz (Western Siberia)	1.02	1.07	(4.7)%	1.02	1.03	(1.0)%
Yuganskneftegaz (Western Siberia)	0.92	0.89	3.4%	0.92	0.77	19.5%
Krasnodarneftegaz (Southern Russia)	0.80	0.82	(2.4)%	0.80	0.76	5.3%
Samaraneftegaz (Central Russia)	0.12	0.13	(7.7)%	0.12	0.13	(7.7)%
Severnaya Neft (Timan Pechora)	0.07	0.07	0.0%	0.07	0.08	(12.5)%
Vankorneft (Eastern Siberia)	0.14	0.14	0.0%	0.14	0.11	27.3%
Sakhalin-1 (Far East) (net of royalty and government share)	0.13	0.11	18.2%	0.13	0.11	18.2%
Tomskneft (Western Siberia)	0.20	0.25	(20.0)%	0.20	0.19	5.3%
Other Rosneft	0.27	0.29	(6.9)%	0.27	0.31	(12.9)%
<i>Samoilorneftegaz*</i>	0.17	–	–	0.17	–	–
<i>Rospan International*</i>	0.11	–	–	0.11	–	–
<i>Other TNK-BP assets*</i>	0.24	–	–	0.24	–	–
Gas production by fully and proportionately consolidated enterprises	4.19	3.77	11.1%	4.19	3.49	20.1%
ITERA LLC	1.76	1.60	10.0%	1.76	–	–
Other	0.01	–	–	0.01	0.01	0.0%
<i>Slavneft*</i>	0.01	–	–	0.01	–	–
Total share in production of joint ventures	1.78	1.60	11.3%	1.78	0.01	>100.0%
Total gas production	5.97	5.37	11.2%	5.97	3.50	70.6%
Natural gas	3.18	2.89	10.0%	3.18	1.23	>100.0%
Associated gas	2.79	2.48	12.5%	2.79	2.27	22.9%

*Gas production is included from the date of acquisition of TNK-BP.

** Production volume equals extracted volume minus flared volume.

In the first quarter of 2013 Rosneft's natural and associated gas production was 5.97 bcm, which was 11.2% higher than in the fourth quarter of 2012.

Excluding the effect of TNK-BP acquisition, the gas production increased by 1.3%. The increase in the first quarter of 2013 was mainly attributed to the production increase at ITERA LLC and Yuganskneftegaz. At the same time, the production growth was offset by seasonal decrease at Samaraneftegaz, Tomskneft and Purneftegaz.

In the first quarter of 2013 Rosneft's natural and associated gas production was significantly higher than in the similar period of 2012, mainly due to ITERA and TNK-BP acquisition which led to the overall increase in gas production by 2.47 bcm.

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

Petroleum Product Output

Rosneft processes produced and procured crude oil at its refineries: the Tuapse refinery on the Black Sea in the South of Russia, the Komsomolsk refinery in the Russian Far East, the Achinsk and Angarsk refineries in Eastern Siberia and the Kuibyshev, Novokuibyshevsk and Syzran refineries in the Samara region (European part of Russia). Rosneft also owns production capacity at four Ruhr Oel GmbH refineries in Germany. The Company significantly extended refinery capacity due to the acquisition of TNK-BP, in Russia and outside Russia, producing crude oil at refineries in Saratov, Ryazan, Yaroslavl regions, in Nignevartovsk, in Ukraine and Belarus.

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

	For 3 months ended			Change	For 3 months ended		Change
	March 31, 2013	December 31, 2012	(%)		March 31, 2013	March 31, 2012	
	(million of tonnes)				(million of tonnes)		
Crude oil processing at Rosneft's own refineries in Russia	13.19	13.10	0.7%	13.19	12.84	2.7%	
<i>including processing at TNK-BP refineries in Russia</i>	<i>1.04</i>	<i>-</i>	<i>-</i>	<i>1.04</i>	<i>-</i>	<i>-</i>	
Crude oil processing at Rosneft's refineries outside Russia	2.65	2.81	(5.7)%	2.65	2.70	(1.9)%	
<i>including crude oil processing at Ruhr Oel GmbH</i>	<i>2.59</i>	<i>2.81</i>	<i>(7.8)%</i>	<i>2.59</i>	<i>2.70</i>	<i>(4.1)%</i>	
<i>including crude oil processing at TNK-BP refineries outside Russia</i>	<i>0.06</i>	<i>-</i>	<i>-</i>	<i>0.06</i>	<i>-</i>	<i>-</i>	
Total group crude oil processing	15.84	15.91	(0.4)%	15.84	15.54	1.9%	
Product output:							
High octane gasoline	1.46	1.38	5.8%	1.46	1.38	5.8%	
Low octane gasoline	0.04	0.07	(42.9)%	0.04	0.10	(60.0)%	
Naphtha	0.72	0.94	(23.4)%	0.72	0.89	(19.1)%	
Diesel	4.16	4.49	(7.3)%	4.16	4.39	(5.2)%	
Fuel oil	3.97	4.33	(8.3)%	3.97	4.22	(5.9)%	
Jet	0.30	0.34	(11.8)%	0.30	0.28	7.1%	
Petrochemicals	0.16	0.17	(5.9)%	0.16	0.15	6.7%	
Other*	0.88	0.84	4.8%	0.88	0.85	3.5%	
Product output at TNK-BP refineries in Russia	1.00	-	-	1.00	-	-	
Product output at Rosneft's refineries in Russia	12.69	12.56	1.0%	12.69	12.26	3.5%	
Product output at Rosneft's refineries outside Russia	2.66	2.77	(4.0)%	2.66	2.68	(0.7)%	
<i>including crude oil output at Ruhr Oel GmbH</i>	<i>2.60</i>	<i>2.77</i>	<i>(6.1)%</i>	<i>2.60</i>	<i>2.68</i>	<i>(3.0)%</i>	
<i>including product output at TNK-BP refineries outside Russia</i>	<i>0.06</i>	<i>-</i>	<i>-</i>	<i>0.06</i>	<i>-</i>	<i>-</i>	
Total group product output	15.35	15.33	0.1%	15.35	14.94	2.7%	

*including production of petroleum products at gas refineries

In the first quarter of 2013 Rosneft's total refinery throughput decreased by 0.4% compared with the fourth quarter of 2012. Excluding the effect of TNK-BP acquisition, refinery throughput was 7.4% lower than in the fourth quarter of 2012 and amounted to 14.74 million tonnes.

Refinery throughput at refineries in Russia increased by 0.7% in the first quarter of 2013 compared to the fourth quarter of 2012. Excluding the effect of TNK-BP acquisition refinery throughput at refineries in Russia decreased by 7.3% compared with the fourth quarter of 2012 and amounted to 12.15 million tonnes. The decrease in throughput at refineries in Russia was due to planned turnarounds at Tuapse refinery and decrease in production capacities at Komsomolsk refinery and other refineries due to decreased demand in the winter period. These factors resulted in the change of product output structure in the first quarter of 2013 compared to the fourth quarter of 2012.

The refinery throughput at refineries outside Russia in the first quarter of 2013 was 5.7% lower compared to the fourth quarter 2012. Excluding the effect of TNK-BP acquisition the decrease was 7.8% which was due to turnarounds at Gelsenkirchen refinery in the first quarter of 2013. Rosneft's share in processing of non-crude feedstock at Ruhr Oel GmbH refineries was 0.34 and 0.30 million of tonnes in the first quarter of 2013 and in the fourth quarter of 2012 respectively.

In the first quarter of 2013 Rosneft's total refinery throughput increased by 1.9% compared to the first quarter of 2012. Excluding the effect of TNK-BP acquisition, refinery throughput outside Russia was 5.1% lower than in the fourth quarter of 2012 and amounted to 14.74 million tonnes.

Refinery throughput at refineries in Russia increased by 2.7% in the first quarter of 2013 compared to the first quarter of 2012. Excluding the effect of TNK-BP acquisition refinery throughput at refineries in Russia decreased by 5.4% compared with the fourth quarter of 2012 and amounted to 12.15 million tonnes. The decrease in throughput at refineries in Russia was due to planned turnarounds at Tuapse refinery in the first quarter of 2013.

In the first quarter of 2012 Rosneft's refinery throughput at refineries outside Russia decreased by 1.9% compared with the first quarter of 2012. Excluding the effect of TNK-BP acquisition refinery throughput at refineries outside Russia was 4.1% lower due to turnarounds at Gelsenkirchen refinery in the first quarter of 2013.

Results of Operations

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	<i>March 31, December 31,</i>		<i>Change</i>	<i>March 31, March 31,</i>		<i>Change</i>
	<i>2013</i>	<i>2012</i>		<i>2013</i>	<i>2012</i>	
	<i>(RUB billion)</i>		<i>(%)</i>	<i>(RUB billion)</i>		<i>(%)</i>
Revenues and equity share in profits of associates and joint ventures						
Oil and gas sales	414	385	7.5%	414	378	9.5%
Petroleum products and petrochemicals sales	381	388	(1.8)%	381	364	4.7%
Support services and other revenues	10	11	(9.1)%	10	10	0.0%
Equity share in profits of associates and joint ventures	7	8	(12.5)%	7	7	0.0%
Total revenues and equity share in profits of associates and joint ventures	812	792	2.5%	812	759	7.0%
Costs and expenses						
Production and operating expenses	60	69	(13.0)%	60	51	17.6%
Cost of purchased oil, gas and petroleum products and refining costs	75	83	(9.6)%	75	77	(2.6)%
General and administrative expenses	17	20	(15.0)%	17	15	13.3%
Pipeline tariffs and transportation costs	70	62	12.9%	70	60	16.7%
Exploration expenses	3	8	(62.5)%	3	5	(40.0)%
Depreciation, depletion and amortisation	56	55	1.8%	56	49	14.3%
Taxes other than income tax	188	168	11.9%	188	168	11.9%
Export customs duty	243	237	2.5%	243	207	17.4%
Total cost and expenses	712	702	1.4%	712	632	12.7%
Operating income	100	90	11.1%	100	127	(21.3)%
Finance income	3	9	(66.7)%	3	6	(50.0)%
Finance expenses	(7)	(3)	>100.0%	(7)	(5)	40.0%
Other income	48	1	>100.0%	48	1	>100.0%
Other expenses	(15)	(23)	(34.8)%	(15)	(5)	>100.0%
Result of operations with foreign currency, foreign exchange differences	(11)	8	<(100.0)%	(11)	26	<(100.0)%
Income before income tax	118	82	43.9%	118	150	(21.3)%
Income tax expense	(16)	(20)	(20.0)%	(16)	(33)	(51.5)%
Net income	102	62	64.5%	102	117	(12.8)%
Other comprehensive income/(loss)						
Foreign exchange differences on translation of foreign operations	–	–	–	–	(1)	(100.0)%
Gain/(loss) from changes in fair value of financial assets available for-sale	3	(1)	>100.0%	3	(1)	>100.0%
Total other comprehensive income/(loss), net of tax	3	(1)	>100.0%	3	(2)	>100.0%
Total comprehensive income, net of tax	105	61	72.1%	105	115	(8.7)%

	<i>For 3 months ended</i>		
	<i>March 31,</i>	<i>December 31,</i>	<i>March 31,</i>
	<i>2013</i>	<i>2012</i>	<i>2012</i>
EBITDA	156	145	176
Operating income margin	12.3%	11.4%	16.7%
Share of pipeline and transportation costs in revenue	8.6%	7.8%	7.9%
Net income margin	12.6%	7.8%	15.4%

* 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 first quarter of 2013 revenues and equity share in profits of associates and joint ventures amounted to RUB 812 billion. Excluding the effect of TNK-BP acquisition RUB 53 billion, revenues and equity share in profits of associates and joint ventures were 3.7% lower compared to those of the fourth quarter of 2012 and amounted to RUB 763 billion. The decrease was mainly driven by decrease in sales volumes of petroleum products and partially offset by growth of sales volumes of crude oil.

In the first quarter of 2013 revenues and equity share in profits of associates and joint ventures, excluding the effect of TNK-BP acquisition, were 0.5% higher compared to the first quarter of 2012, which was driven by increase in sales volumes of crude oil and partially offset by decrease of market price. Urals price decreased by 5.2% and the world market prices for diesel and fuel oil denominated in RUB fell down by 4.0% and 10.1% respectively.

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2013		December 31, 2012		<i>Change, (%)</i>	March 31, 2013		March 31, 2012		<i>Change, (%)</i>
	% 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	377	46.5%	359	45.3%	5.0%	377	46.5%	351	46.2%	7.4%
Europe and other directions	277	34.2%	261	32.9%	6.1%	277	34.2%	246	32.4%	12.6%
Asia	100	12.3%	98	12.4%	2.0%	100	12.3%	105	13.8%	(4.8)%
International sales to CIS	23	2.8%	20	2.5%	15.0%	23	2.8%	21	2.8%	9.5%
Domestic	6	0.7%	0	0.0%	–	6	0.7%	2	0.3%	>100.0%
Total crude oil	406	50.0%	379	47.8%	7.1%	406	50.0%	374	49.3%	8.6%
Gas	8	1.0%	6	0.8%	33.3%	8	1.0%	4	0.5%	100.0%
Petroleum products										
International Sales to non-CIS	219	27.0%	221	27.9%	(0.9)%	219	27.0%	226	29.7%	(3.1)%
Europe and other directions	153	18.9%	167	21.1%	(8.4)%	153	18.9%	167	21.9%	(8.4)%
Asia	66	8.1%	54	6.8%	22.2%	66	8.1%	59	7.8%	11.9%
International Sales to CIS	4	0.5%	4	0.5%	0.0%	4	0.5%	2	0.3%	100.0%
Domestic	123	15.1%	128	16.2%	(3.9)%	123	15.1%	106	14.0%	16.0%
Wholesale	70	8.6%	73	9.3%	(4.1)%	70	8.6%	62	8.2%	12.9%
Retail	53	6.5%	55	6.9%	(3.6)%	53	6.5%	44	5.8%	20.5%
Sales of bunker fuel to end-users	10	1.2%	13	1.6%	(23.1)%	10	1.2%	9	1.2%	11.1%
Total petroleum products	356	43.8%	366	46.2%	(2.7)%	356	43.8%	343	45.2%	3.8%
Petrochemical products	25	3.1%	22	2.8%	13.6%	25	3.1%	21	2.8%	19.0%
International sales	22	2.7%	19	2.4%	15.8%	22	2.7%	18	2.4%	22.2%
Domestic	3	0.4%	3	0.4%	0.0%	3	0.4%	3	0.4%	0.0%
Support services and other revenues	10	1.2%	11	1.4%	(9.1)%	10	1.2%	10	1.3%	0.0%
Equity share in profits of associates and joint ventures	7	0.9%	8	1.0%	(12.5)%	7	0.9%	7	0.9%	0.0%
Total sales	812	100.0%	792	100.0%	2.5%	812	100.0%	759	100.0%	7.0%

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

Sales Volumes

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

	For 3 months ended					Change	For 3 months ended				
	March 31, 2013		December 31, 2012		%		March 31, 2013		March 31, 2012		%
	mln bbls	% of total volume	mln bbls	% of total volume			mln bbls	% of total volume	mln bbls	% of total volume	
Crude oil											
International Sales to non-CIS	119.3	47.6%	111.2	46.5%	7.3%	119.3	47.6%	103.8	46.9%	14.9%	
Europe and other directions	84.7	33.8%	77.5	32.4%	9.3%	84.7	33.8%	70.2	31.7%	20.7%	
Asia	34.6	13.8%	33.7	14.1%	2.7%	34.6	13.8%	33.6	15.2%	3.0%	
International sales to CIS	14.0	5.6%	13.1	5.5%	6.9%	14.0	5.6%	11.7	5.3%	19.7%	
Domestic	4.4	1.8%	0.1	0.0%	>100.0%	4.4	1.8%	0.7	0.3%	>100.0%	
Total crude oil	137.7	55.0%	124.4	52.0%	10.7%	137.7	55.0%	116.2	52.5%	18.5%	
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes			
International Sales to non-CIS	16.2	47.6%	15.2	46.5%	7.3%	16.2	47.6%	14.2	46.9%	14.9%	
Europe and other directions	11.5	33.8%	10.6	32.4%	9.3%	11.5	33.8%	9.6	31.7%	20.7%	
Asia	4.7	13.8%	4.6	14.1%	2.7%	4.7	13.8%	4.6	15.2%	3.0%	
CIS	1.9	5.6%	1.8	5.5%	6.9%	1.9	5.6%	1.6	5.3%	19.7%	
Domestic	0.6	1.8%	0.0	0.0%	>100.0%	0.6	1.8%	0.1	0.3%	>100.0%	
Total crude oil	18.7	55.0%	17.0	52.0%	10.7%	18.7	55.0%	15.9	52.5%	18.5%	
Petroleum products											
International Sales to non-CIS	8.8	25.8%	8.7	26.7%	1.1%	8.8	25.8%	8.3	27.4%	6.0%	
Europe and other directions	6.0	17.6%	6.7	20.6%	(10.4)%	6.0	17.6%	6.2	20.5%	(3.2)%	
Asia	2.8	8.2%	2.0	6.1%	40.0%	2.8	8.2%	2.1	6.9%	33.3%	
International Sales to CIS	0.2	0.6%	0.2	0.6%	0.0%	0.2	0.6%	0.1	0.3%	100.0%	
Domestic	4.9	14.4%	5.2	15.9%	(5.8)%	4.9	14.4%	4.7	15.5%	4.3%	
Wholesale	3.3	9.7%	3.4	10.4%	(2.9)%	3.3	9.7%	3.2	10.5%	3.1%	
Retail	1.6	4.7%	1.8	5.5%	(11.1)%	1.6	4.7%	1.5	5.0%	6.7%	
Sales of bunker fuel to end-users	0.6	1.8%	0.8	2.4%	(25.0)%	0.6	1.8%	0.5	1.7%	20.0%	
Total petroleum products	14.5	42.6%	14.9	45.6%	(2.7)%	14.5	42.6%	13.6	44.9%	6.6%	
Petrochemical products	0.8	2.4%	0.8	2.4%	0.0%	0.8	2.4%	0.8	2.6%	0.0%	
International sales	0.6	1.8%	0.6	1.8%	0.0%	0.6	1.8%	0.6	1.9%	0.0%	
Domestic	0.2	0.6%	0.2	0.6%	0.0%	0.2	0.6%	0.2	0.7%	0.0%	
Total crude oil and products	34.0	100.0%	32.7	100.0%	4.0%	34.0	100.0%	30.3	100.0%	12.2%	
Gas	bcm		bcm			bcm		bcm			
Sales Volumes	4.12		2.90		42.1%	4.12		2.76		49.3%	

Average Crude Oil and Petroleum Product Sales Prices

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

	<i>For 3 months ended</i>					<i>Change</i>	<i>For 3 months ended</i>				
	<i>March 31, 2013</i>		<i>December 31, 2012</i>		<i>%</i>		<i>March 31, 2013</i>		<i>March 31, 2012</i>		<i>%</i>
	<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>			<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ bbl)</i>	<i>(th.RUB/ tonne)</i>	
Average prices on foreign markets											
Crude oil, excluding CIS	3.17	23.3	3.20	23.4	(0.4)%	3.17	23.3	3.39	24.8	(6.0)%	
Europe and other directions	3.28	24.2	3.34	24.4	(0.8)%	3.28	24.2	3.51	25.7	(5.8)%	
Asia	2.89	21.2	2.88	21.1	0.5%	2.89	21.2	3.13	22.9	(7.4)%	
Crude oil, CIS	1.60	11.8	1.60	11.7	0.9%	1.60	11.8	1.83	13.4	(11.9)%	
Petroleum products, non- CIS		24.8		25.1	(1.2)%		24.8		27.0	(8.1)%	
Europe and other directions		25.3		24.7	2.4%		25.3		26.7	(5.2)%	
Asia		23.9		26.5	(9.8)%		23.9		27.8	(14.0)%	
Petroleum products, CIS		19.6		22.2	(11.7)%		19.6		25.6	(23.4)%	
Average domestic prices											
Crude oil	1.46	10.7	1.57	11.5	(7.0)%	1.46	10.7	1.53	11.2	(4.5)%	
Petroleum products		24.9		24.3	2.5%		24.9		22.2	12.2%	
Wholesale		21.1		21.4	(1.4)%		21.1		19.1	10.5%	
Retail		32.3		29.8	8.4%		32.3		29.0	11.4%	
Gas (th.rub, /th. cubic meter)		2.09		2.05	2.0%		2.09		1.78	17.4%	
Sales of bunker fuel to end-users		17.4		17.8	(2.2)%		17.4		17.7	(1.7)%	
Petrochemical products		30.4		30.7	(1.0)%		30.4		27.0	12.6%	
<i>International sales</i>		35.7		35.0	2.0%		35.7		30.6	16.7%	
<i>Domestic</i>		15.3		18.7	(18.2)%		15.3		14.5	5.5%	

International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries amounted to RUB 377 billion. Excluding the effect of TNK-BP acquisition of RUB 15 billion, international crude oil sales to non-CIS in the first quarter of 2013 were higher by 0.8% in comparison with the fourth quarter of 2012. Sales volumes organic growth equalled to 2.6% (positive impact on revenue of RUB 7 billion), was partially offset by decrease of average prices by 0.4% (negative impact on revenues of RUB 4 billion)

The deviation between sales prices on the Asian markets and average world market prices (Dubai) in the first quarter of 2013 is due to deliveries to Transneft of 6 million tonnes (44.17 million barrels) of crude oil per year under the contract signed in 2009. These volumes are sold to Transneft at export alternative price basis and are recognized as international sales in Company's sales structure. Excluding revenues from crude oil sales to Transneft (RUB 19 billion) in the first quarter of 2013 the average sales price on the Asian markets amounted to RUB 3.4 thousand per barrel.

In the first quarter of 2013 revenues from international crude oil sales to non-CIS countries, excluding the effect of TNK-BP acquisition, increased by 3.1% compared to the fourth quarter of 2012. A 9.9% upturn in sales volumes (positive impact on revenues of RUB 32 billion) was offset by downturn of average prices by 6.0% (unfavourable impact on revenues of RUB 21 billion).

International Crude Oil Sales to CIS

Revenue from sales of crude oil to CIS (Belarus and Kazakhstan) in the first quarter of 2013 amounted to RUB 23 billion. Excluding the effect from TNK-BP acquisition of RUB 2 billion, revenue in the first quarter of 2013 remained practically unchanged and was equal to RUB 21 billion in comparison to the same period of previous year.

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>		
	March 31, 2013			December 31, 2012					
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne
High octane gasoline	3	0.1	29.0	2	0.2	36.3	50.0%	(50.0)%	(20.1)%
Low octane gasoline	0	0.0	37.2	2	0.1	28.8	(100.0)%	(100.0)%	29.2%
Naphtha	19	0.7	28.6	27	1.0	29.0	(29.6)%	(30.0)%	(1.4)%
Diesel (Gasoil)	66	2.3	28.2	59	2.1	28.7	11.9%	9.5%	(1.7)%
Fuel oil	53	2.9	18.4	57	2.9	17.8	(7.0)%	0.0%	3.4%
Jet fuel	0	0.0	39.5	1	0.0	39.1	(100.0)%	–	1.0%
Other	2	0.0	31.0	1	0.0	27.6	100.0%	–	12.3%
Total petroleum products exported to non-CIS	143	6.0	23.6	149	6.3	23.4	(4.0)%	(4.8)%	0.9%
<i>Petroleum products sold from ROG refineries</i>	60	2.1	28.9	67	2.2	29.7	(10.4)%	(4.5)%	(2.7)%
<i>Petroleum products bought and sold outside Russia</i>	3	0.1	29.4	5	0.2	28.8	(40.0)%	(50.0)%	2.1%
Total, excluding effect of TNK-BP results	206	8.2	25.0	221	8.7	25.1	(6.8)%	(5.7)%	(0.4)%
Petroleum product sales of TNK-BP	13	0.6	22.4	–	–	–	–	–	–
Total	219	8.8	24.8	221	8.7	25.1	(0.9)%	1.1%	(1.2)%

Revenue from the international sales of petroleum products to non-CIS countries were RUB 219 billion in the first quarter of 2013. Excluding effect of TNK-BP acquisition, international sales of petroleum products to non-CIS amounted to RUB 206 billion, which is a decrease of 6.8% compared to the previous quarter. A 0.4% downturn in average prices (unfavorable impact on revenues of RUB 2 billion) was accompanied by organic sales volume decrease of 5.7% (negative impact on revenues of RUB 13 billion). General sales volumes decrease was due to downturn of product output for the comparable period followed by planned turnarounds at Tuapse refinery.

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>		
	March 31, 2013			March 31, 2012					
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne
High octane gasoline	3	0.1	29.0	2	0.0	36.0	50.0%	–	(19.4)%
Low octane gasoline	0	0.0	37.2	0	0.0	32.7	–	–	13.8%
Naphtha	19	0.7	28.6	28	0.9	30.1	(32.1)%	(22.2)%	(5.0)%
Diesel (Gasoil)	66	2.3	28.2	56	1.8	29.6	17.9%	27.8%	(4.7)%
Fuel oil	53	2.9	18.4	69	3.3	21.6	(23.2)%	(12.1)%	(14.8)%
Jet fuel	0	0.0	39.5	0	0.0	35.1	–	–	12.5%
Other	2	0.0	31.0	1	0.1	26.9	100.0%	(100.0)%	15.2%
Total petroleum products exported to non-CIS	143	6.0	23.6	156	6.1	25.6	(8.3)%	(1.6)%	(7.8)%
<i>Petroleum products sold from ROG refineries</i>	60	2.1	28.9	66	2.1	31.1	(9.1)%	0.0%	(7.1)%
<i>Petroleum products bought and sold outside Russian Federation</i>	3	0.1	29.4	4	0.1	28.6	(25.0)%	0.0%	2.8%
Total excluding effect of TNK-BP results	206	8.2	25.0	226	8.3	27.0	(8.8)%	(1.2)%	(7.4)%
Petroleum product sales of TNK-BP	13	0.6	22.4	–	–	–	–	–	–
Total	219	8.8	24.8	226	8.3	27.0	(3.1)%	6.0%	(8.1)%

In the first quarter of 2013 revenues from the export of petroleum products to non-CIS countries, excluding effect of TNK-BP acquisition, were 8.8% lower compared to the first quarter of 2012 which was driven by a 7.4% downturn in average prices and organic volumes decrease by 1.2% (negative impact on revenues of RUB 17 billion and RUB 3 billion respectively).

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>		
	March 31, 2013			December 31, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	46	1.5	31.2	54	1.7	31.7	(14.8)%	(11.8)%	(1.6)%
Low octane gasoline	1	0.0	23.3	2	0.1	24.3	(50.0)%	(100.0)%	(4.1)%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	48	1.7	28.7	49	1.9	26.7	(2.0)%	(10.5)%	7.5%
Fuel oil	4	0.4	9.7	6	0.5	11.3	(33.3)%	(20.0)%	(14.2)%
Jet fuel	7	0.3	26.8	9	0.3	26.4	(22.2)%	0.0%	1.5%
Other	6	0.6	10.5	8	0.7	10.3	(25.0)%	(14.3)%	1.9%
Total excluding effect of TNK-BP results	112	4.5	25.1	128	5.2	24.3	(12.5)%	(13.5)%	3.3%
Petroleum product sales of TNK-BP	11	0.4	23.1	–	–	–	–	–	–
Total	123	4.9	24.9	128	5.2	24.3	(3.9)%	(5.8)%	2.5%

Revenues from sales of petroleum products on the domestic market were RUB 123 billion in the first quarter of 2013. Excluding effect of TNK-BP acquisition, sales of petroleum products on the domestic market amounted to RUB 112 billion, which is a decrease of 12.5% compared to the fourth quarter of 2012. Revenue reduction was attributable to 13.5% organic downturn in sales volumes and partially offset by slight upturn in average prices of 3.3%. The total unfavourable impact on revenues amounted to RUB 16 billion. Sales volumes decrease was due to a seasonal reduction in demand and downturn of product output at refineries.

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>		
	March 31, 2013			March 31, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	46	1.5	31.2	38	1.3	28.6	21.1%	15.4%	9.1%
Low octane gasoline	1	0.0	23.3	1	0.1	24.5	0.0%	(100.0)%	(4.9)%
Naphtha	–	–	–	–	–	–	–	–	–
Diesel	48	1.7	28.7	46	1.9	24.4	4.3%	(10.5)%	17.6%
Fuel oil	4	0.4	9.7	6	0.6	10.1	(33.3)%	(33.3)%	(4.0)%
Jet fuel	7	0.3	26.8	8	0.3	25.8	(12.5)%	0.0%	3.9%
Other	6	0.6	10.5	7	0.5	10.7	(14.3)%	20.0%	(1.9)%
Total excluding effect of TNK-BP results	112	4.5	25.1	106	4.7	22.2	5.7%	(4.3)%	13.1%
Petroleum product sales of TNK-BP	11	0.4	23.1	–	–	–	–	–	–
Total	123	4.9	24.9	106	4.7	22.2	16.0%	4.3%	12.2%

Revenues from sales of petroleum products on the domestic market, excluding effect of TNK-BP acquisition, were 5.7% or RUB 6 billion higher in comparison to the first quarter of 2012. This resulted mainly from a 13.1% upturn in average prices (positive impact on revenues of RUB 11 billion), which was offset by sales volumes organic downturn on 4.3% (unfavorable impact on revenues of RUB 5 billion).

Sales of bunker fuel to end-users

Since December 2007 the Group has been selling bunker fuel (fuel oil and diesel fuel) in the ports of the Russian Federation including seaports of Far East, North and South of European part of Russia, as well as river ports.

Revenues from sales of bunker fuel in the first quarter of 2013 were RUB 10 billion, a decrease of 23.1% in comparison with the previous quarter which is mainly attributable to a seasonal factor.

Revenues from sales of bunker fuel in the first quarter of 2013 increased by 11.1% or RUB 1 billion in comparison with the first quarter of 2012 which is mainly due to expansion of the Company's bunkering business.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the first quarter of 2013 were RUB 25 billion, an increase of 13.6% compared to the fourth quarter of 2012 which was due to the growth of sales volumes. The sales volumes of petrochemical product from Ruhr Oel GmbH were 0.57 mln tonnes and 0.52 mln tonnes in the first quarter 2013 and in the fourth quarter 2012, respectively.

In the first quarter of 2013, revenues from sales of petrochemical products increased by 19.0% compared to the similar period of 2012, due to the growth of average price on international market by 16.7% (positive impact on revenues of RUB 4 billion). In the first quarter of 2013 sales volumes of petrochemical product from Ruhr Oel GmbH remained unchanged in comparison to the first quarter of 2012 and amounted to 0.57 mln tones.

Gas Sales

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2013	December 31, 2012	Change	March 31, 2013	March 31, 2012	Change
	(RUB billion)		%	(RUB billion)		%
Revenue						
Western Siberia	3.7	1.7	>100.0%	3.7	1.2	>100.0%
South Russia	2.3	2.4	(4.2)%	2.3	1.9	21.1%
Far East	0.4	0.4	0.0%	0.4	0.4	0.0%
European part of Russia	0.8	1.6	(50.0)%	0.8	0.9	(11.1)%
Total, excluding effect from TNK-BP results	7.2	6.1	18.0%	7.2	4.4	63.6%
Effect of TNK-BP acquisition	1.2	–	–	1.2	–	–
Total	8.4	6.1	37.7%	8.4	4.4	90.9%
Sales volumes	(bcm)			(bcm)		
Western Siberia	2.05	1.29	58.9%	2.05	1.05	95.2%
South Russia	0.83	0.85	(2.4)%	0.83	0.81	2.5%
Far East	0.18	0.21	(14.3)%	0.18	0.22	(18.2)%
European part of Russia	0.40	0.55	(27.3)%	0.40	0.68	(41.2)%
Total, excluding effect from TNK-BP results	3.46	2.90	19.3%	3.46	2.76	25.4%
Effect of TNK-BP acquisition	0.66	–	–	0.66	–	–
Total	4.12	2.90	42.1%	4.12	2.76	49.3%
Average price	(th. RUB/th. of cubic metres)			(th. RUB/th. of cubic metres)		
Western Siberia	1.82	1.34	35.8%	1.82	1.16	56.9%
South Russia	2.83	2.85	(0.7)%	2.83	2.33	21.5%
Far East	2.21	1.99	11.1%	2.21	1.81	22.1%
European part of Russia	2.07	2.52	(17.9)%	2.07	2.08	(0.5)%
Total, excluding effect from TNK-BP results	2.11	2.05	2.9%	2.11	1.78	18.5%
Average price of TNK-BP	2.00	–	–	2.00	–	–
Average price by Group	2.09	2.05	2.0%	2.09	1.78	17.4%

*average price is calculated from unrounded figures

In the first quarter of 2013 revenues from gas amounted to RUB 8.4 billion due to upturn in sales volumes by 42.1% and growth of average prices by 2.0%. Excluding the effect of TNK-BP acquisition, gas sales amounted to RUB 7.2 billion (3.46 bcm) and increased by 18.0% compared to the fourth quarter of 2012. The increase in gas sales is mainly driven by sales growth in Western Siberia region.

Revenue from gas sales growth of 63.6% excluding effect of TNK-BP acquisition, in the first quarter of 2013 in comparison with the first quarter of 2012 was driven by an increase in average prices of 18.5% and an increase in sales volumes of 25.4% which had a total positive impact on revenues of RUB 2.8 billion.

Support Services and Other Revenues

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

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>						
	March 31, 2013	December 31, 2012	Change	March 31, 2013	March 31, 2012	Change				
	% of total revenue	% of total revenue	%	% of total revenue	% of total revenue	%				
	(RUB billion. except %)									
Drilling services	0.5	5.0%	0.6	5.5%	(16.7)%	0.5	5.0%	0.2	2.1%	150.0%
Sales of materials	3.0	30.0%	2.5	22.9%	20.0%	3.0	30.0%	2.3	24.0%	30.4%
Repairs and maintenance services	0.2	2.0%	0.9	8.3%	(77.8)%	0.2	2.0%	0.8	8.3%	(75.0)%
Rent services	0.6	6.0%	0.7	6.4%	(14.3)%	0.6	6.0%	0.7	7.3%	(14.3)%
Construction services	0.1	1.0%	0.5	4.6%	(80.0)%	0.1	1.0%	0.5	5.2%	(80.0)%
Transport services	1.0	10.0%	1.7	15.6%	(41.2)%	1.0	10.0%	1.7	17.7%	(41.2)%
Electric power sales and transmission	0.8	8.0%	1.3	11.9%	(38.5)%	0.8	8.0%	1.3	13.5%	(38.5)%
Other revenues	3.1	31.0%	2.7	24.8%	14.8%	3.1	31.0%	2.1	21.9%	47.6%
Total excluding effect from TNK-BP	9.3	93.0%	10.9	100.0%	(14.7)%	9.3	93.0%	9.6	100.0%	(3.1)%
Effect of TNK-BP	0.7	7.0%	–	–	–	0.7	7.0%	–	–	–
Total	10.0	100.0%	10.9	100.0%	(8.3)%	10.0	100.0%	9.6	100.0%	4.2%

Support service and other revenues amounted to RUB 10.0 billion in the first quarter of 2013, excluding effect of TNK-BP acquisition, support services and other revenue amounted to RUB 9.3 billion.

Equity share in profits of associates and joint ventures

The equity share in profits of associates and joint ventures amounted to RUB 7 billion in the first quarter of 2013 compared with RUB 8 billion in the fourth quarter of 2012. The decrease resulted from the decrease in profits incurred by Rosneft's associates, mainly, ITERA and Udmurtneft due to unfavourable macroeconomics in the first quarter of 2013.

In the first quarter of 2013 the equity share in profits of associates and joint ventures did not change in comparison to first quarter of 2012 and amounted to RUB 7 billion.

Costs and Expenses

Production and Operating Expenses

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	<i>March 31, 2013</i>	<i>December 31, 2012</i>		<i>March 31, 2013</i>	<i>March 31, 2012</i>	
	(RUB billion)			(RUB billion)		
Upstream	26.4	22.7	16.3%	26.4	20.6	28.2%
<i>including TNK-BP acquisition effect</i>	3.3	-	-	3.3	-	-
Land restoration program	-	-	-	-	0.7	(100.0)%
Downstream	25.3	37.4	(32.4)%	25.3	22.1	14.5%
<i>including TNK-BP acquisition effect</i>	0.7	-		0.7	-	
Other	8.1	8.5	(4.7)%	8.1	7.1	14.1%
Total	59.8	68.6	(12.8)%	59.8	50.5	18.4%

Upstream production costs and operating expenses

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

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

Upstream production and operating expenses increased by 16.3% in the first quarter of 2013 compared with the previous quarter and amounted to RUB 26.4 billion. The expenses growth resulted mostly from TNK-BP acquisition.

Excluding the effect of TNK-BP acquisition, upstream production and operating expenses increased by 1.8% in the first quarter of 2013 compared with the fourth quarter of 2012 and amounted to RUB 23.1 billion. The expenses growth resulted from an increase in materials and supplies expenses, increase in equipment maintenance and repairs expenses as well as from the seasonal increase in expenses for field transportation.

In the first quarter of 2013 upstream production and operating expenses increased by 28.2% compared with the same period of 2012. The growth of expenses was mainly due to TNK-BP acquisition. Excluding the effect of TNK-BP acquisition, upstream production and operating expenses increased by 12.1% in the first quarter of 2013 compared with the first quarter of 2012.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	<i>March 31, 2013</i>	<i>December 31, 2012</i>		<i>March 31, 2013</i>	<i>March 31, 2012</i>	
	(RUB per bbl and RUB per boe, except %)					
Expenses per bbl of crude oil produced	114.1	104.0	9.7%	114.1	98.0	16.4%
Expenses per boe of hydrocarbon produced	103.1	94.4	9.2%	103.1	89.3	15.5%
<i>For reference: expenses per bbl of crude oil produced excluding TNK-BP acquisition effect</i>	107.4	104.0	3.3%	107.4	98.0	9.6%

Refining and distribution expenses

Rosneft's downstream operating expenses decreased by 32.4% in the first quarter of 2013 compared with the fourth quarter of 2012. The decrease was due to accumulation of intragroup inventories for seasonal demand in spring and summer periods (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories) that was partially compensated by TNK-BP acquisition effect. Excluding TNK-BP acquisition effect, the decrease was 34.2% in the first quarter of 2013 compared to the fourth quarter of 2012.

Downstream operating expenses increased by 14.5% in the first quarter of 2013 compared with the first quarter of 2012 due to increased expenses for procurement of additives and other materials for refining process at Ruhr Oel GmbH and due to effect of TNK-BP acquisition.

Excluding the effect of procurement of additives and other materials for refining process at Ruhr Oel GmbH and excluding TNK-BP acquisition effect, downstream operating expenses increased by 4.4% mainly due to an increase in electricity tariffs, cost of materials and additives for own refineries and other factors.

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

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	March 31, 2013	December 31, 2012	Change	March 31, 2013	March 31, 2012	Change
	RUB/t		%	RUB/t		%
Operating expenses at refineries in Russia (RUB billion)	9.76	9.10	7.3%	9.76	8.36	16.7%
<i>including TNK-BP acquisition effect</i>	<i>0.67</i>	<i>-</i>	<i>-</i>	<i>0.67</i>	<i>-</i>	<i>-</i>
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	783	724	8.1%	783	683	14.6%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	753	694	8.5%	753	651	15.7%
<i>Operating expenses per tonne of crude oil throughput (RUB per tonne) excluding TNK-BP acquisition effect</i>	<i>748</i>	<i>694</i>	<i>7.8%</i>	<i>748</i>	<i>651</i>	<i>14.9%</i>
Operating expenses at refineries outside Russia (RUB billion)	11.23	12.40	(9.4)%	11.23	9.17	22.5%
Operating expenses per tonne of petroleum product and petrochemical output (RUB per tonne)	4 319	4 477	(3.5)%	4 319	3 411	26.6%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	4 333	4 414	(1.8)%	4 333	3 403	27.3%
Total operating expenses at Rosneft's refineries (RUB billion)	20.99	21.50	(2.4)%	20.99	17.53	19.7%
<i>including TNK-BP acquisition effect</i>	<i>0.67</i>	<i>-</i>	<i>-</i>	<i>0.67</i>	<i>-</i>	<i>-</i>

Operating expenses of Rosneft's refineries were RUB 20.99 billion in the first quarter of 2013, which is a decrease of 2.4% compared with RUB 21.50 billion in the fourth quarter of 2012. Excluding TNK-BP acquisition effect operating expenses of Rosneft's refineries decreased by 5.5% and amounted to RUB 20.32 billion primarily due to seasonal decrease in crude oil processing volumes and planned turnarounds.

In the first quarter of 2013 operating expenses of Rosneft's refineries increased by 19.7% compared with RUB 17.53 billion in the first quarter 2012. Excluding TNK-BP acquisition effect, operating expenses increased by 15.9%.

Operating expenses of Rosneft's refineries in Russia were RUB 9.76 billion, which is an increase of 7.3% compared with RUB 9.10 billion in the fourth quarter of 2012. Excluding TNK-BP acquisition effect, these expenses amounted to RUB 9.09 billion, which is a decrease of 0.1% compared to the fourth quarter of 2012 due to the seasonal decrease in output products.

In the first quarter of 2013 operating expenses of Rosneft's refineries in Russia, increased by 16.7% compared with RUB 8.36 billion in the first quarter of 2012. Excluding TNK-BP acquisition effect, operating expenses at refineries in Russia increased by 8.7% compared with the first quarter of 2012. 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 as well as growth in electricity tariffs.

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

Operating expenses Rosneft's refineries outside Russia decreased by 9.4% compared with the fourth quarter of 2012 due to lower crude oil throughput in the first quarter of 2013 followed by turnarounds at Ruhr Oel GmbH refineries.

In the first quarter of 2013 the increase in operating expenses of Rosneft's refineries outside Russia was 22.5% higher compared with the first quarter of 2012 due to change in product output structure and increased expenses for additives followed by turnarounds at Ruhr Oel GmbH refineries.

Other operating expenses

Operating expenses related to other activities decreased by 4.7% in the first quarter of 2013 compared with the fourth quarter of 2012 due to the lower volumes of repairs and maintenance services, construction services and electric power sales and transmission rendered to the third parties.

In the first quarter of 2013 other operating expenses increased by 14.1% compared with RUB 7.1 billion in the same period of 2012. The increase was primarily due to higher volumes of drilling services, sales of materials and other services rendered to the third parties. The effect of TNK- BP acquisition did not have significant influence on other operating expenses.

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2013	December 31, 2012		March 31, 2013	March 31, 2012	
Crude oil						
Cost of crude oil procured (RUB billion)	64	67	(4.5)%	64	68	(5.9)%
<i>including Domestic market</i>	14	12	16.7%	14	8	75.0%
<i>International market</i>	50	55	(9.1)%	50	60	(16.7)%
Volume of crude oil procured (million barrels)	24.0	23.5	2.1%	24.0	23.3	3.0%
<i>including Domestic market</i>	9.6	8.0	20.0%	9.6	6.5	47.7%
<i>International market</i>	14.4	15.5	(7.1)%	14.4	16.8	(14.3)%
Gas						
Cost of gas procured (RUB billion)	1.4	0.4	250.0%	1.4	0.2	600.0%
Volume of gas procured (bcm)	0.84	0.22	281.8%	0.84	0.15	460.0%
Petroleum products						
Cost of petroleum product procured (RUB billion) ⁽¹⁾	9	16	(43.8)%	9	9	-
Volume of petroleum product procured (million of tonnes)	0.34	0.58	(41.4)%	0.34	0.32	6.3%
Crude oil and gas refining services rendered to TNK-BP group						
Cost of refining of crude oil under processing agreements (RUB billion)	0.6	-	-	0.6	-	-
Volumes of crude oil refined under processing agreements (million of tonnes)	0.3	-	-	0.3	-	-
Volumes of refining of gas under processing agreements (bcm)	0.2	-	-	0.2	-	-
Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)	75	83	(9.6)%	75	77	(2.6)%

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

Crude oil purchase

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	March 31, 2013	December 31, 2012		March 31, 2013	March 31, 2012	
	(million bbl, except %)					
International market	14.4	15.5	(7.1)%	14.4	16.8	(14.3)%
Udmurtneft	3.9	4.2	(7.1)%	3.9	2.4	62.5%
Others	3.7	3.8	(2.6)%	3.7	4.1	(9.8)%
<i>Crude oil purchases by TNK-BP group</i>	<i>2.0</i>	<i>-</i>	<i>-</i>	<i>2.0</i>	<i>-</i>	<i>-</i>
Total	24.0	23.5	2.1%	24.0	23.3	3.0%

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

The volume of crude oil swaps amounted to 26.0 million barrels and 23.5 million barrels in the first quarter of 2013 and in the fourth quarter of 2012, respectively. Rosneft’s estimated benefits from these transactions were RUB 0.9 billion in the first quarter of 2013 and RUB 0.8 billion in the fourth quarter of 2012. In the first quarter of 2012 the volume of crude oil swaps amounted to 17.8 million barrels, which resulted in benefits for Rosneft in the amounts of RUB 0.5 billion.

Petroleum products purchase

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

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

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2013			December 31, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne				
High octane gasoline	3	0.11	25.4	7	0.24	28.3	(57.1)%	(54.2)%	(10.2)%
Low octane gasoline	-	-	-	0	0.00	24.0	-	-	(100.0)%
Diesel	1	0.05	27.2	3	0.11	24.3	(66.7)%	(54.5)%	11.9%
Jet fuel	0	0.01	24.1	0	0.01	24.9	-	-	(3.2)%
Other	1	0.03	19.5	1	0.04	21.7	-	(25.0)%	(10.1)%
<i>including TNK-BP acquisition effect</i>	<i>0</i>	<i>0.01</i>	<i>26.8</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Petroleum products procured outside Russia</i>	4	0.14	28.0	5	0.18	28.6	(20.0)%	(22.2)%	(2.1)%
Total	9	0.34	26.2	16	0.58	26.8	(43.8)%	(41.4)%	(2.2)%

The decrease in volumes of petroleum product purchases in the first quarter of 2013 in comparison to the fourth quarter of 2012 was due to increased supplies for retail sales from own refineries.

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

	<i>For 3 months ended</i>						<i>% change</i>		
	March 31, 2013			March 31, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	3	0.11	25.4	3	0.11	23.7	-	-	7.2%
Low octane gasoline	-	-	-	0	0.00	22.5	-	-	(100.0)%
Diesel	1	0.05	27.2	1	0.03	28.5	-	66.7%	(4.6)%
Jet fuel	0	0.01	24.1	1	0.02	24.7	(100.0)%	(50.0)%	(2.4)%
Other	1	0.03	19.5	0	0.02	20.4	-	50.0%	(4.4)%
<i>including TNK-BP acquisition effect</i>	<i>0</i>	<i>0.01</i>	<i>26.8</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Petroleum products procured outside Russia	4	0.14	28.0	4	0.14	28.6	-	-	(2.1)%
Total	9	0.34	26.2	9	0.32	26.1	-	6.3%	0.4%

The increase in volumes of petroleum product purchases in the first quarter of 2013 in comparison to the first quarter of 2012 resulted from the seasonal change of the market demands.

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

Petroleum products purchases outside Russia

Petroleum products purchased outside Russia amounted to RUB 4 billion (0.14 million tonn) and RUB 5 billion (0.18 million tonn) in the first quarter of 2013 and fourth quarter of 2012, respectively. Additional purchase of petroleum products was due to increased demand at the international market. Petroleum products purchased outside Russia in the first quarter of 2012 was RUB 4 billion (0.14 mln tonn).

Gas purchases and crude oil and gas processing

Gas purchases amounted to RUB 1.4 billion in the first quarter of 2013, which was an increase of 250.0% compared with RUB 0.4 billion in the fourth quarter of 2012. The increase was due to growth of gas purchases from Itera and TNK-BP acquisition effect.

Increase in crude oil and gas processing costs was due to TNK-BP acquisition in the first quarter of 2013. Crude oil processing services are rendered by YANOS and Mozyr refinery. Gas processing is performed at LLC Yugragazpererabotka under processing agreement.

General and Administrative Expenses

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

General and administrative expenses, excluding effect of acquisition of TNK-BP assets in amount of RUB 2 billion, in the first quarter of 2013 were RUB 15 billion and in the fourth quarter of 2012 were RUB 20 billion. The decrease was mainly due to decrease in audit and consulting fees in the first quarter 2013 compared to the fourth quarter of 2012.

In the first quarter of 2012 general and administrative expenses were RUB 15 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 first quarter of 2013 Rosneft's transportation costs significantly increased and amounted to RUB 70 billion including TNK-BP acquisition (RUB 5 billion).

Excluding the impact of TNK-BP acquisition in the first quarter of 2013 Rosneft's transportation costs increased by 4.8% compared to the fourth quarter of 2012 and amounted to RUB 65 billion. The increase resulted from transportation tariffs growth.

Excluding the impact of TNK-BP acquisition in the first quarter of 2013 Rosneft's transportation costs increased by 8.3% compared to the first quarter of 2012. The increase resulted from transportation tariffs growth and 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:

	For 3 months ended								% change		
	March 31, 2013				December 31, 2012				Volume	Cost	Cost per tonne, th.RUB/t
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t			
CRUDE OIL											
International sales											
Pipeline	17.6	97.2%	29.8	1.70	16.6	97.6%	27.4	1.65	6.0%	8.8%	3.0%
Railroad and mixed	0.5	2.8%	0.5	1.07	0.4	2.4%	0.3	0.84	25.0%	66.7%	27.4%
<i>incl. TNK-BP results</i>	0.7		1.3								
Transportation to refineries											
Pipeline ⁽¹⁾	11.4		7.6	0.67	11.4		6.9	0.61	0.0%	10.1%	9.8%
Railroad and mixed	1.3		4.8	3.75	1.6		6.3	3.86	(18.8)%	(23.8)%	(2.8)%
<i>incl. TNK-BP results</i>	1.1		0.8								
PETROLEUM PRODUCTS											
International sales											
Pipeline	0.7	7.0%	1.8	2.43	0.6	6.2%	1.3	2.42	16.7%	38.5%	0.4%
Railroad and mixed	7.0	70.0%	12.5	1.78	6.4	66.0%	10.5	1.65	9.4%	19.0%	7.9%
<i>incl. TNK-BP results</i>	0.6		1.3								
Pipeline and FCA ⁽²⁾	2.3	23.0%			2.7	27.8%			(14.8)%		
Other transportation expenses ⁽³⁾											
<i>incl. TNK-BP results</i>			13				9		44.4%		
<i>incl. TNK-BP results</i>			1								
Total	40.8		70		39.7		62		2.8%		12.9%

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

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

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

The increase in crude oil pipeline transportation cost per tonne of international sales was 3.0%, which was due to the Transneft tariffs growth in November 2012.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 27.4% (excluding the impact of TNK-BP acquisition, cost per tonne decreased by 10.7%. which was due to the change in structure of transportation routes, partially offset by RZD tariffs growth).

The increase in crude oil pipeline transportation cost per tonne of supplies to refineries was 9.8% (8.2% excluding the impact of TNK-BP acquisition) compared to the fourth quarter of 2012, which was due to pipeline tariff change.

The decrease in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 2.8% (1.8% excluding the impact of TNK-BP acquisition), which was due to change in logistics of crude oil supply to Komsomolsk refinery).

Railroad and mixed transportation cost per tonne of petroleum product international sales increased by 7.9% in the first quarter of 2013. Excluding the impact of TNK-BP acquisition, cost per tonne increased by 5.5%, which was mainly due to RZD tariffs growth.

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>		
	March 31, 2013				March 31, 2012				Volume	Cost	Cost per tonne, th.RUB/t
	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t	Volume, mln tonnes	Share in export volumes	Cost, bln RUB	Cost per tonne, th.RUB/t			
CRUDE OIL											
International sales											
Pipeline	17.6	97.2%	29.8	1.70	15.4	97.2%	24.7	1.61	14.3%	20.6%	5.6%
Railroad and mixed	0.5	2.8%	0.5	1.07	0.4	2.8%	0.4	0.86	25.0%	25.0%	24.4%
<i>incl. TNK-BP results</i>	<i>0.7</i>		<i>1.3</i>								
Transportation to refineries											
Pipeline ⁽¹⁾	11.4		7.6	0.67	11.2		6.5	0.58	1.8%	16.9%	15.5%
Railroad and mixed	1.3		4.8	3.75	1.5		6.2	4.07	(13.3)%	(22.6)%	(7.9)%
<i>incl. TNK-BP results</i>	<i>1.1</i>		<i>0.8</i>								
PETROLEUM PRODUCTS											
International sales											
Pipeline	0.7	7.0%	1.8	2.43	0.3	3.7%	0.8	2.39	133.3%	125.0%	1.7%
Railroad and mixed	7.0	70.0%	12.5	1.78	7.8	85.1%	15.0	1.93	(10.3)%	(16.7)%	(7.8)%
<i>incl. TNK-BP results</i>	<i>0.6</i>		<i>1.3</i>								
Pipeline and FCA ⁽²⁾	2.3	23.0%			1.0	11.2%			130.0%		
Other transportation expenses ⁽³⁾			13				6			116.7%	
<i>incl. TNK-BP results</i>			<i>1</i>								
Total	40.8		70		37.6		60		8.5%	16.7%	

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

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

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

The increase in crude oil pipeline transportation cost per tonne of international sales was 5.6%, which was due to an increase in tariffs by 3.9% – 26.7%.

The increase in crude oil railroad and mixed transportation cost per tonne of international sales was 24.4% (excluding the impact of TNK-BP acquisition, cost per tonne decreased by 12.8%. which was due to the change in structure of transportation routes).

Crude oil pipeline transportation cost per tonne of supplies to refineries increased by 15.5% (13.8% excluding the impact TNK-BP acquisition) as a result of tariffs growth and change in structure of transportation routes.

The decrease in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 7.9%, which was due to change in structure of transportation routes.

The increase in pipeline cost per tonne of petroleum product international sales was 1.7% (4.6% excluding the impact TNK-BP acquisition), which was due to change in tariffs.

The decrease in railroad and mixed cost per tonne of petroleum product international sales was 7.8% (9.8% excluding the impact of TNK-BP acquisition), which was due to petroleum products sales volumes growth on the local market of Germany, where transportation costs are low due to short transportation distances, partially offset by tariffs growth).

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 first quarter of 2013 exploration expenses decreased to RUB 3 billion compared with RUB 8 billion in the fourth quarter of 2012 due to seasonal reduction of seismic 2D, 3D exploration works at the Arctic Seas off-shore.

In the first quarter of 2013 exploration expenses, excluding impact of new assets acquisition, decreased by 40.0% compared with the same period of 2012 due to decreased volumes of seismic exploration works at the blocks of South Seas 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 56 billion in the first quarter of 2013, including impact of TNK-BP acquisition in the amount of RUB 3 billion, compared to RUB 55 billion in the fourth quarter of 2012. The decrease was due to increased proved reserves of oil and gas, according to oil and gas reserves report prepared by DeGolyer and MacNaughton, independent reservoir engineers.

In the first quarter of 2013 depreciation, depletion and amortisation increased by 14.3% compared with RUB 49 billion in the first quarter of 2012.

Taxes Other than Income Tax

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

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	<i>March 31, 2013</i>	<i>December 31, 2012</i>		<i>March 31, 2013</i>	<i>March 31, 2012</i>	
	(RUB billion, except %)					
Mineral extraction tax	152	139	9.4%	152	140	8.6%
Excise tax	24	20	20.0%	24	18	33.3%
Social security tax	6	5	20.0%	6	6	0.0%
Property tax	4	3	33.3%	4	3	33.3%
Interest, penalties and other payments to budget	2	1	100.0%	2	1	100.0%
<i>Including impact of TNK-BP assets acquisition</i>	<i>11</i>	<i>-</i>	<i>-</i>	<i>11</i>	<i>-</i>	<i>-</i>
Total taxes other than income tax	188	168	11.9%	188	168	11.9%

Taxes other than income tax were RUB 177 billion, excluding impact of TNK-BP acquisition, and increased by 5.4% in the first quarter of 2013, compared with RUB 168 billion in the fourth quarter of 2012. The increase was due to increase in excise tax and the mineral extraction tax in the first quarter of 2013. The increase in the mineral extraction tax was 2.9% (or RUB 4 billion), excluding impact of new assets acquisition. The increase in the mineral extraction tax rate by 5.1% was partially offset by decrease in crude oil production in the first quarter of 2013.

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	<i>March 31, 2013</i>	<i>December 31, 2012</i>		<i>March 31, 2013</i>	<i>March 31, 2012</i>	
Average enacted mineral extraction tax rate	5.26	5.01	5.1%	5.26	5.28	(0.4)%
Actual mineral extraction tax expense per tonne of crude oil produced	4.84	4.65	4.1%	4.84	4.87	(0.6)%
Actual mineral extraction tax expense per tonne of oil equivalent produced	4.37	4.22	3.6%	4.37	4.44	(1.6)%

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

Export Customs Duty

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

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

	<i>For 3 months ended</i>		<i>Change. (%)</i>	<i>For 3 months ended</i>		<i>Change. (%)</i>
	<i>March 31, 2013</i>	<i>December 31, 2012</i>		<i>March 31, 2013</i>	<i>March 31, 2012</i>	
	<i>(RUB billion, except %)</i>					
Export customs duty for crude oil	186	180	3.3%	186	155	20.0%
Export customs duty for petroleum products	57	57	0.0%	57	52	9.6%
Total export customs duties	243	237	2.5%	243	207	17.4%

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

	<i>For 3 months ended</i>		<i>Change. (%)</i>	<i>For 3 months ended</i>		<i>Change. (%)</i>
	<i>March 31, 2013</i>	<i>December 31, 2012</i>		<i>March 31, 2013</i>	<i>March 31, 2012</i>	
	<i>(thousand RUB / tonne, except %)</i>					
Average Urals price	24.68	24.72	(0.2%)	24.68	25.90	(4.7%)
Average enacted export customs duty	12.36	12.64	(2.2%)	12.36	12.13	1.9%
Hypothetical export customs duty*	12.36	12.33	0.2%	12.36	13.09	(5.6%)
Average customs duty on crude oil exports to non-CIS countries subject to regular rate	12.38	12.60	(1.7%)	12.38	12.04	2.8%

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

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

Operating Income

As a result of the factors discussed above, operating income increased by 11.1% to RUB 100 billion in the first quarter of 2013 compared with RUB 90 billion in the fourth quarter of 2012. Operating income net of acquisition of TNK-BP assets effect in the first quarter 2013 was RUB 97 billion.

Increase in operating income, excluding the effect from TNK-BP acquisition, was due to decreased exploration expenses and general and administrative expenses in the first quarter of 2013, partially offset by increase in MET and transport tariffs.

As a percentage of total revenue excluding the effect from TNK-BP acquisition, operating income was 12.6% in the first quarter of 2013, 11.4% in the fourth quarter of 2012 and 16.7% in the first quarter of 2012.

Operating income net of acquisition of TNK-BP assets effect decreased by 23.6% in the first quarter of 2013 compared to RUB 127 billion in the first quarter of 2012. Decrease in operating income is primarily driven by the revision of MET rate basis and by increase in tariffs of state-owned monopolies.

Finance Income and Expenses

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

Net finance income decreased by RUB 10 billion from RUB 6 billion in the fourth quarter of 2012 to net finance expenses RUB 4 billion in the first quarter of 2013.

Net finance income decreased by RUB 5 billion from RUB 1 billion in the first quarter of 2012 to net finance expenses RUB 4 billion in the first quarter of 2013.

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

Other income and other expenses

In the first quarter of 2013 other income increased significantly due to estimation of fair value of Verkhnechonskneftegaz non- controlling interest of RUB 48 billion compared to RUB 1 billion in the fourth quarter of 2012. In the first quarter of 2012 other income amounted to RUB 1 billion.

In the first quarter of 2013 other expenses amounted to RUB 15 billion, compared to RUB 23 billion in the fourth quarter of 2012. In the first quarter of 2012 other expenses amounted to RUB 5 billion.

Foreign Exchange Income / (Loss)

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

Foreign exchange loss was RUB 11 billion in the first quarter of 2013 compared with foreign exchange income of RUB 8 billion in the fourth quarter of 2012. The increase in foreign exchange loss is attributed to losses recognition from the revaluation of obligations denominated in foreign currency in the first quarter of 2013.

Foreign exchange loss in the first quarter of 2013 was RUB 11 billion compared to foreign exchange income of RUB 26 billion in the first quarter of 2012. Opposite dynamics of gain and loss from the foreign exchange in the first quarter 2013 compared to first quarter 2012 is attributed to fluctuation of the exchange rate of rouble against US dollar.

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>		
	March 31, 2013	December 31, 2012	March 31, 2012
Effective income tax rate for Rosneft under IFRS	22.9%*	24.4%	22.0%

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

The Company applies the provision of IAS 12 "Income taxes" to determine effective tax rate. The effective tax rate is calculated as the ratio of income tax expense to income before tax. The effective tax rate in the first quarter 2013 was 22.9% excluding one-off effect from estimation of fair value of Verkhnechonskneftegaz non controlling interest in the amount of RUB 48 billion. Effective tax rate decreased in the first quarter 2013 compared to the fourth quarter 2012 due to the decrease in taxable income which was significantly affected by losses recognition from the revaluation of liabilities denominated in foreign currency in the first quarter of 2013.

The income tax is amounted to RUB 16 billion of loss in the first quarter of 2013 compared to the loss of RUB 20 billion accrued in the fourth quarter of 2012. Income tax expense amounted to RUB 33 billion in the first quarter of 2012.

Net Income/(Loss)

As a result of the factors discussed above, net income amounted to RUB 102 billion in the first quarter of 2013 (including the effect of TNK-BP acquisition in amount of RUB 51 billion) compared to the net income of RUB 62 billion in the fourth quarter of 2012. Net income amounted to RUB 117 billion in the first quarter of 2012. Excluding the operational results of TNK-BP group since the date of acquisition the decrease in the net income is mainly attributable to foreign exchange loss which was partially offset by operating income increase.

Liquidity and Capital Resources

Cash Flows

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	<u>March 31, 2013</u>	<u>December 31, 2012</u>		<u>March 31, 2013</u>	<u>March 31, 2012</u>	
	(RUB billion)			(RUB billion)		
Net cash provided by operating activities	362	138	2.62	362	77	4.70
Net cash used in investing activities	(1,317)	(115)	11.45	(1,317)	(108)	12.19
Net cash from/(used in) financing activities	968	40	24.20	968	(15)	-

Operating Cash Flow

Net cash provided by operating activities amounted to RUB 362 billion in the first quarter of 2013 compared to RUB 138 billion in the fourth quarter of 2012. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net inflow of RUB 2 billion in the first quarter of 2013 and net inflow of RUB 2 billion in the fourth quarter of 2012).

For the management analysis the operating cash flow was adjusted for the effects mentioned above. The adjusted net cash provided by operating activity amounted to RUB 360 billion in the first quarter of 2013 and RUB 136 billion in the fourth quarter of 2012.

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	<u>March 31, 2013</u>	<u>December 31, 2012</u>		<u>March 31, 2013</u>	<u>March 31, 2012</u>	
	(RUB billion)			(RUB billion)		
Net cash provided by operating activity	362	138	2.62	362	77	4.70
<i>Incl. effect of TNK-BP acquisition.</i>	20			20		
Effect from operation with trading securities	(2)	(2)	1	(2)	(2)	1
Adjusted net cash provided by operating activity	360	136	2.65	360	75	4.80
Change in working capital before FX	240	16	15.0	240	(70)	-
<i>For reference:</i>						
One off effect from receipts under long term oil contracts	232			232		
Adjusted net cash provided by operating activity before change in working capital	120	120	-	120	145	0.82

The increase in the adjusted operating cash flow quarter-on-quarter primarily resulted from the decrease in working capital by RUB 240 billion in the first quarter of 2013 compared to the fourth quarter of 2012. The working capital decrease was due to the following factors:

- increase in prepayment under long-term oil contracts in amount of RUB 232 billion;
- increase in tax payables by RUB 19 billion.

In the first quarter of 2012 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of RUB 2 billion) amounted to RUB 75 billion. The increase in adjusted net cash provided by operating activity in the first quarter of 2013 amounted to RUB 360 billion compared to the first quarter of 2012 resulted from the decrease in net income by 14.7% which was compensated by decrease in working capital.

Investing Activities

Net cash used in investing activities was RUB 1,317 billion in the first quarter of 2013, including cash used for TNK-BP acquisition of RUB 1,195 billion, compared to RUB 115 billion in the fourth quarter of 2012. Excluding cash used for TNK-BP acquisition, the increase in cash used in investing activities was due to acquisition of minority interests in affiliated companies and decrease in sales of short term investments compared to the fourth quarter of 2012. Net cash used in investing activities was RUB 108 billion in the first quarter of 2012.

Capital Expenditures

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

	<i>For 3 months ended</i>		<i>Change</i>	<i>For 3 months ended</i>		<i>Change</i>
	<i>March 31, 2013</i>	<i>December 31, 2012</i>		<i>March 31, 2013</i>	<i>March 31, 2012</i>	
	<i>(RUB billion)</i>		<i>(%)</i>	<i>(RUB billion)</i>	<i>(%)</i>	
Yuganskneftegaz	19	29	(34.5)%	19	21	(9.5)%
Vankorneft	19	21	(9.5)%	19	29	(34.5)%
Purneftegaz	5	7	(28.6)%	5	3	66.7%
Severnaya Neft	1	2	(50.0)%	1	2	(50.0)%
Samaraneftegaz	3	4	(25.0)%	3	2	50.0%
Tomskneft	2	1	100.0%	2	2	-
Other ¹	5	12	(58.3)%	5	4	25.0%
<i>TNK-BP from the acquisition date</i>	3	-	-	3	-	-
Total upstream segment	57	76	(25.0)%	57	63	(9.5)%
The Company	-	-	-	-	-	-
Tuapse refinery	9	17	(47.1)%	9	21	(57.1)%
Komsomolsk refinery	2	2	-	2	3	(33.3)%
Angarsk refinery	3	4	(25.0)%	3	1	200.0%
Achinsk refinery	3	4	(25.0)%	3	4	(25.0)%
Syzran refinery	4	2	100.0%	4	1	300.0%
Novokuibyshevsk refinery	4	5	(20.0)%	4	3	33.3%
Kuibyshev refinery	2	2	-	2	3	(33.3)%
Marketing Business Units and others ²	5	10	(50.0)%	5	3	66.7%
Total downstream	32	46	(30.4)%	32	39	(17.9)%
Other activities³	3	7	(57.1)%	3	5	(40.0)%
Subtotal capital expenditures	92	129	(28.7)%	92	107	(14.0)%
Increase/(decrease) in stock of materials for capital expenditures	3	(6)	-	3	13	(76.9)%
Total capital expenditures	95	123	(22.8)%	95	120	(20.8)%
<i>Including TNK-BP from the acquisition date</i>	3	-	-	3	-	-
Licence acquisition costs	5	2	150.0%	5	1	400.0%

¹ Including: Krasnodarneftegaz, Stavropolneftegaz, Sakhalin-1, Grozneftegaz, VSNK and Dagneftegaz.

² Relating to companies providing processing and storage services.

³ Relating to other services companies.

In the first quarter of 2013 total capital expenditures (including construction material purchases), excluding the capital expenditures of TNK-BP from the acquisition date, decreased by 25.2 % to RUB 92 billion compared with RUB 123 billion in the fourth quarter of 2012. The decrease in capital expenditures was due to seasonal factors.

In the first quarter of 2012 total capital expenditures (including construction material purchases) amounted to RUB 120 billion.

Upstream capital expenditures, excluding the capital expenditures of TNK-BP from the acquisition date, decreased by 28.9% to RUB 54 billion in the first quarter of 2013, compared with RUB 76 billion in the fourth quarter of 2012. In the first quarter of 2012 upstream capital expenditures amounted to RUB 63 billion. In the first quarter of 2013 construction works mainly include development of oil field infrastructure and construction of associated gas utilization facilities.

Downstream capital expenditures decreased by 30.4% to RUB 32 billion in the first quarter of 2013, compared with RUB 46 billion in the fourth quarter of 2012. In the first quarter of 2012 downstream capital expenditures amounted to RUB 39 billion. In the first quarter of 2013 construction works mainly relate to continued programme for capacity upgrade and expansion at Rosneft's refineries, including modernisation of the Tuapse, Komsomolsk, Angarsk, Achinsk, Syzran, Novokuibyshevsk and Kuibyshev refineries.

Capital expenditures for other activities decreased by 57.1% to RUB 3 billion in the first quarter of 2013, compared with RUB 7 billion in the fourth quarter of 2012. In the first quarter of 2012 capital expenditures for other activities amounted to RUB 5 billion. In the first quarter of 2013 capital expenditures for other activities relate to planned acquisition of transportation and other equipment.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling the materials to contractors that provide construction and drilling services at subsidiaries' fields. The net increase in stock of materials for capital expenditures was RUB 3 billion in the first quarter of 2013, compared with the net decrease RUB 6 billion in the fourth quarter of 2012. In the first quarter of 2012 the net increase in stock of materials for capital expenditures was RUB 13 billion.

The licence acquisition costs in the first quarter of 2013 refer to the acquisition of 12 licences 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-Vrangelievsky-1, Severo-Vrangelievsky-2) and the Laptev Sea (Ust-Lensky, Ust-Olensky, Anisinsko-Novosibirsk).

Financing activities

Net cash provided by financing activities was RUB 968 billion in the first quarter of 2013 compared to RUB 40 billion of net cash provided by financing activities in the fourth quarter of 2012. The increase in cash provided by financing activities in the first quarter of 2013 is mainly due to long-term loans obtained in the first quarter of 2013 for TNK-BP acquisition (See "TNK-BP acquisition"). Net cash used in financing activities amounted to RUB 15 billion in the first quarter of 2012.

Debt Obligations

Rosneft net debt increased to RUB 1,781 billion as of March 31, 2013 compared to RUB 591 billion as of December 31, 2012.

Rosneft's total loans and borrowings increased to RUB 2,182 billion as of March 31, 2013 from RUB 980 billion as of December 31, 2012. The increase resulted mainly from the raise of funding for the acquisition of TNK-BP and issuance of long-term interest bearing bonds nominated in RUB.

Portion of Rosneft's long-term loans are secured by oil export contracts. As of March 31, 2013, December 31, 2012 and March 31, 2012: 21.8%, 48.4% and 71.4%, respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS). Lower percentage is attributable to the lesser share of unsecured loans in the structure of Rosneft's long-term loans.

As of March 31, 2013, December 31, 2012 and March 31, 2012, pledged oil exports constituted 8.9%, 13.6% and 17.1%, 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	March 31, 2013	December 31, 2012	March 31, 2012
	RUB billion		
Short term debt	468	143	165
Long term debt	1,714	837	532
Total debt	2,182	980	697
Cash and cash equivalents	318	299	114
Short-term Financial assets	83	90	125
Net debt	1,781	591	458

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>		
	March 31, 2013	December 31, 2012	March 31, 2012
EBITDA margin	19.2%	18.3%	23.2%
Net income margin	12.6%	7.8%	15.4%
Net debt to annualised EBITDA	1.79	1.02	0.65
Current ratio	1.18	2.07	1.74
	RUB / bbl		
EBITDA/bbl	674	665	839
Upstream capital expenditure/bbl	246	348	300
Upstream operating expenses/bbl	114	104	98
Free cash flow before interest/bbl	143	60	(215)
	RUB / boe		
EBITDA/boe	609	603	764
Upstream capital expenditure/boe	223	316	274
Upstream operating expenses/boe	103	94	89
Free cash flow before interest/boe	129	54	(195)

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>		
	March 31, 2013	December 31, 2012	March 31, 2012
Upstream capital expenditures (RUB billion)	57	76	63
Upstream operating expenses (RUB billion)	26.4	22.7	20.6
Barrels of crude oil produced (million)	231.4	218.2	209.7
Barrels of oil equivalent produced (million)	256.0	240.4	230.3

Calculation of Free Cash Flow

	<i>For 3 months ended</i>		
	March 31, 2013	December 31, 2012	March 31, 2012
Net cash provided by operating activities	362	138	77
Capital expenditures	(95)	(123)	(120)
Trading securities operations	(2)	(2)	(2)
<i>One off effect from receipts under long term oil contracts</i>	<i>(232)</i>		
Adjusted free cash flow	33	13	(45)

Calculation of EBITDA Margin

	<i>For 3 months ended</i>		
	March 31, 2013	December 31, 2012	March 31, 2012
	(RUB billion, except %)		
Operating income	100	90	127
Depreciation, depletion and amortisation	56	55	49
EBITDA	156	145	176
Sales revenues	812	792	759
EBITDA margin	19.2%	18.3%	23.2%

Calculation of Net Income Margin

	<i>For 3 months ended</i>		
	March 31, 2013	December 31, 2012	March 31, 2012
	(RUB billion, except %)		
Net income	102	62	117
Sales revenues	812	792	759
Net income margin	12.6%	7.8%	15.4%

Current ratio

	<i>For 3 months ended</i>		
	March 31, 2013	December 31, 2012	March 31, 2012
	(RUB billion, except ratio)		
Current assets	1,144	940	810
Current liabilities	973	455	466
Current ratio	1.18	2.07	1.74

Attachments

I. Consolidated Statement of Comprehensive Income. excluding the effect of TNK-BP acquisition for 3 months ended March 31, 2013(RUB billion)

	RN excluding TNK-BP effect
	(RUB billion)
Revenues	
Oil and gas sales	395
Petroleum products and petrochemicals sales	356
Support services and other revenues	9
Equity share in profits of associates and joint ventures	7
Total revenues	767¹
Costs and expenses	
Production and operating expenses	55
Cost of purchased oil, gas and petroleum products	75
General and administrative expenses	15
Pipeline tariffs and transportation costs	65
Exploration expenses	3
Depreciation, depletion and amortisation	50
Taxes other than income tax	177
Export customs duty	230
Total cost and expenses	670
Operating income	97
Finance income	3
Finance expenses	(7)
Other income	-
Other expenses	(15)
Result of operations with foreign currency, foreign exchange differences	(11)
Income before income tax	67
Income tax expense	(16)
Net income	51
Other comprehensive income	
Foreign exchange differences on translation of foreign operations	1
Income from changes in fair value of financial assets available for-sale, net of tax	3
Total other comprehensive income, net of tax	4
Total comprehensive income, net of tax	55

¹ Not excluding intra-group sales to TNK-BP of RUB 4 billion

II. Financial and Operating Highlights, excluding the effect of TNK-BP acquisition

	<i>For 3 months ended</i>			<i>For 3 months ended</i>		
	<i>March 31, 2013</i>	<i>December 31, 2012</i>	<i>% change</i>	<i>March 31, 2013</i>	<i>March 31, 2012</i>	<i>% change</i>
Financial results. RUB billion						
Revenues and equity share in profits of associates and joint ventures	767	792	(3.2)%	767	759	1.1%
EBITDA	147	145	1.4%	147	176	(16.5)%
Net income	51	62	(17.7)%	51	117	(56.4)%
Capital expenditures	92	123	(25.2)%	92	120	(23.3)%
Free cash flow	56	13	330.8%	56	(45)	180.0%
Net Debt	557 *	591	(5.7)%	557*	458	21.6%
Operational results						
Hydrocarbon production (th. boe per day)	2,846	2,823	0.8%	2,846	2,634	8.0%
Crude oil production (th. barrels per day)	2,490	2,479	0.4%	2,490	2,408	3.4%
Gas production (th.boe per day)	356	344	3.5%	356	226	57.5%
Production of petroleum products in Russia (million tonnes)	11.69	12.56	(6.9)%	11.69	12.26	(4.6)%
Production of petroleum products in Germany (million tonnes)	2.60	2.77	(6.1)%	2.60	2.68	(3.0)%

*estimation of net debt excluding the impact of loans drawn for TNK BP acquisition

III. Key Financial Ratios, excluding the effect of TNK-BP acquisition

	<i>For 3 months ended</i>		
	<i>March 31, 2013</i>	<i>December 31, 2012</i>	<i>March 31, 2012</i>
EBITDA margin	19.2%	18.3%	23.2%
Net income margin	6.6%	7.8%	15.4%
Net debt to annualised EBITDA	0.9	1.02	0.65
Current ratio	2.16	2.07	1.74
RUB / bbl			
EBITDA/bbl	685	665	839
Upstream capital expenditure/bbl	252	348	300
Upstream operating expenses/bbl	107	104	98
Free cash flow before interest/bbl	261	60	(215)
RUB / boe			
EBITDA/boe	622	603	764
Upstream capital expenditure/boe	229	316	274
Upstream operating expenses/boe	98	94	89
Free cash flow before interest/boe	237	54	(195)

IV. Revenues and equity share in profits of associates and joint ventures, excluding effect from TNK-BP acquisition

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

	<i>For 3 months ended</i>					<i>For 3 months ended</i>				
	March 31, 2013		December 31, 2012		Change, (%)	March 31, 2013		March 31, 2012		Change, (%)
	% of total revenue		% of total revenue			% of total revenue		% of total revenue		
(RUB billion, except %)										
Crude oil										
International Sales to non-CIS	362	47.4%	359	45.3%	0.8%	362	47.4%	351	46.2%	3.1%
Europe and other directions	266	34.8%	261	32.9%	1.9%	266	34.8%	246	32.4%	8.1%
Asia	96	12.6%	98	12.4%	(2.0)%	96	12.6%	105	13.8%	(8.6)%
International sales to CIS	21	2.8%	20	2.5%	5.0%	21	2.8%	21	2.8%	0.0%
Domestic	1	0.1%	0	0.0%	–	1	0.1%	2	0.3%	(50.0)%
Total crude oil	384	50.3%	379	47.8%	1.3%	384	50.3%	374	49.3%	2.7%
Gas	7	0.9%	6	0.8%	16.7%	7	0.9%	4	0.5%	75.0%
Petroleum products										
International Sales to non-CIS	206	27.0%	221	27.9%	(6.8)%	206	27.0%	226	29.7%	(8.8)%
Europe and other directions	141	18.5%	167	21.1%	(15.6)%	141	18.5%	167	21.9%	(15.6)%
Asia	65	8.5%	54	6.8%	20.4%	65	8.5%	59	7.8%	10.2%
International Sales to CIS	3	0.4%	4	0.5%	(25.0)%	3	0.4%	2	0.3%	50.0%
Domestic	112	14.7%	128	16.2%	(12.5)%	112	14.7%	106	14.0%	5.7%
Wholesale	63	8.3%	73	9.3%	(13.7)%	63	8.3%	62	8.2%	1.6%
Retail	49	6.4%	55	6.9%	(10.9)%	49	6.4%	44	5.8%	11.4%
Sales of bunker fuel to end-users	10	1.3%	13	1.6%	(23.1)%	10	1.3%	9	1.2%	11.1%
Total petroleum products	331	43.4%	366	46.2%	(9.6)%	331	43.4%	343	45.2%	(3.5)%
Petrochemical products	25	3.3%	22	2.8%	13.6%	25	3.3%	21	2.8%	19.0%
International sales	22	2.9%	19	2.4%	15.8%	22	2.9%	18	2.4%	22.2%
Domestic	3	0.4%	3	0.4%	0.0%	3	0.4%	3	0.4%	0.0%
Support services and other revenues	9	1.2%	11	1.4%	(18.2)%	9	1.2%	10	1.3%	(10.0)%
Equity share in profits of associates and joint ventures	7	0.9%	8	1.0%	(12.5)%	7	0.9%	7	0.9%	0.0%
Total sales	763	100.0%	792	100.0%	(3.7)%	763	100.0%	759	100.0%	0.5%

V. Sales Volumes, excluding effect from TNK-BP acquisition

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

	<i>For 3 months ended</i>				<i>Change</i>	<i>For 3 months ended</i>				<i>Change</i>
	March 31, 2013		December 31, 2012			March 31, 2013		March 31, 2012		
	mln bbls	% of total volume	mln bbls	% of total volume		mln bbls	% of total volume	mln bbls	% of total volume	
Crude oil										
International Sales to non-CIS	114.1	49.1%	111.2	46.5%	2.6%	114.1	49.1%	103.8	46.9%	9.9%
Europe and other directions	81.0	34.9%	77.5	32.4%	4.5%	81.0	34.9%	70.2	31.7%	15.4%
Asia	33.1	14.2%	33.7	14.1%	(1.8)%	33.1	14.2%	33.6	15.2%	(1.5)%
International sales to CIS	12.5	5.4%	13.1	5.5%	(4.6)%	12.5	5.4%	11.7	5.3%	6.8%
Domestic	0.7	0.3%	0.1	0.0%	>100.0%	0.7	0.3%	0.7	0.3%	0.0%
Total crude oil	127.3	54.8%	124.4	52.0%	2.3%	127.3	54.8%	116.2	52.5%	9.6%
Crude oil	mln tonnes		mln tonnes			mln tonnes		mln tonnes		
International Sales to non-CIS	15.5	49.1%	15.2	46.5%	2.6%	15.5	49.1%	14.2	46.9%	9.9%
Europe and other directions	11.0	34.9%	10.6	32.4%	4.5%	11.0	34.9%	9.6	31.7%	15.4%
Asia	4.5	14.2%	4.6	14.1%	(1.8)%	4.5	14.2%	4.6	15.2%	(1.5)%
CIS	1.7	5.4%	1.8	5.5%	(4.6)%	1.7	5.4%	1.6	5.3%	6.8%
Domestic	0.1	0.3%	0.0	0.0%	>100.0%	0.1	0.3%	0.1	0.3%	0.0%
Total crude oil	17.3	54.8%	17.0	52.0%	2.3%	17.3	54.8%	15.9	52.5%	9.6%
Petroleum products										
International Sales to non-CIS	8.2	26.0%	8.7	26.7%	(5.7)%	8.2	26.0%	8.3	27.4%	(1.2)%
Europe and other directions	5.5	17.5%	6.7	20.6%	(17.9)%	5.5	17.5%	6.2	20.5%	(11.3)%
Asia	2.7	8.5%	2.0	6.1%	35.0%	2.7	8.5%	2.1	6.9%	28.6%
International Sales to CIS	0.2	0.6%	0.2	0.6%	0.0%	0.2	0.6%	0.1	0.3%	100.0%
Domestic	4.5	14.2%	5.2	15.9%	(13.5)%	4.5	14.2%	4.7	15.5%	(4.3)%
Wholesale	3.0	9.5%	3.4	10.4%	(11.8)%	3.0	9.5%	3.2	10.5%	(6.3)%
Retail	1.5	4.7%	1.8	5.5%	(16.7)%	1.5	4.7%	1.5	5.0%	0.0%
Sales of bunker fuel to end-users	0.6	1.9%	0.8	2.4%	(25.0)%	0.6	1.9%	0.5	1.7%	20.0%
Total petroleum products	13.5	42.7%	14.9	45.6%	(9.4)%	13.5	42.7%	13.6	44.9%	(0.7)%
Petrochemical products	0.8	2.5%	0.8	2.4%	0.0%	0.8	2.5%	0.8	2.6%	0.0%
International sales	0.6	1.9%	0.6	1.8%	0.0%	0.6	1.9%	0.6	1.9%	0.0%
Domestic	0.2	0.6%	0.2	0.6%	0.0%	0.2	0.6%	0.2	0.7%	0.0%
Total crude oil and products	31.6	100.0%	32.7	100.0%	(3.4)%	31.6	100.0%	30.3	100.0%	4.3%
Gas	bcm		bcm			bcm		bcm		
Sales Volumes	3.46		2.90		19.3%	3.46		2.76		25.4%