



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS FOR THE QUARTERS ENDED DECEMBER 31 AND SEPTEMBER 30, 2012  
AND FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012, 2011 AND 2010**

*The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended December 31, 2012, 2011 and 2010 (the "**Consolidated Financial Statements**"). Such terms as "**Rosneft**", "**Company**" and "**Group**" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis. 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 7.315 ratio is used. To convert thousands of cubic meters of gas to barrels of oil equivalent a 5.883 ratio is used.*

## 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 amounted to 24.16 billion barrels of oil equivalent, including 18.33 billion barrels of oil and 992 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 2.5 million barrels per day (average for the fourth quarter of 2012) and output of natural and associated gas is 5.37 billion cubic meters per quarter (for the fourth quarter of 2012).

Rosneft 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 is 1.0 million barrels per day (average for the fourth quarter of 2012) which equals around 46% 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 which owns stakes in four German refineries, where Rosneft processes both own and procured crude oil.

Part of the petroleum products produced by the Company at the domestic refineries is sold in Russia, both wholesale and through Rosneft's own retail network which comprises approximately 1,650 service stations in 44 regions of Russia. The remaining volumes (mainly fuel oil, diesel and naphtha) are exported to Europe, Asia and CIS. Products from the German refineries are sold in Western Europe.

## Financial and Operating Highlights

	<i>For 3 months ended</i>		<i>% change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
<b>Financial results, RUB billion</b>								
Revenues and equity share in profits of associates and joint ventures	790	809	(2.3)%	3,078	2,718	1,919	13.2%	41.6%
EBITDA	144	198	(27.3)%	609	662	586	(8.0)%	13.0%
Net income	57	181	(68.5)%	342	319	301	7.2%	6.0%
Capital expenditures	122	105	16.2%	466	391	264	19.2%	48.1%
Free cash flow	13	53	(75.5)%	45	99	203	(54.5)%	(51.2)%
Net Debt	581	542	7.2%	581	432	378	34.5%	14.3%
<b>Operational results</b>								
Hydrocarbon production (th. boe per day)	2,823	2,729	3.4%	2,702	2,586	2,521	4.5%	2.6%
Crude oil production (th. barrels per day)	2,479	2,454	1.0%	2,439	2,380	2,322	2.5%	2.5%
Gas production (th.boe per day)	344	275	25.1%	263	206	199	27.7%	3.5%
Production of petroleum products in Russia (mln tonnes)	12.56	12.77	(1.6)%	48.80	48.61	48.36	0.4%	0.5%
Production of petroleum products in Germany (mln tonnes)	2.77	2.78	(0.4)%	10.79	7.30	-	47.8%	-

## **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 projects in Algeria, the Gudautsky area in the Black Sea territorial waters of Abkhazia, United Arab Emirates and Venezuela and stakes in refineries in Germany.

### **Business Segments**

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 field development, maintenance of infrastructure and functioning of the first two segments, as well as banking and finance services, and other activities.

### **Intersegment Sales and Segment Presentation**

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 or third party refineries for processing. Refined petroleum products are then either sold by the Company through wholesale sales in international or domestic markets or sold to the Company's marketing and transshipment Business Units and subsidiaries for subsequent wholesale and retail sale in Russia.

## **Significant events in the fourth quarter of 2012**

On 22 October 2012, Rosneft announced two separate agreements in principle to acquire an aggregate 100% equity interest in TNK-BP Limited, the ultimate holding company of TNK-BP, and its subsidiary TNK Industrial Holdings Limited. TNK-BP is Russia's third largest hydrocarbon producer. The two proposed transactions involve (i) an acquisition of a 50% equity interest in TNK-BP from BP, in respect of which definitive documentation was signed on 22 November 2012 and (ii) an acquisition of a 50% equity interest in TNK-BP from the AAR consortium, as to which definitive documentation was signed on 12 December 2012.

## **Macroeconomic Factors Affecting Results of Operations**

Main factors affecting Rosneft's results of operations are:

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

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

### **Changes in Crude Oil, Petroleum Product and Gas Prices**

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

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

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
<b>World market</b>	<b>(US\$ per barrel)</b>		<b>%</b>	<b>(US\$ per barrel)</b>			<b>%</b>	
Brent (dated)	110.0	109.6	0.4%	111.6	111.3	79.5	0.3%	40.0%
Urals (average CIF Med and NWE)	108.7	109.0	(0.3)%	110.3	109.1	78.2	1.1%	39.5%
Urals (FOB Primorsk)	107.8	107.8	–	109.0	108.2	76.7	0.7%	41.1%
Urals (FOB Novorossysk)	108.2	108.3	(0.1)%	109.5	108.3	76.8	1.1%	41.0%
Dubai	107.5	106.3	1.1%	109.1	106.2	78.0	2.7%	36.2%
	<b>(US\$ per tonne)</b>			<b>(US\$ per tonne)</b>				
Naphtha (av. FOB/CIF Med)	921	893	3.0%	918	915	698	0.4%	31.0%
Naphtha (av. FOB Rotterdam/CIF NWE)	939	907	3.6%	934	929	711	0.5%	30.7%
Naphtha (CFR Japan)	944	915	3.2%	943	938	724	0.5%	29.6%
Fuel oil 3.5% (av. FOB/CIF Med)	590	624	(5.4)%	631	609	442	3.7%	37.7%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	587	620	(5.4)%	629	607	441	3.5%	37.7%
High sulphur fuel oil 180 cst (FOB Singapore)	625	660	(5.2)%	672	649	470	3.5%	37.9%
Gasoil 0.1% (av. FOB/CIF Med)	945	945	–	953	932	672	2.3%	38.6%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	952	946	0.6%	954	934	672	2.2%	39.0%
Gasoil 0.5% (FOB Singapore)	929	933	(0.5)%	938	925	665	1.4%	39.1%
	<b>(th. RUB per barrel)</b>			<b>(th. RUB per barrel)</b>				
Brent (dated)	3.42	3.51	(2.6)%	3.47	3.27	2.41	6.1%	35.7%
Urals (average CIF Med and NWE)	3.38	3.49	(3.2)%	3.43	3.21	2.38	6.9%	34.9%
Urals (FOB Primorsk)	3.35	3.45	(2.9)%	3.39	3.18	2.33	6.6%	36.5%
Urals (FOB Novorossysk)	3.36	3.47	(3.2)%	3.40	3.18	2.33	6.9%	36.5%
Dubai	3.34	3.40	(1.8)%	3.39	3.12	2.37	8.7%	31.6%
	<b>(th. RUB per tonne)</b>			<b>(th. RUB per tonne)</b>				
Naphtha (av. FOB/CIF Med)	28.6	28.6	–	28.5	26.9	21.2	5.9%	26.9%
Naphtha (av. FOB Rotterdam/CIF NWE)	29.2	29.0	0.7%	29.0	27.3	21.6	6.2%	26.4%
Naphtha (CFR Japan)	29.3	29.3	–	29.3	27.6	22.0	6.2%	25.5%
Fuel oil 3.5% (av. FOB/CIF Med)	18.3	20.0	(8.5)%	19.6	17.9	13.4	9.5%	33.6%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	18.2	19.8	(8.1)%	19.5	17.8	13.4	9.6%	32.8%
High sulphur fuel oil 180 cst (FOB Singapore)	19.4	21.1	(8.1)%	20.9	19.1	14.3	9.4%	33.6%
Gasoil 0.1% (av. FOB/CIF Med)	29.4	30.3	(3.0)%	29.6	27.4	20.4	8.0%	34.3%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	29.6	30.3	(2.3)%	29.7	27.4	20.4	8.4%	34.3%
Gasoil 0.5% (FOB Singapore)	28.9	29.9	(3.3)%	29.2	27.2	20.2	7.4%	34.7%
<b>Russian market</b> (net of VAT, including excise tax)	<b>(th. RUB per tonne)</b>			<b>(th. RUB per tonne)</b>				
Crude oil	10.3	10.3	–	10.2	8.9	6.7	14.6%	32.8%
Fuel oil	9.1	9.7	(6.2)%	9.2	8.8	7.7	4.5%	14.3%
Summer diesel	24.6	23.8	3.4%	23.2	19.7	14.3	17.8%	37.8%
Winter diesel	27.9	25.2	10.7%	25.3	21.9	16.5	15.5%	32.7%
Jet fuel	24.5	22.4	9.4%	23.3	20.7	14.9	12.6%	38.9%
High octane gasoline	27.4	26.3	4.2%	25.5	24.1	20.8	5.8%	15.9%
Low octane gasoline	24.6	23.5	4.7%	23.4	22.1	17.3	5.9%	27.7%

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 2.9% in the fourth quarter of 2012 compared to the third quarter of 2012, nominal RUB depreciation against US\$ by 5.8% in the twelve months of 2012 compared to the twelve months of 2011 and by nominal RUB appreciation against US\$ by 3.2% in the twelve months of 2011 compared to the twelve months of 2010, respectively.

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 was RUB 2.05 thousand per thousand cubic meters and RUB 2.14 thousand per thousand cubic meters in the fourth quarter of 2012 and third quarter of 2012 (without VAT), respectively.

In 2012 and 2011, Rosneft's average gas sale price was RUB 1.97 thousand per thousand cubic meters and RUB 1.47 thousand per thousand cubic meters (without VAT), respectively. In 2010 Rosneft's average gas sale price was RUB 1.29 thousand (without VAT).

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

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

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Rouble inflation (CPI) for the period	1.4%	2.0%	6.6%	6.1%	8.8%
Average RUB/US\$ exchange rate for the period	31.08	32.01	31.09	29.39	30.37
RUB/US\$ exchange rate at the end of the period	30.37	30.92	30.37	32.20	30.48
Average RUB/EUR exchange rate for the period	40.31	40.01	39.95	40.88	40.30
RUB/EUR exchange rate at the end of the period	40.23	39.98	40.23	41.67	40.33

Source: CBR.

### **Taxation**

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>		<i>% change for 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
<b>Mineral extraction tax</b>								
Crude oil (RUB per tonne)	5,007	5,147	(2.7)%	5,066	4,455	3,074	13.7%	44.9%
Natural gas (RUB per th. cubic meters)	251	251	–	251	237	147	5.9%	61.2%
Associated gas (RUB per th. cubic meters)	0	0	–	0	0	0	–	–
<b>Export customs duty for crude oil</b>								
Crude oil (US\$ per tonne)	406.6	366.6	10.9%	404.3	408.9	273.6	(1.1)%	49.5%
Crude oil (RUB per tonne)	12,637	11,733	7.7%	12,570	12,017	8,309	4.6%	44.6%
Crude oil (RUB per barrel)	1,728	1,604	7.7%	1,718	1,643	1,136	4.6%	44.6%
East Siberian Crude oil (RUB per tonne)	12,637	11,733	7.7%	12,570	9,920*	1,764	26.7%	–
East Siberian Crude oil (RUB per barrel)	1,728	1,604	7.7%	1,718	1,356*	241	26.7%	–
<b>Export customs duty for petroleum products</b>								
Gasoline** (RUB per tonne)	11,373	10,559	7.7%	11,312	10,030	5,972	12.8%	68.0%
Naphtha*** (RUB per tonne)	11,373	10,559	7.7%	11,312	10,030	5,972	12.8%	68.0%
Light and middle distillates (RUB per tonne)	8,340	7,743	7.7%	8,295	8,054	5,972	3.0%	34.9%
Liquid fuels (fuel oil) (RUB per tonne)	8,340	7,743	7.7%	8,295	6,119	3,217	35.6%	90.2%

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

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

\*\*\* Starting from 1 June 2011, the Russian Government introduced a special export duty on naphtha to 90% of the export duty for crude oil.

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
<b>High octane gasoline (RUB per tonne)</b>							
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
<b>Naphtha (RUB per tonne)</b>	6,089	7,824	7,824	10,229	10,229	11,252	13,502
<b>Diesel (RUB per tonne)</b>							
Diesel below euro-3,4,5 (RUB per tonne)	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
<b>Lubricants (RUB per tonne)</b>	4,681	6,072	6,072	7,509	7,509	8,260	9,086

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>RUB billion</b>	<b>RUB billion</b>	<b>RUB billion</b>	<b>RUB billion</b>	<b>RUB billion</b>
Total revenues	790	809	3,078	2,718	1,919
Total taxes*	415	427	1,641	1,374	898
<b>Effective tax burden, %</b>	<b>52.5%</b>	<b>52.8%</b>	<b>53.3%</b>	<b>50.6%</b>	<b>46.8%</b>

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

The mineral extraction tax and the export customs duty accounted for approximately 46.7% and 42.6% of Rosneft's total revenues in the fourth and third quarters of 2012, respectively. In 2012, 2011 and 2010 the mineral extraction tax and the export customs duty accounted for approximately 46.4%, 44.3% and 40.9%, respectively, 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 446 (from January 1, 2012 base rate was increased from RUB 419 to RUB 446) 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.

According to changes in tax legislation introduced in the end of 2010 the base rate for crude oil was increased to **RUB 470** starting from January 1, 2013.

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 to crude oil produced in PSA projects;
- 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 ( $0.125 \cdot \text{value of initial oil recoverable reserves} + 0.375$ ).

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 Ministry of Finance of Russian Federation, Ministry of Energy of Russian Federation and Ministry of economic development and trade of the Russian Federation are working out the project of changes to special tax regime for certain offshore projects. The project categorizes offshore projects into one of four groups depending on complexity and specifies special MET rate for each project group ranging from 5% to 30% of international oil price.

The Ministries of Russian Federation mentioned above are projecting 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

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.

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

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 was taken to exempt companies working at the Russian continental shelf from export customs duty.

In accordance with the amendments to the RF Law «On customs tariff» starting from April 1, 2013 the Government of the Russian Federation will establish formulas for calculation of the export customs duties on crude oil basing on the world 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 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 Eastern Siberian crude oil (Vankor and Verkhnechonsk)**

Starting from December 01, 2009, crude oil produced at a number of fields in Eastern Siberia was subject to a specific export customs duty regime (for production of oil with specific physicochemical characteristics zero export duty rate is applied). In particular, zero export duty rate was applicable to the Verkhnechonsk field starting from December 1, 2009. The zero export duty rate was applicable to the Vankor field starting from January 19, 2010.

Starting from July 01, 2010 the zero rate was replaced by a special rate calculated as  $(\text{Price}-50) \cdot 0.45$ , where "Price" is average Urals price in US\$ per barrel used for the calculation of ordinary export duty.

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

### **Export customs duty on crude oil export to CIS**

Export duties are not payable on crude oil exports to CIS countries that are members of the Customs Union. In accordance with the Agreement between the Government of the Russian Federation and the Government of Belarus dated 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.

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

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

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

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

### **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, 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*

Starting from January 1, 2011 Transneft increased tariffs by 5.9% on average for domestic transportation of petroleum products and by 9.5% on average for export transportation. As a result, annual average tariffs in 2011 compared with 2010 for the Company increased by 13.1% for export transportation and by 6.1% for domestic transportation.

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. As a result, annual average tariffs in 2012 compared with 2011 the tariffs for export transportation of petroleum products increased by 10.0% and tariffs for domestic transportation of petroleum products increased by 8.6%.

#### *Crude oil*

Starting from September 2011 Transneft increased tariffs for crude oil transportation by 2.85% on average. Starting from November 2011 Transneft increased tariffs for crude oil transportation by 5% on average. Starting from November 2012 Transneft increased tariffs for crude oil transportation by 5.5% on average while the network tariff for ESPO (Kozmino and China) increased by 10.2%. Transneft revised and increased the tariff for Rosneft's major transportation route "Yugansk – Primorsk" and route "Yugansk – Novorossysk", by 3.5% and 6.8%, respectively. On year-on-year average basis for the routes represented in the table below, tariffs for pipeline transportation of crude oil for export and domestic supplies increased by 4.9% in 2012 compared with 2011 while the tariff for Rosneft's major transportation route "Yugansk – Primorsk" on year-on-year average basis increased by 14.8% in 2012 compared with 2011.

### *Recent changes of railroad transportation tariffs*

In January 2011 and January 2012 tariffs for railroad transportation were increased by 8.0% and 6.0% on average, respectively.

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

	<i>For 3 months ended</i>		<i>change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
	<i>(th. RUB/tonne)</i>		<i>(%)</i>	<i>(th. RUB/tonne)</i>			<i>(%)</i>	
<b>CRUDE OIL</b>								
<b>Domestic</b>								
<i>Pipeline</i>								
Yugansk – Samara refineries	0.78	0.75	4.0%	0.75	0.73	0.65	2.7%	12.3%
Samara – Samara refineries	0.05	0.05	–	0.05	0.05	0.04	–	25.0%
Yugansk – Angarsk refinery	1.30	1.25	4.0%	1.26	1.21	1.08	4.1%	12.0%
Purpe – Tuapse refinery	1.62	1.56	3.8%	1.57	1.50	1.34	4.7%	11.9%
Tomsk – Achinsk refinery	0.35	0.34	2.9%	0.34	0.33	0.30	3.0%	10.0%
<i>Pipeline and railroad</i>								
Yugansk – Komsomolsk refinery	4.17	4.14	0.7%	4.14	3.93	3.61	5.3%	8.9%
<b>Exports</b>								
<i>Pipeline</i>								
Yugansk – Primorsk	1.58	1.54	2.6%	1.55	1.35	1.16	14.8%	16.4%
Yugansk – Novorossysk	1.55	1.49	4.0%	1.50	1.46	1.31	2.7%	11.5%
Vankor (Purpe)-Kozmino	2.02	1.89	6.9%	1.92	1.84	1.63	4.3%	12.9%
<i>Railroad</i>								
Stavropolneftegaz – CPC	0.68	0.68	–	0.68	0.66	0.61	3.0%	8.2%
<b>PETROLEUM PRODUCT EXPORTS</b>								
<b>Diesel</b>								
Samara refineries – Ventspils	1.90	1.91	(0.5)%	1.89	1.73	1.60	9.2%	8.1%
Angarsk refinery – Nakhodka	4.16	4.16	–	4.16	3.89	3.62	6.9%	7.5%
Komsomolsk refinery – Nakhodka	1.63	1.63	–	1.63	1.53	1.42	6.5%	7.7%
Achinsk refinery – Tuapse	4.69	4.69	–	4.69	4.38	4.07	7.1%	7.6%
<b>Fuel oil</b>								
Samara refineries – Odessa	2.90	2.93	(1.0)%	2.90	2.71	2.58	7.0%	5.0%
Angarsk refinery – Nakhodka	4.14	4.14	–	4.14	3.96	3.67	4.5%	7.9%
Komsomolsk refinery – Nakhodka	1.56	1.56	–	1.56	1.48	1.37	5.4%	8.0%
Achinsk refinery – Nakhodka	5.30	5.30	–	5.30	4.89	4.53	8.4%	7.9%
<b>Naphtha</b>								
Samara refineries – Tuapse	1.93	1.93	–	1.93	1.87	1.74	3.2%	7.5%
Achinsk refinery – Tuapse	4.58	4.58	–	4.58	4.30	4.00	6.5%	7.5%
Angarsk refinery – Nakhodka	3.92	3.92	–	3.92	3.78	3.51	3.7%	7.7%
Komsomolsk refinery – Nakhodka	1.60	1.60	–	1.60	1.50	1.39	6.7%	7.9%

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

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

## Operating Results

### Production of Crude Oil

Rosneft has twelve fully consolidated production and development enterprises, which produce crude oil in Western Siberia, Eastern Siberia, Timan Pechora, Central Russia, southern part of European Russia and the Russian Far East. The Company also has a 20% stake in the Sakhalin-1 project accounted for using proportionate consolidation method. In addition, Rosneft participates in four production joint ventures accounted for using the equity method: Tomskneft – 50.0%, Udmurtneft – 49.54%, Polar Lights – 50.0% and Verkhnechonskneftegaz – 25.94%.

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

	<i>For 3 months ended</i>		<i>change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
	<b>(million of barrels)</b>		<b>(%)</b>	<b>(million of barrels)</b>			<b>(%)</b>	
Yuganskneftegaz (Western Siberia)	122.9	122.9	-	488.8	488.1	483.2	0.1%	1.0%
Samaraneftegaz (Central Russia)	19.9	19.9	-	78.8	77.6	75.8	1.5%	2.4%
Purneftegaz (Western Siberia)	12.5	12.9	(3.1)%	50.7	51.3	52.7	(1.2)%	(2.7)%
Vankorneft (Eastern Siberia)	37.7	35.1	7.4%	133.9	109.7	92.9	22.1%	18.1%
Severnaya Neft (Timan Pechora)	6.2	6.4	(3.1)%	25.7	26.6	29.9	(3.4)%	(11.0)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.2	2.2	-	8.7	10.0	9.2	(13.0)%	8.7%
Other	7.5	7.1	5.6%	29.9	32.5	35.4	(8.0)%	(8.2)%
<b>Crude oil production by fully and proportionately consolidated enterprises</b>	<b>208.9</b>	<b>206.5</b>	<b>1.2%</b>	<b>816.5</b>	<b>795.8</b>	<b>779.1</b>	<b>2.6%</b>	<b>2.1%</b>
Tomskneft (Western Siberia)	9.3	9.5	(2.1)%	37.4	37.9	37.7	(1.3)%	0.5%
Udmurtneft (Central Russia)	6.0	5.9	1.7%	23.5	23.2	23.2	1.3%	-
Polar Lights (Timan Pechora)	0.5	0.4	25.0%	1.9	2.2	2.6	(13.6)%	(15.4)%
Verkhnechonskneftegaz (Eastern Siberia)	3.4	3.5	(2.9)%	13.3	9.5	4.8	40.0%	97.9%
<b>Total share in production of joint ventures</b>	<b>19.2</b>	<b>19.3</b>	<b>(0.5)%</b>	<b>76.1</b>	<b>72.8</b>	<b>68.3</b>	<b>4.5%</b>	<b>6.6%</b>
<b>Total crude oil production</b>	<b>228.1</b>	<b>225.8</b>	<b>1.0%</b>	<b>892.6</b>	<b>868.6</b>	<b>847.4</b>	<b>2.8%</b>	<b>2.5%</b>
<b>Daily crude oil production (th. barrels per day)</b>	<b>2,479</b>	<b>2,454</b>	<b>1.0%</b>	<b>2,439</b>	<b>2,380</b>	<b>2,322</b>	<b>2.5%</b>	<b>2.5%</b>

In the fourth quarter of 2012 Rosneft's average daily crude oil production was 2,479 th. barrels per day, which is an increase of 1.0% compared with the third quarter of 2012. The production level increased due to crude oil production growth mainly at Vankor, as well as at fields in Sakhalinmorneftegaz and Stavropolneftegaz (which is included in "Other" fully consolidated subsidiaries) owing to the launch of new wells. Overall daily production growth was partially offset by the natural decline in production at Western Siberia and Timan Pechora fields.

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

In 2011 Rosneft's average daily crude oil production was 2,380 th. barrels per day, which was 2.5% higher than in 2010. The growth was driven primarily by commercial production growth at the Vankor and Verkhnechonskneftegaz after the launch of new wells and due to the launch of production at Odoptu field in September 2010 at Sakhalin. Overall production growth was partially offset by the natural decline in production at the fields of Severnaya Neft.

## Production of Gas

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

	<i>For 3 months ended</i>		<i>change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
	(bcm)		(%)			(bcm)	(%)	
Purneftegaz (Western Siberia)	1.07	0.98	9.2%	4.07	3.71	3.60	9.7%	3.1%
Yuganskneftegaz (Western Siberia)	0.89	0.81	9.9%	3.16	2.86	2.65	10.5%	7.9%
Krasnodarneftegaz (Southern Russia)	0.82	0.66	24.2%	2.90	2.73	2.71	6.2%	0.7%
Samaraneftegaz (Central Russia)	0.13	0.14	(7.1)%	0.53	0.50	0.47	6.0%	6.4%
Severnaya Neft (Timan Pechora)	0.07	0.07	-	0.29	0.26	0.28	11.5%	(7.1)%
Vankorneft (Eastern Siberia)	0.14	0.11	27.3%	0.47	0.37	0.28	27.0%	32.1%
Sakhalin-1 (Far East) (net of royalty and government share)	0.11	0.06	83.3%	0.34	0.31	0.29	9.7%	6.9%
Other	0.29	0.25	16.0%	1.13	1.25	1.35	(9.6)%	(7.4)%
<b>Gas production by fully and proportionately consolidated enterprises</b>	<b>3.52</b>	<b>3.08</b>	<b>14.3%</b>	<b>12.89</b>	<b>11.99</b>	<b>11.63</b>	<b>7.5%</b>	<b>3.1%</b>
Tomskneft (Western Siberia)	0.25	0.19	31.6%	0.84	0.73	0.65	15.1%	12.3%
ITERA LLC	1.60	1.02	56.9%	2.62	-	-	-	-
Other	-	0.01	(100.0)%	0.04	0.07	0.06	(42.9)%	16.7%
<b>Total share in production of joint ventures</b>	<b>1.85</b>	<b>1.22</b>	<b>51.6%</b>	<b>3.50</b>	<b>0.80</b>	<b>0.71</b>	<b>&gt;100%</b>	<b>12.7%</b>
<b>Total gas production</b>	<b>5.37</b>	<b>4.30</b>	<b>24.9%</b>	<b>16.39</b>	<b>12.79</b>	<b>12.34</b>	<b>28.1%</b>	<b>3.6%</b>
Natural gas	2.89	2.07	39.6%	7.28	4.68	4.66	55.6%	0.4%
Associated gas	2.48	2.23	11.2%	9.11	8.11	7.68	12.3%	5.6%

\* Production volume equals extracted volume minus flared volume.

In the fourth quarter of 2012 Rosneft's natural and associated gas production was 5.37 bcm, which was significantly higher than in the third quarter of 2012. The increase in gas production mainly resulted from the acquisition of ITERA.

Excluding the effect of ITERA acquisition, the gas production increased by 14.9%. The increase in the fourth quarter was due to seasonal increase in demand at Krasnodarneftegaz, Tomskneft and Sakhalin-1, as well as with the production growth at Vankorneft due to its higher oil production.

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

In 2011 Rosneft's natural and associated gas production was 3.6% higher than in 2010, primarily, as a result of increased production of associated gas at Samaraneftegaz, Vankor and Yuganskneftegaz. Launch of new booster compression stations and gas preparations facilities allowed to increase associated gas utilization rates.

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.

In 2012, the following assets were put into exploitation within the gas utilisation programme: compression stations in Priobskoe and Kharampurskoe fields, gas pipeline at Ombinskoe field.

## 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). The capacity of these refineries as of December 31, 2012 stands at 51.8 million tonnes per year.

Rosneft also owns six mini-refineries (in Western Siberia, Eastern Siberia, Timan-Pechora and the southern part of European Russia), as well as OJSC Angarsk polymer plant (petrochemical block of the Angarsk refinery), LLC Novokuibyshevsk lubricants and additives plant (lubricants block of the Novokuibyshevsk refinery) and OJSC Rosneft-MZ Nefteprodukt (lubricants plant in Moscow).

In May, 2011 Rosneft acquired a 50% stake in Ruhr Oel GmbH which owns stakes in four refineries in Germany. Rosneft's share in primary capacity of these refineries amounts to 11.6 million tonnes per year. The Gelsenkirchen refinery, which is fully owned by Ruhr Oel GmbH, has a petrochemical block with annual capacity of 1 million tonnes of ethylene.

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

	<i>For 3 months ended</i>		<i>change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
	<i>(million of tonnes)</i>		<i>(%)</i>	<i>(million of tonnes)</i>			<i>(%)</i>	
Crude oil processing at Rosneft's own refineries in Russia	13.10	13.27	(1.3)%	50.85	50.65	50.49	0,4%	0.3%
Crude oil processing at Ruhr Oel GmbH	2.81	2.81	–	10.73	7.21	–	48,8%	–
<b>Total group crude oil processing</b>	<b>15.91</b>	<b>16.08</b>	<b>(1.1)%</b>	<b>61.58</b>	<b>57.86</b>	<b>50.49</b>	<b>6,4%</b>	<b>14.6%</b>
<b>Product output:</b>								
High octane gasoline	1.38	1.45	(4.8)%	5.34	5.33	4.92	0,2%	8.3%
Low octane gasoline	0.07	0.09	(22.2)%	0.35	0.35	1.53	–	(77.1)%
Naphtha	0.94	0.94	–	3.67	3.83	3.13	(4,2)%	22.4%
Diesel	4.49	4.49	–	17.22	17.25	16.84	(0,2)%	2.4%
Fuel oil	4.33	4.13	4.8%	16.39	16.91	17.39	(3,1)%	(2.8)%
Jet	0.34	0.43	(20.9)%	1.50	1.20	1.10	25,0%	9.1%
Petrochemicals	0.17	0.08	112.5%	0.53	0.54	0.52	(1,9)%	3.8%
Other*	0.84	1.16	(27.6)%	3.80	3.20	2.93	18,8%	9.2%
<b>Product output at Rosneft's own refineries</b>	<b>12.56</b>	<b>12.77</b>	<b>(1.6)%</b>	<b>48.80</b>	<b>48.61</b>	<b>48.36</b>	<b>0,4%</b>	<b>0.5%</b>
Product output at Ruhr Oel GmbH	2.77	2.78	(0.4)%	10.79	7.30	–	47,8%	100.0%
<b>Total group product output</b>	<b>15.33</b>	<b>15.55</b>	<b>(1.4)%</b>	<b>59.59</b>	<b>55.91</b>	<b>48.36</b>	<b>6,6%</b>	<b>15.6%</b>

\*including production of petroleum products at gas refineries

In the fourth quarter of 2012, Rosneft's total refinery throughput was 1.1% lower than in the third quarter of 2012. Rosneft's refinery throughput in Russia decreased by 1.3% in the fourth quarter of 2012 compared with the third quarter of 2012.

The decrease in the refinery throughput at refineries in Russia was due to the turnarounds at Angarsk refinery and Syzran refinery. Turnarounds at refineries mentioned above were the key factor of change in output structure in the fourth quarter of 2012 compared to the third quarter of 2012. In addition, the increase in total petrochemical products output in the fourth quarter of 2012 compared to the third quarter of 2012 resulted from the rebound of production levels at Angarsk polymer refinery due to the completion of planned turnarounds.

Rosneft's share in processing of non-crude feedstock at Ruhr Oel GmbH refineries was 0.30 and 0.35 million of tonnes in the fourth and in the third quarters of 2012 respectively.

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

In 2011 Rosneft's refinery throughput was 14.6% higher in comparison to 2010 due to the acquisition of share in Ruhr Oel GmbH in May 2011 and crude oil processing growth at Rosneft's own refineries by 0.3%. The decrease in low octane gasoline output and increase in naphtha output was experienced after the introduction of new requirements for Technical regulations to quality of motor fuel introduced since January 2011.

## Results of Operations

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

	<i>For 3 months ended</i>				
	December 31, 2012		September 30, 2012		Change
		% of total revenue		% of total revenue	%
<b>(RUB billion, except %)</b>					
<b>Revenues and equity share in profits of associates and joint ventures</b>					
Oil and gas sales	385	48.7%	393	48.6%	(2.0)%
Petroleum products and petrochemicals sales	383	48.5%	398	49.2%	(3.8)%
Support services and other revenues	11	1.4%	11	1.4%	-
Equity share in profits of associates and joint ventures	11	1.4%	7	0.8%	57.1%
<b>Total revenues and equity share in profits of associates and joint ventures</b>	<b>790</b>	<b>100.0%</b>	<b>809</b>	<b>100.0%</b>	<b>(2.3)%</b>
<b>Costs and expenses</b>					
Production and operating expenses	62	7.9%	52	6.4%	19.2%
Cost of purchased oil, gas and petroleum products and refining costs	96	12.2%	100	12.4%	(4.0)%
General and administrative expenses	20	2.5%	15	1.9%	33.3%
Pipeline tariffs and transportation costs	62	7.9%	61	7.5%	1.6%
Exploration expenses	8	1.0%	6	0.7%	33.3%
Depreciation, depletion and amortisation	61	7.7%	59	7.3%	3.4%
Taxes other than income tax	161	20.4%	165	20.4%	(2.4)%
Export customs duty	237	30.0%	212	26.2%	11.8%
<b>Total cost and expenses</b>	<b>707</b>	<b>89.5%</b>	<b>670</b>	<b>82.8%</b>	<b>5.5%</b>
<b>Operating income</b>	<b>83</b>	<b>10.5%</b>	<b>139</b>	<b>17.2%</b>	<b>(40.3)%</b>
Finance income	9	1.1%	6	0.7%	50.0%
Finance expenses	(3)	(0.4)%	(5)	(0.6)%	(40.0)%
Other income	-	-	84	10.4%	-
Other expenses	(23)	(2.9)%	(9)	(1.1)%	>100.0%
Result of operations with foreign currency, foreign exchange differences	8	1.0%	16	2.0%	(50.0)%
<b>Income before income tax</b>	<b>74</b>	<b>9.4%</b>	<b>231</b>	<b>28.6%</b>	<b>(68.0)%</b>
Income tax expense	(17)	(2.2)%	(50)	(6.2)%	(66.0)%
<b>Net income</b>	<b>57</b>	<b>7.2%</b>	<b>181</b>	<b>22.4%</b>	<b>(68.5)%</b>
<b>Other comprehensive income/(loss)</b>					
Foreign exchange differences on translation of foreign operations	-	-	5	0.6%	(100.0)%
Gain/(loss) from changes in fair value of financial assets available for-sale	(1)	(0.1)%	1	0.1%	-
<b>Total other comprehensive income/(loss), net of tax</b>	<b>(1)</b>	<b>(0.1)%</b>	<b>6</b>	<b>0.7%</b>	<b>-</b>
<b>Total comprehensive income, net of tax</b>	<b>56</b>	<b>7.1%</b>	<b>187</b>	<b>23.1%</b>	<b>(70.1)%</b>





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

In the fourth quarter of 2012 revenues and equity share in profits of associates and joint ventures were 2.3% down compared to those of the third quarter of 2012 and amounted to RUB 790 billion. The decrease was mainly driven by decrease in crude oil and petroleum product prices and decrease in sales volumes of petroleum products, partially offset by growth of equity share in profits of associates and joint ventures.

In 2012 revenues and equity share in profits of associates and joint ventures were 13.2% higher compared to 2011, that was driven by increase in sales volumes and price. Urals price increased by 1.1% and the world market prices for diesel and fuel oil denominated in RUB rose by 8.4% and 9.6% respectively.

In the year ended December 31, 2011, revenues and equity share in profits of associates and joint ventures were RUB 2,718 billion, an increase of 41.6% compared revenues of RUB 1,919 billion in 2010. This was mainly driven by substantial increases in price, growth of production volumes and equity share in profits of associates and joint ventures.

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>change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>			<i>For 12 months ended December 31</i>					<i>change for 12 months ended December 31</i>		
	<b>December 31, 2012</b>		<b>September 30, 2012</b>		<b>2012</b>	<b>2012</b>		<b>2011</b>		<b>2010</b>		<b>2012 – 2011</b>	<b>2011 – 2010</b>
	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>%</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>%</b>	
<b>(RUB billion, except %)</b>													
<b>Crude oil</b>													
International Sales to non-CIS	359	45.4%	363	44.9%	(1.1)%	1,421	46.1%	1,321	48.6%	993	51.7%	7.6%	33.0%
Europe and other directions	261	33.0%	265	32.8%	(1.5)%	1,033	33.5%	955	35.1%	694	36.1%	8.2%	37.6%
Asia	98	12.4%	98	12.1%	0.0%	388	12.6%	366	13.5%	299	15.6%	6.0%	22.4%
International sales to CIS	20	2.5%	22	2.7%	(9.1)%	78	2.5%	54	2.0%	42	2.2%	44.4%	28.6%
Domestic	0	0.0%	1	0.1%	(100.0)%	5	0.2%	3	0.1%	8	0.4%	66.7%	(62.5)%
<b>Total crude oil</b>	<b>379</b>	<b>47.9%</b>	<b>386</b>	<b>47.7%</b>	<b>(1.8)%</b>	<b>1,504</b>	<b>48.8%</b>	<b>1,378</b>	<b>50.7%</b>	<b>1,043</b>	<b>54.3%</b>	<b>9.1%</b>	<b>32.1%</b>
<b>Gas</b>	<b>6</b>	<b>0.8%</b>	<b>7</b>	<b>0.9%</b>	<b>(14.3)%</b>	<b>22</b>	<b>0.7%</b>	<b>14</b>	<b>0.5%</b>	<b>13</b>	<b>0.7%</b>	<b>57.1%</b>	<b>7.7%</b>
<b>Petroleum products</b>													
International Sales to non-CIS	216	27.4%	222	27.4%	(2.7)%	839	27.3%	712	26.2%	429	22.3%	17.8%	66.0%
Europe and other directions	162	20.6%	163	20.1%	(0.6)%	611	19.9%	488	18.0%	247	12.8%	25.2%	97.6%
Asia	54	6.8%	59	7.3%	(8.5)%	228	7.4%	224	8.2%	182	9.5%	1.8%	23.1%
International Sales to CIS	4	0.5%	3	0.4%	33.3%	11	0.4%	8	0.3%	5	0.3%	37.5%	60.0%
Domestic	128	16.2%	139	17.2%	(7.9)%	495	16.1%	448	16.4%	340	17.7%	10.5%	31.8%
Wholesale	73	9.2%	85	10.5%	(14.1)%	295	9.6%	270	9.9%	220	11.4%	9.3%	22.7%
Retail	55	7.0%	54	6.7%	1.9%	200	6.5%	178	6.5%	120	6.3%	12.4%	48.3%
Sales of bunker fuel to end-users	13	1.6%	16	2.0%	(18.8)%	50	1.6%	37	1.4%	23	1.2%	35.1%	60.9%
<b>Total petroleum products</b>	<b>361</b>	<b>45.7%</b>	<b>380</b>	<b>47.0%</b>	<b>(5.0)%</b>	<b>1,395</b>	<b>45.4%</b>	<b>1,205</b>	<b>44.3%</b>	<b>797</b>	<b>41.5%</b>	<b>15.8%</b>	<b>51.2%</b>
<b>Petrochemical products</b>	<b>22</b>	<b>2.8%</b>	<b>18</b>	<b>2.2%</b>	<b>22.2%</b>	<b>84</b>	<b>2.7%</b>	<b>60</b>	<b>2.2%</b>	<b>13</b>	<b>0.7%</b>	<b>40.0%</b>	<b>&gt;100.0%</b>
International sales	19	2.4%	16	2.0%	18.8%	73	2.3%	50	1.8%	4	0.2%	46.0%	>100.0%
Domestic	3	0.4%	2	0.2%	50.0%	11	0.4%	10	0.4%	9	0.5%	10.0%	11.1%
<b>Support services and other revenues</b>	<b>11</b>	<b>1.4%</b>	<b>11</b>	<b>1.4%</b>	<b>0.0%</b>	<b>42</b>	<b>1.4%</b>	<b>45</b>	<b>1.7%</b>	<b>49</b>	<b>2.6%</b>	<b>(6.7)%</b>	<b>(8.2)%</b>
<b>Equity share in profits of associates and joint ventures</b>	<b>11</b>	<b>1.4%</b>	<b>7</b>	<b>0.8%</b>	<b>57.1%</b>	<b>31</b>	<b>1.0%</b>	<b>16</b>	<b>0.6%</b>	<b>4</b>	<b>0.2%</b>	<b>93.8%</b>	<b>&gt;100.0%</b>
<b>Total sales</b>	<b>790</b>	<b>100.0%</b>	<b>809</b>	<b>100.0%</b>	<b>(2.3)%</b>	<b>3,078</b>	<b>100.0%</b>	<b>2,718</b>	<b>100.0%</b>	<b>1,919</b>	<b>100.0%</b>	<b>13.2%</b>	<b>41.6%</b>

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

## Sales Volumes

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

	<i>For 3 months ended</i>				<i>change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>		<i>For 12 months ended December 31</i>				<i>change for 12 months ended December 31</i>					
	<i>December 31, 2012</i>		<i>September 30, 2012</i>		<i>2012</i>		<i>2012</i>		<i>2011</i>		<i>2010</i>		<i>2012 - 2011</i>		<i>2011 -2010</i>	
	<i>mln bbls</i>	<i>% of total volume</i>	<i>mln bbls</i>	<i>% of total volume</i>	<i>%</i>	<i>mln bbls</i>	<i>% of total volume</i>	<i>mln bbls</i>	<i>% of total volume</i>	<i>mln bbls</i>	<i>% of total volume</i>	<i>mln bbls</i>	<i>% of total volume</i>	<i>%</i>	<i>%</i>	
<b>Crude oil</b>																
International Sales to non-CIS	111.2	46.8%	111.3	46.1%	(0.1)%	438.2	47.2%	433.8	48.9%	420.6	51.8%	1.0%	3.1%			
Europe and other directions	77.5	32.6%	77.6	32.2%	(0.1)%	306.5	33.0%	301.4	34.0%	297.0	36.6%	1.7%	1.5%			
Asia	33.7	14.2%	33.7	13.9%	0.0%	131.7	14.2%	132.4	14.9%	123.6	15.2%	(0.5)%	7.1%			
CIS	13.1	5.5%	11.7	4.8%	12.0%	47.5	5.1%	33.6	3.8%	24.9	3.1%	41.4%	34.9%			
Domestic	0.1	0.0%	0.7	0.3%	(85.7)%	3.7	0.4%	2.2	0.2%	8.8	1.1%	68.2%	(75.0)%			
<b>Total crude oil</b>	<b>124.4</b>	<b>52.3%</b>	<b>123.7</b>	<b>51.2%</b>	<b>0.6%</b>	<b>489.4</b>	<b>52.7%</b>	<b>469.6</b>	<b>52.9%</b>	<b>454.3</b>	<b>56.0%</b>	<b>4.2%</b>	<b>3.4%</b>			
<b>Crude oil</b>	<b>mln tonnes</b>		<b>mln tonnes</b>			<b>mln tonnes</b>		<b>mln tonnes</b>		<b>mln tonnes</b>						
International Sales to non-CIS	15.2	46.8%	15.2	46.1%	(0.1)%	59.9	47.2%	59.3	48.9%	57.5	51.8%	1.0%	3.1%			
Europe and other directions	10.6	32.6%	10.6	32.2%	(0.1)%	41.9	33.0%	41.2	34.0%	40.6	36.6%	1.7%	1.5%			
Asia	4.6	14.2%	4.6	13.9%	0.0%	18.0	14.2%	18.1	14.9%	16.9	15.2%	(0.5)%	7.1%			
CIS	1.8	5.5%	1.6	4.8%	12.0%	6.5	5.1%	4.6	3.8%	3.4	3.1%	41.4%	34.9%			
Domestic	0.0	0.0%	0.1	0.3%	(85.7)%	0.5	0.4%	0.3	0.2%	1.2	1.1%	68.2%	(75.0)%			
<b>Total crude oil</b>	<b>17.0</b>	<b>52.3%</b>	<b>16.9</b>	<b>51.2%</b>	<b>0.6%</b>	<b>66.9</b>	<b>52.7%</b>	<b>64.2</b>	<b>52.9%</b>	<b>62.1</b>	<b>56.0%</b>	<b>4.2%</b>	<b>3.4%</b>			
<b>Petroleum products</b>																
International Sales to non-CIS	8.5	26.2%	8.4	25.5%	1.2%	32.6	25.6%	30.5	25.2%	25.5	23.0%	6.9%	19.6%			
Europe and other directions	6.5	20.0%	6.2	18.8%	4.8%	24.1	18.9%	21.1	17.4%	15.4	13.9%	14.2%	37.0%			
Asia	2.0	6.2%	2.2	6.7%	(9.1)%	8.5	6.7%	9.4	7.8%	10.1	9.1%	(9.6)%	(6.9)%			
International Sales to CIS	0.2	0.6%	0.2	0.6%	0.0%	0.5	0.4%	0.4	0.3%	0.3	0.3%	25.0%	33.3%			
Domestic	5.2	16.0%	6.1	18.5%	(14.8)%	21.4	16.8%	21.4	17.7%	20.5	18.5%	0.0%	4.4%			
Wholesale	3.4	10.5%	4.2	12.7%	(19.0)%	14.6	11.4%	14.9	12.3%	15.2	13.7%	(2.0)%	(2.0)%			
Retail	1.8	5.5%	1.9	5.8%	(5.3)%	6.8	5.4%	6.5	5.4%	5.3	4.8%	4.6%	22.6%			
Sales of bunker fuel to end-users	0.8	2.5%	0.8	2.4%	0.0%	2.8	2.2%	2.5	2.1%	1.8	1.6%	12.0%	38.9%			
<b>Total petroleum products</b>	<b>14.7</b>	<b>45.3%</b>	<b>15.5</b>	<b>47.0%</b>	<b>(5.2)%</b>	<b>57.3</b>	<b>45.0%</b>	<b>54.8</b>	<b>45.3%</b>	<b>48.1</b>	<b>43.4%</b>	<b>4.6%</b>	<b>13.9%</b>			
<b>Petrochemical products</b>																
International sales	0.8	2.4%	0.6	1.8%	33.3%	2.9	2.3%	2.2	1.8%	0.7	0.6%	31.8%	>100.0%			
Domestic	0.6	1.8%	0.4	1.2%	50.0%	2.2	1.7%	1.5	1.2%	0.1	0.1%	46.7%	>100.0%			
	0.2	0.6%	0.2	0.6%	0.0%	0.7	0.6%	0.7	0.6%	0.6	0.5%	0.0%	16.7%			
<b>Total crude oil and products</b>	<b>32.5</b>	<b>100.0%</b>	<b>33.0</b>	<b>100.0%</b>	<b>(1.5)%</b>	<b>127.1</b>	<b>100.0%</b>	<b>121.2</b>	<b>100%</b>	<b>110.9</b>	<b>100.0%</b>	<b>4.9%</b>	<b>9.3%</b>			
<b>Gas</b>	<b>bcm</b>		<b>bcm</b>			<b>bcm</b>		<b>bcm</b>		<b>bcm</b>						
Sales Volumes	2.90		2.76		5.1%	11.08		9.74		9.80		13.8%	(0.6)%			

## Average Crude Oil and Petroleum Product Sales Prices

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

	<i>For 3 months ended</i>				<i>% change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>	<i>For 12 months ended</i>						<i>% change for 12 months ended</i>	
	<i>December 31, 2012</i>		<i>September 30, 2012</i>			<i>December 31, 2012</i>		<i>December 31, 2011</i>		<i>December 31, 2010</i>		<i>2012 - 2011</i>	<i>2011 - 2010</i>
	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>		<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>	<i>(th.RUB/ barrel)</i>	<i>(th.RUB/ tonne)</i>		
<b>Average prices on foreign markets</b>													
Crude oil, excluding CIS	3.20	23.4	3.30	24.2	(3.3)%	3.24	23.7	3.04	22.3	2.40	17.3	6.3%	28.9%
Europe and other directions	3.34	24.4	3.44	25.2	(3.2)%	3.37	24.6	3.17	23.2	2.30	17.1	6.0%	35.7%
Asia	2.88	21.1	2.98	21.8	(3.2)%	2.95	21.6	2.76	20.2	2.40	17.7	6.9%	14.1%
Crude oil, CIS	1.60	11.7	1.84	13.5	(13.3)%	1.66	12.1	1.61	11.8	1.70	12.4	2.5%	(4.8)%
Petroleum products, non- CIS		25.0		26.6	(6.0)%		25.7		23.4		16.8	9.8%	39.3%
Europe and other directions		24.6		26.3	(6.5)%		25.3		23.2		16.1	9.1%	44.1%
Asia		26.5		27.4	(3.3)%		26.8		23.9		18.0	12.1%	32.8%
Petroleum products, CIS		22.2		24.1	(7.9)%		23.4		21.8		17.3	7.3%	26.0%
<b>Average domestic prices</b>													
Crude oil	1.57	11.5	1.54	11.3	1.8%	1.40	10.3	1.39	10.2	0.90	6.8	1.0%	50.0%
Petroleum products		24.3		23.1	5.2%		23.1		20.9		16.6	10.5%	25.9%
Wholesale		21.4		20.3	5.4%		20.2		18.2		14.5	11.0%	25.5%
Retail		29.8		29.3	1.7%		29.4		27.1		22.8	8.5%	18.9%
Gas (th.rub. /th. cubic meter)		2.05		2.14	(4.2)%		1.97		1.47		1.29	34.0%	14.0%
Sales of bunker fuel to end-users		17.8		18.0	(1.1)%		17.9		15.4		12.3	16.2%	25.2%
Petrochemical products		30.7		29.5	4.1%		29.8		27.0		17.1	10.4%	57.9%
<i>International sales</i>		35.0		33.7	3.9%		33.9		33.0		31.5	2.7%	4.8%
<i>Domestic</i>		18.7		15.5	20.6%		16.8		14.0		14.5	20.0%	(3.4)%

## International Crude Oil Sales to non-CIS

Revenues from international crude oil sales to non-CIS countries in the fourth quarter of 2012 were RUB 359 billion which is lower by 1.1% in comparison with the third quarter of 2012. Average prices downturn of 3.3% (negative impact on revenues of RUB 4 billion) and sales volumes reduction by 0.1%. Export average price reduction was due to general decrease of world market price.

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

The deviation between average sales prices on the Asian markets and world market prices (Dubai) in the fourth quarter of 2012 is due to deliveries to Transneft of 6 million tonnes (43.89 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 18 billion) in the fourth quarter of 2012 the average sales price on the Asian markets amounted to RUB 3.5 thousand per barrel. In 2012 the average sales price on the Asian markets was equal to RUB 3.5 thousand per barrel excluding revenues from crude oil sales to Transneft (RUB 79 billion).

In 2011 revenues from crude oil exports to non-CIS countries increased by 33.0% compared to 2010, which was driven by a 28.9% increase in average export prices in line with the increase in average global prices, and a 3.1% increase in sales volumes. Export sales volumes growth was due to increased production at Vankor.

### Crude Oil Supplies to Ruhr Oel GmbH Refineries

In January 2012 Rosneft resumed supplies of its own crude oil to Ruhr Oel GmbH refineries. In the twelve months of 2012 these supplies, net of resale operations, amounted to 2.2 million tonnes (15.8 million barrels). Rosneft paid RUB 27 billion of export duties on this crude oil. 2.1 million tonnes (15.7 million barrels) of this crude oil were fully processed and sold.

Besides supplies of own crude oil, in the twelve months of 2012 Rosneft acquired 8.7 million tonnes (63.5 million barrels) of crude oil on the international market for RUB 221 billion to supply to Ruhr Oel GmbH refineries. These expenses are reflected in the cost of purchased oil, gas and petroleum products and refining costs in the consolidated statements of income and comprehensive income.

### International Crude Oil Sales to CIS

In the fourth quarter of 2012 revenue from sales of crude oil to CIS (Belarus and Kazakhstan) was RUB 20 billion, which is a decrease of 9.1% compared to the previous quarter. A 13.3% downturn in average prices, was partially offset by an increase in sales volumes of 12.0% had a total negative impact on revenues of RUB 2 billion. The increase in sales volumes resulted from higher quotas for crude oil deliveries to Kazakhstan.

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

In 2011 revenues from crude oil exports to CIS countries increased by RUB 12 billion in comparison with 2010, which was attributable to a sales volumes increase of 34.9%, partly offset by a decline in the average price of crude oil by 4.8%. The increase in sales volumes was due to the cancellation of custom duties on crude oil export to Belarus.

## International Petroleum Product Sales to Non-CIS

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

	<i>For 3 months ended</i>						<i>% change</i>		
	December 31, 2012			September 30, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	2	0.2	36.3	2	0.0	38.9	0.0%	–	(6.7)%
Low octane gasoline	2	0.1	28.8	2	0.1	28.9	0.0%	0.0%	(0.3)%
Naphtha	27	1.0	29.0	26	0.9	28.8	3.8%	11.1%	0.7%
Diesel (Gasoil)	59	2.1	28.7	50	1.7	29.8	18.0%	23.5%	(3.7)%
Fuel oil	57	2.9	17.8	66	3.3	20.4	(13.6)%	(12.1)%	(12.7)%
Jet fuel	1	0.0	39.1	0	0.0	38.5	–	–	1.6%
Other	1	0.0	27.6	2	0.1	26.3	(50.0)%	(100.0)%	4.9%
<b>Total petroleum products exported to non-CIS</b>	<b>149</b>	<b>6.3</b>	<b>23.4</b>	<b>148</b>	<b>6.1</b>	<b>24.6</b>	<b>0.7%</b>	<b>3.3%</b>	<b>(4.9)%</b>
<i>Petroleum products sold from ROG refineries</i>	67	2.2	29.7	74	2.3	31.6	(9.5)%	(4.3)%	(6.0)%
<b>Total</b>	<b>216</b>	<b>8.5</b>	<b>25.0</b>	<b>222</b>	<b>8.4</b>	<b>26.6</b>	<b>(2.7)%</b>	<b>1.2%</b>	<b>(6.0)%</b>

Revenues from the international sales of petroleum products to non-CIS countries were RUB 216 billion in the fourth quarter of 2012, which is a decrease of 2.7% compared to the previous quarter. A 6.0% downturn in average prices (unfavorable impact on revenues of RUB 9 billion) was compensated by sales volume increase of 1.2% (positive impact on revenues of RUB 3 billion).

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

	<i>For 12 months ended December 31</i>									<i>% change between 12 months ended December 31, 2012 and 2011</i>		<i>% change between 12 months ended December 31, 2011 and 2010</i>			
	2012			2011			2010			RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne						
High octane gasoline	7	0.2	37.2	14	0.6	25.4	4	0.2	25.5	(50.0)%	(66.7)%	46.5%	250.0%	200.0%	(0.4)%
Low octane gasoline	5	0.2	30.1	6	0.3	27.7	4	0.2	21.8	(16.7)%	(33.3)%	8.7%	50.0%	50.0%	27.1%
Naphtha	104	3.6	28.8	94	3.5	26.7	66	3.1	21.3	10.6%	2.9%	7.9%	42.4%	12.9%	25.4%
Diesel (Gasoil)	203	7.0	29.1	183	6.8	27.0	164	8.2	19.8	10.9%	2.9%	7.8%	11.6%	(17.1)%	36.4%
Fuel oil	254	12.6	19.9	241	13.1	18.4	185	13.5	13.7	5.4%	(3.8)%	8.2%	30.3%	(3.0)%	34.3%
Jet fuel	1	0.0	37.6	1	–	31.7	–	–	21.9	0.0%	–	18.6%	100.0%	–	44.7%
Other	5	0.3	27.0	8	0.3	25.5	6	0.3	21.1	(37.5)%	0.0%	5.9%	33.3%	0.0%	20.9%
<b>Total petroleum products exported to non-CIS</b>	<b>579</b>	<b>23.9</b>	<b>24.2</b>	<b>547</b>	<b>24.6</b>	<b>22.3</b>	<b>429</b>	<b>25.5</b>	<b>16.8</b>	<b>5.9%</b>	<b>(2.8)%</b>	<b>8.5%</b>	<b>27.5%</b>	<b>(3.5)%</b>	<b>32.7%</b>
<i>Petroleum products sold from ROG refineries</i>	260	8.7	29.7	165	5.9	27.9	–	–	–	57.6%	47.5%	6.5%	100.0%	100.0%	100.0%
<b>Total</b>	<b>839</b>	<b>32.6</b>	<b>25.7</b>	<b>712</b>	<b>30.5</b>	<b>23.4</b>	<b>429</b>	<b>25.5</b>	<b>16.8</b>	<b>17.8%</b>	<b>6.9%</b>	<b>9.8%</b>	<b>66.0%</b>	<b>19.6%</b>	<b>39.3%</b>

In 2012 revenues from the export of petroleum products to non-CIS countries were 17.8% higher compared to 2011 which was driven by a 9.8% upturn in average prices and sales volumes growth of 6.9% (positive impact on revenues of RUB 78 billion and RUB 49 billion, respectively). The increase in sales volumes was due to acquisition of a 50% share in Ruhr Oel GmbH.

In 2011 revenues from the export of petroleum products to non-CIS countries were 66.0% higher compared to 2010 which was mainly driven by a 39.3% upturn in average prices and sales volumes growth of 19.6%.

### 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 between 4<sup>th</sup> and 3<sup>d</sup> quarters of 2012</i>		
	December 31, 2012			September 30, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	54	1.7	31.7	51	1.7	29.3	5.9%	0.0%	8.2%
Low octane gasoline	2	0.1	24.3	2	0.1	25.1	0.0%	0.0%	(3.2)%
Naphtha	-	-	-	-	-	-	-	-	-
Diesel	49	1.9	26.7	62	2.6	23.9	(21.0)%	(26.9)%	11.7%
Fuel oil	6	0.5	11.3	3	0.3	10.5	100.0%	66.7%	7.6%
Jet fuel	9	0.3	26.4	11	0.5	24.5	(18.2)%	(40.0)%	7.8%
Other	8	0.7	10.3	10	0.9	11.5	(20.0)%	(22.2)%	(10.4)%
<b>Total</b>	<b>128</b>	<b>5.2</b>	<b>24.3</b>	<b>139</b>	<b>6.1</b>	<b>23.1</b>	<b>(7.9)%</b>	<b>(14.8)%</b>	<b>5.2%</b>

Revenues from sales of petroleum products on the domestic market were RUB 128 billion in the fourth quarter of 2012, which is a decrease of 7.9% compared to the third quarter of 2012. Revenue reduction was attributable to 14.8% downturn in sales volumes and partially offset by slight upturn in average prices of 5.2% which had a total unfavourable impact on revenues of RUB 11 billion. Sales volumes decrease was due to a seasonal reduction in demand for summer diesel, resulting to its redirection to foreign markets, and decreased sales to agricultural enterprises. Seasonal increased demand for fuel oil on domestic market led to its redirection of respective volumes from non-CIS markets.

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

	<i>For 12 months ended December 31</i>									<i>% change between 12 months ended December 31, 2012 and 2011</i>			<i>% change between 12 months ended December 31, 2011 and 2010</i>		
	2012			2011			2010			RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne						
High octane gasoline	187	6.3	30.0	174	6.3	27.4	126	5.4	23.4	7.5%	0.0%	9.5%	38.1%	16.7%	17.1%
Low octane gasoline	7	0.4	24.7	7	0.3	22.5	24	1.3	18.4	0.0%	33.3%	9.8%	(70.8)%	(76.9)%	22.3%
Naphtha	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Diesel	211	8.7	24.9	196	9.5	20.7	132	8.3	16	7.7%	(8.4)%	20.3%	48.5%	14.5%	29.4%
Fuel oil	17	1.6	10.6	19	2.1	9.2	20	2.6	7.6	(10.5)%	(23.8)%	15.2%	(5.0)%	(19.2)%	21.1%
Jet fuel	39	1.6	25.4	25	1.1	22.1	16	1.0	16.7	56.0%	45.5%	14.9%	56.3%	10.0%	32.3%
Other	34	2.8	10.9	27	2.1	12.7	22	1.9	10.9	25.9%	33.3%	(14.2)%	22.7%	10.5%	16.5%
<b>Total</b>	<b>495</b>	<b>21.4</b>	<b>23.1</b>	<b>448</b>	<b>21.4</b>	<b>20.9</b>	<b>340</b>	<b>20.5</b>	<b>16.6</b>	<b>10.5%</b>	<b>0.0%</b>	<b>10.5%</b>	<b>31.8%</b>	<b>4.4%</b>	<b>25.9%</b>

Revenues from sales of petroleum products on the domestic market were RUB 495 billion in 2012 which is an increase of 10.5% compared with 2011. This resulted from a 10.5% upturn in average prices (positive impact on revenues of RUB 47 billion).

In the year ended 31 December 2011, revenues from sales of petroleum products on the domestic market increased by 31.8% compared to 2010. This resulted from a 25.9% upturn in average prices and from a 4.4% increase in sales volumes. Volumes growth was due to the increased demand for petroleum products at domestic market.

## 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 fourth quarter of 2012 were RUB 13 billion, a decrease of 18.8% in comparison with the previous quarter which is mainly attributable to a seasonal factor.

16.2% upturn in average prices accompanied by a 12.0% increase in sales volumes led to revenue growth of 35.1% or RUB 13 billion in 2012 compared to 2011. In 2011 and 2010 revenues were RUB 37 billion and RUB 23 billion respectively. Volumes growth was due to expansion of the Company's bunkering business.

## Petrochemical Product Sales

Revenues from sales of petrochemical products in the fourth quarter of 2012 were RUB 22 billion, an increase of 22.2% compared to the third quarter of 2012. The increase in sales volumes by 33.3% resulted from increase in production of petroleum products output at Angarsk Polymer refinery followed the completion of planned turnarounds.

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

In the year ended 31 December 2011, revenues from sales of petrochemical products increased significantly to RUB 60 billion, compared to RUB 13 billion in 2010. This was mainly due to Rosneft's acquisition of a portion of Ruhr Oel GmbH in May 2011.

## Gas Sales

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

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

	<i>For 3 months ended</i>		<i>% change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
<b>Revenue</b>	<b>(RUB billion)</b>		<b>%</b>	<b>(RUB billion)</b>			<b>%</b>	
Western Siberia	1.7	1.5	13.3%	5.7	4.1	3.4	39.0%	20.6%
South Russia	2.4	2.0	20.0%	8.0	6.8	6.0	17.6%	13.3%
Far East	0.4	0.3	33.3%	1.4	1.2	1.0	16.7%	20.0%
European part of Russia	1.6	2.7	(40.7)%	6.7	2.1	2.1	219.0%	0.0
<b>Total</b>	<b>6.1</b>	<b>6.5</b>	<b>(6.2)%</b>	<b>21.8</b>	<b>14.2</b>	<b>12.5</b>	<b>53.5%</b>	<b>13.6%</b>
<b>Sales volumes</b>	<b>(bcm)</b>		<b>%</b>	<b>(bcm)</b>			<b>%</b>	
Western Siberia	1.29	1.15	12.2%	4.54	5.09	5.15	(10.8)%	(1.2)%
South Russia	0.85	0.69	23.2%	3.02	2.91	3.04	3.8%	(4.3)%
Far East	0.21	0.14	50.0%	0.72	0.71	0.66	1.4%	7.6%
European part of Russia	0.55	0.78	(29.5)%	2.80	1.03	0.95	171.8%	8.4%
<b>Total</b>	<b>2.90</b>	<b>2.76</b>	<b>5.1%</b>	<b>11.08</b>	<b>9.74</b>	<b>9.80</b>	<b>13.8%</b>	<b>(0.6)%</b>
<b>Average price</b>	<b>(th. RUB/th. of cubic metres)</b>		<b>%</b>	<b>(th. RUB/th. of cubic metres)</b>			<b>%</b>	
Western Siberia	1.34	1.26	6.3%	1.25	0.80	0.66	56.3%	21.2%
South Russia	2.85	2.92	(2.4)%	2.64	2.35	1.98	12.3%	18.7%
Far East	1.99	1.89	5.3%	1.88	1.62	1.54	16.0%	5.2%
European part of Russia	2.52	2.79	(9.7)%	2.45	2.09	2.19	17.2%	(4.6)%
<b>Total</b>	<b>2.05</b>	<b>2.14</b>	<b>(4.2)%</b>	<b>1.97</b>	<b>1.47</b>	<b>1.29</b>	<b>34.0%</b>	<b>14.0%</b>

\* average price is calculated from unrounded figures

In the fourth quarter of 2012 revenues from gas sales decreased by 6.2% and amounted to RUB 6.1 billion due to downturn in average prices.

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

In 2011 revenues from gas sales increased by 13.6% and amounted to RUB 14.2 billion in comparison to 2010, which was driven by an increase in average prices of 14.0% and partially offset by sales volumes decrease of 0.6%.

### **Support Services and Other Revenues**

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

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

	<i>For 3 months ended</i>		<i>change between 4<sup>th</sup> and 3<sup>d</sup> quarters</i>		<i>For 12 months ended December 31</i>				<i>change for 12 months ended December 31</i>							
	<b>December 31, 2012</b>		<b>September 30, 2012</b>		<b>2012</b>		<b>2012</b>		<b>2011</b>		<b>2010</b>		<b>2012–2011</b>		<b>2011–2010</b>	
	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>%</b>	<b>%</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>% of total revenue</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
	<b>(RUB billion, except %)</b>															
Drilling services	0.6	5.5%	0.8	7.5%	(25.0)%	2.2	5.3%	1.2	2.7%	1.8	3.6%	83.3%	(33.3)%			
Sales of materials	2.5	22.9%	2.6	24.3%	(3.8)%	10.1	24.3%	10.1	22.6%	10.6	21.5%	0.0%	(4.7)%			
Repairs and maintenance services	0.9	8.3%	0.8	7.5%	12.5%	3.3	7.9%	3.2	7.2%	3.3	6.7%	3.1%	(3.0)%			
Rent services	0.7	6.4%	0.7	6.5%	0.0%	2.8	6.7%	2.5	5.6%	2.1	4.3%	12.0%	19.0%			
Construction services	0.5	4.6%	0.5	4.7%	0.0%	2.2	5.3%	2.8	6.3%	2.5	5.1%	(21.4)%	12.0%			
Transport services	1.7	15.6%	2.0	18.7%	(15.0)%	7.2	17.3%	8.1	18.1%	10	20.2%	(11.1)%	(19.0)%			
Electric power sales and transmission	1.3	11.9%	1.0	9.3%	30.0%	4.6	11.1%	8.9	19.9%	12.1	24.5%	(48.3)%	(26.4)%			
Other revenues	2.7	24.8%	2.3	21.5%	17.4%	9.2	22.1%	7.9	17.6%	7	14.1%	16.5%	12.9%			
<b>Total</b>	<b>10.9</b>	<b>100.0%</b>	<b>10.7</b>	<b>100.0%</b>	<b>1.9%</b>	<b>41.6</b>	<b>100.0%</b>	<b>44.7</b>	<b>100%</b>	<b>49.4</b>	<b>100%</b>	<b>(6.9)%</b>	<b>(9.5)%</b>			

### **Equity share in profits of associates and joint ventures**

The equity share in profits of associates and joint ventures amounted to RUB 11 billion in the fourth quarter of 2012 compared with RUB 7 billion in the third quarter of 2012. The increase resulted from the increase in profits incurred by Rosneft's associates, mainly Verkhnechonskneftgaz, Tomskneft, and including share in profit of ITERA Oil and Gas Company.

In 2012 and 2011 the equity share in profits of associates and joint ventures amounted to RUB 31 billion and RUB 16 billion, respectively.



## Costs and Expenses

### Production and Operating Expenses

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>		<i>% change for 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
<b>(RUB billion, except %)</b>								
Upstream	19.8	18.2	8.8%	73.4	70.7	66.3	3.8%	6.6%
Land restoration program	–	–	–	0.7	–	3.4	–	(100.0)%
Downstream	33.4	26.5	26.0%	114.9	89.8	47.6	28.0%	88.7%
<i>Including procurement of additives and materials for Ruhr Oel GmbH</i>	8.4	7.8	7.7%	33.7	24.1	–	39.8%	–
Other	8.5	7.4	14.9%	30.8	28.7	26.7	7.3%	7.5%
<b>Total</b>	<b>61.7</b>	<b>52.1</b>	<b>18.4%</b>	<b>219.8</b>	<b>189.2</b>	<b>144.0</b>	<b>16.2%</b>	<b>31.4%</b>

#### *Upstream production costs and operating expenses*

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

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

Upstream production and operating expenses increased by 8.8% in the fourth quarter of 2012 compared with the previous quarter and amounted to RUB 19.8 billion. The expenses growth resulted from an increase of materials and supplies expenses, increase of equipment maintenance and repairs expenses as well as from the seasonal increase of electricity consumption and seasonal growth of expenses for field transportation.

In 2012 upstream production and operating expenses increased by 3.8% up to RUB 73.4 billion compared with 2011. The growth of expenses was kept below the inflation level due to cost saving efforts.

In 2011 upstream production and operating expenses increased to RUB 70.7 billion, or by 6.6% compared with 2010, when these expenses were RUB 66.3 billion. The growth was due to an oil production increase of 2.1%.

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>		<i>% change for 12 months ended December 31</i>		
	<b>December 31, 2011</b>	<b>September 30, 2011</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
<b>(RUB per bbl and RUB per boe, except %)</b>								
Expenses per bbl of crude oil produced	94.8	88.1	7.6%	89.9	88.8	85.1	1.2%	4.3%
Expenses per boe of hydrocarbon produced	86.2	81.0	6.4%	82.3	81.6	78.2	0.9%	4.3%

#### *Refining and distribution expenses*

Rosneft's downstream operating expenses increased by 26.0% in the fourth quarter of 2012 compared with the third quarter of 2012. The increase was due to refineries seasonal expenses growth, increased expenses for procurement of additives and other materials for refining process at Ruhr Oel GmbH, as well as due to partial sale of previously accumulated intragroup inventories (according to the accounting principles operating expenses are adjusted for all the expenses associated with the change in intragroup inventories) and other factors.

Downstream operating expenses increased by 28.0% in 2012 compared with 2011 due to increased expenses for procurement of additives and other materials for refining process at Ruhr Oel GmbH.

Excluding the effect of procurement of additives and other materials for refining process at Ruhr Oel GmbH downstream operating expenses increased by 23.6% mainly due to an increase in electricity tariffs, cost of materials and additives for own refineries.

These expenses increased by 88.7% in 2011 compared with 2010. The increase resulted among other factors from procurements of additives and other materials for refining process at Ruhr Oel GmbH for the amount of RUB 24.1 billion. Excluding this amount, downstream operating expenses increased by 38.0% due to increased volumes of retail sales, increased expenses for additives for refining on own refineries and other factors.

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>		<i>% change for 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
<b>Operating expenses (RUB billion)</b>	<b>9.10</b>	<b>8.54</b>	<b>6.6%</b>	<b>34.84</b>	<b>27.71</b>	<b>21.46</b>	<b>25.7%</b>	<b>29.1%</b>
Operating expenses per tonne of product output (RUB per tonne)	724	669	8.2%	714	570	444	25.3%	28.4%
Operating expenses per tonne of crude oil throughput (RUB per tonne)	694	644	7.8%	685	547	425	25.2%	28.7%

Operating expenses of Rosneft's refineries were RUB 9.10 billion in the fourth quarter of 2012, which is an increase of 6.6% compared with RUB 8.54 billion in the third quarter of 2012. The increase was primarily due to seasonal increase in expenses for electricity, growth of equipment maintenance and repairs expenses and other factors.

In 2012 these expenses increased by 25.7% to RUB 34.84 billion compared with RUB 27.71 billion in 2011. The growth resulted mainly from increase in volumes of additives used to produce euro-standard products in accordance with requirements of technical regulations for motor fuel quality. The growth was also due to higher prices for additives and other materials involved in production as well as growth in electricity tariffs.

In 2011 operating expenses related to refining increased by 29.1% to RUB 27.71 billion compared to RUB 21.46 billion in 2010. The increase resulted from the increase in cost and volumes of materials and additives for production of euro-class gasoline and higher average electricity tariffs.

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

Operating expenses related to other activities increased by 14.9% in the fourth quarter of 2012 compared with the third quarter of 2012 due to the higher volumes of repairs and maintenance services rendered to the third parties, higher volumes of electric power sales and transmission to the third parties and other factors.

In 2012 these expenses increased by 7.3% to RUB 30.8 billion compared with RUB 28.7 billion in 2011. The increase was primarily due to the higher volumes of drilling and repairs and maintenance services rendered to the third parties.

In 2011 these expenses increased to RUB 28.7 billion compared with RUB 26.7 billion in 2010.

## 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 between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011-2010</b>
<b>Crude oil</b>								
Cost of crude oil procured (RUB billion)	80	84	(4.8)%	312	225	43	38.7%	423.3%
<i>including Domestic market</i>	25	27	(7.4)%	91	72	43	26.4%	67.4%
<i>International market</i>	55	57	(3.5)%	221	153	-	44.4%	-
Volume of crude oil procured (million of barrels)	32.9	35.8	(8.1)%	127.1	104.1	51.8	22.1%	101.0%
<i>including Domestic market</i>	17.4	18.8	(7.4)%	64.0	59.1	51.8	8.3%	14.1%
<i>International market</i>	15.5	17.0	(8.8)%	63.1	45.0	-	40.2%	-
<b>Gas</b>								
Cost of gas procured (RUB billion)	0.4	0.3	33.3%	1.2	1.0	1.0	20.0%	-
Volume of gas procured (bcm)	0.22	0.17	29.4%	0.72	0.55	0.51	30.9%	7.8%
<b>Petroleum products</b>								
Cost of petroleum product procured (RUB billion) <sup>(1)</sup>	11	11	-	39	61	28	(36.1)%	117.9%
Volume of petroleum product procured (million of tonnes)	0.4	0.4	-	1.5	2.4	1.5	(37.5)%	60.0%
<b>Crude oil refining services</b>								
Cost of refining of crude oil under processing agreements (RUB billion)	5	5	-	19	11	-	72.7%	-
Volumes of crude oil refined under processing agreements (million of tonnes)	2.8	2.8	-	10.7	7.2	-	48.6%	-
<b>Total cost of procured oil, gas and petroleum products and refining costs (RUB billion)</b>	<b>96</b>	<b>100</b>	<b>(4.0)%</b>	<b>371</b>	<b>298</b>	<b>72</b>	<b>24.5%</b>	<b>313.9%</b>

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

### *Crude oil purchase*

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

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended 31 December</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011-2010</b>
<b>(million bbl, except %)</b>								
International market	15.5	17.0	(8.8)%	63.1	45.0	-	40.2%	-
Tomskneft	9.4	10.3	(8.7)%	35.7	39.7	37.2	(10.1)%	6.7%
Udmurtneft	4.2	4.2	-	12.6	9.1	10.1	38.5%	(9.9)%
Others	3.8	4.3	(11.6)%	15.7	10.3	4.5	52.4%	128.9%
<b>Total</b>	<b>32.9</b>	<b>35.8</b>	<b>(8.1)%</b>	<b>127.1</b>	<b>104.1</b>	<b>51.8</b>	<b>22.1%</b>	<b>101.0%</b>

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the "Pipeline tariffs and Transportation costs" line of the consolidated statements of income and comprehensive income. In the fourth quarter of 2012 these transactions were exercised with Gazpromneft, Bashneft, TNK-BP and others.

The volume of crude oil swaps amounted to 23.5 million barrels and 21.4 million barrels in the fourth quarter of 2012 and in the third quarter of 2012, respectively. Rosneft's estimated benefits from these transactions were RUB 0.8 billion in the fourth quarter of 2012 and RUB 0.5 billion in the third quarter of 2012.

In the twelve months of 2012 the volume of crude oil swaps amounted to 81.6 million barrels, which resulted in benefits for Rosneft in the amounts of RUB 2.3 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>		
	December 31, 2012			September 30, 2012			RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne			
High octane gasoline	7	0.24	28.3	7	0.25	27.3	-	(4.0)%	3.7%
Low octane gasoline	0	0.00	24.0	0	0.00	26.4	-	-	(9.1)%
Diesel	3	0.11	24.3	2	0.11	25.6	50.0%	-	(5.1)%
Jet fuel	0	0.01	24.9	1	0.02	23.7	(100.0)%	(50.0)%	5.1%
Other	1	0.04	21.7	1	0.04	20.1	-	-	8.0%
<b>Total</b>	<b>11</b>	<b>0.40</b>	<b>26.1</b>	<b>11</b>	<b>0.42</b>	<b>25.9</b>	<b>-</b>	<b>(4.8)%</b>	<b>0.8%</b>

The decrease in volumes of petroleum product purchases in the fourth quarter of 2012 in comparison to the third quarter of 2012 resulted from the seasonal fall of the market demands.

The table below sets forth Rosneft's costs, volumes and average prices per tonne of petroleum products procured from third parties in 2012, 2011 and 2010:

	<i>For 12 months ended December 31</i>									<i>% change for 12 months ended December 31, 2012 and 2011</i>			<i>% change for 12 months ended December 31, 2011 and 2010</i>		
	2012			2011			2010			RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne
	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne	RUB billion	million of tonnes	Average price th. RUB/tonne						
High octane gasoline	24	0.90	26.7	50	1.85	26.6	15	0.69	21.3	(52.0)%	(51.4)%	0.4%	233.3%	168.1%	24.9%
Low octane gasoline	0	0.00	25.0	1	0.06	18.4	1	0.07	17.7	(100.0)%	(100.0)%	35.9%	0.0%	(14.3)%	4.0%
Diesel	10	0.41	25.1	8	0.42	20.5	10	0.66	15.1	25.0%	(2.4)%	22.4%	(20)%	(36.4)%	35.8%
Fuel oil	-	-	-	-	-	-	0	0.01	9.6	-	-	-	(100.0)%	(100.0)%	(100.0)%
Jet fuel	2	0.07	24.3	0	0.00	18.3	-	-	-	-	-	32.8%	-	-	-
Other	3	0.13	20.9	2	0.11	19.0	2	0.12	13.6	50.0%	18.2%	10.0%	0.0%	(8.3)%	39.7%
<b>Total</b>	<b>39</b>	<b>1.51</b>	<b>25.5</b>	<b>61</b>	<b>2.44</b>	<b>24.9</b>	<b>28</b>	<b>1.55</b>	<b>17.8</b>	<b>(36.1)%</b>	<b>(38.1)%</b>	<b>2.4%</b>	<b>117.9%</b>	<b>57.4%</b>	<b>39.9%</b>

The decrease in volumes of petroleum product purchases in 2012 in comparison to 2011 was due to increased supplies for retail sales from own refineries, as well as decrease in number of own filling stations.

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

### **General and Administrative Expenses**

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

General and administrative expenses in the fourth quarter of 2012 were RUB 20 billion and in the third quarter of 2012 were RUB 15 billion that was due to general and administrative expenses upturn related to bad debt reserves and increase in audit, consulting fees and other factors.

In 2012 and 2011 general and administrative expenses were RUB 68 billion and RUB 52 billion, respectively, which was due to increase in consulting fees and other factors.

## Pipeline Tariffs and Transportation Costs

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

In the fourth quarter of 2012 Rosneft's transportation costs increased to RUB 62 billion, or by 1.6% compared to the third quarter of 2012 which was mainly due to increase in Transneft tariffs.

In 2012 Rosneft's transportation costs increased by 11.6% compared with the previous year. The increase resulted from transportation tariffs growth, which was partially offset by the change in structure of transportation routes.

During 2011 Rosneft's transportation costs increased by RUB 4 billion, or by 1.9% compared with 2010. The increase resulted from indexation of transportation tariffs, increased volumes of crude oil transportation from Vankor to China and start of crude oil supplies to Ruhr Oel GmbH, which was partially compensated by replacement of railroad deliveries of crude oil to China for pipeline transportation.

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

	<i>For 3 months ended</i>								<i>% change</i>		
	December 31, 2012				September 30, 2012				Volume	Cost	Cost per tonne, th.RUB/t
	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne, th.RUB/t			
<b>CRUDE OIL</b>											
<b>International sales</b>											
Pipeline	16.6	97.6%	27.4	1.65	16.4	97.6%	26.7	1.62	1.2%	2.6%	1.9%
Railroad and mixed	0.4	2.4%	0.3	0.84	0.4	2.4%	0.3	0.83	0.0%	0.0%	1.2%
<b>Transportation to refineries</b>											
Pipeline <sup>(1)</sup>	11.4		6.9	0.61	11.2		6.7	0.59	1.8%	3.0%	3.4%
Railroad and mixed	1.6		6.3	3.86	1.5		5.8	3.94	6.7%	8.6%	(2.0)%
<b>PETROLEUM PRODUCTS</b>											
<b>International sales</b>											
Pipeline	0.6	6.2%	1.3	2.42	0.4	4.3%	1.0	2.42	50.0%	30.0%	0.0%
Railroad and mixed	6.4	66.0%	10.5	1.65	6.3	67.0%	10.4	1.65	1.6%	1.0%	0.0%
Pipeline and FCA <sup>(2)</sup>	2.7	27.8%	-	-	2.7	28.7%	-	-	-	-	-
<b>Other transportation expenses <sup>(3)</sup></b>			9				10			(10.0)%	
<b>Total</b>	<b>39.7</b>		<b>62</b>		<b>38.9</b>		<b>61</b>		<b>2.1%</b>	<b>1.6%</b>	

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

(2) Rosneft exported part of petroleum products in the fourth quarter of 2012 and in the third quarter of 2012, respectively, 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 1.9%, 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 1.2%, which was due to the change in structure of transportation routes.

The increase in crude oil pipeline transportation cost per tonne of supplies to refineries was 3.4% compared to the third quarter, which was due to pipeline tariff change.

The decrease in crude oil railroad and mixed transportation cost per tonne of supplies to refineries was 2.0%, which was due to change in logistics of crude oil supply to Komsomolsk refinery.

Pipeline transportation cost per tonne of petroleum product international sales remained unchanged and amounted to 2.42 th. rub.

Railroad and mixed transportation cost per tonne of petroleum product international sales remained unchanged and amounted to 1.65 th. rub.

The table below sets forth costs per tonne of crude oil and petroleum products transported by pipeline, railway and a combination of pipeline and railway for the comparable periods:

	For 12 months ended December 31												% change between the twelve months ended December 31, 2012 and 2011			% change between the twelve months ended December 31, 2011 and 2010		
	2012				2011				2010				Volume	Cost	Cost per tonne sold	Volume	Cost	Cost per tonne sold
	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne sold, th.RUB/t	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne sold, th.RUB/t	Volume, mln. tonnes	Share in export volumes	Cost, bln. RUB	Cost per tonne sold, th.RUB/t						
<b>CRUDE OIL</b>																		
<b>International sales</b>																		
Pipeline	64.7	97.4%	105.6	1.63	61.5	96.3%	92.5	1.50	47.4	78.0%	61.2	1.29	5.2%	14.2%	8.7%	29.7%	51.1%	16.3%
Railroad and mixed	1.7	2.6%	1.4	0.84	2.4	3.7%	2.6	1.09	13.4	22.0%	31.7	2.37	(29.2)%	(46.2)%	(22.9)%	(82.1)%	(91.8)%	(54.0)%
<b>Transportation to refineries</b>																		
Pipeline <sup>(1)</sup>	43.4		25.8	0.59	42		24.2	0.58	37.8		22.4	0.59	3.3%	6.6%	1.7%	11.1%	8.0%	(1.7)%
Railroad and mixed	6.1		24.2	3.97	6.2		23.7	3.84	6.6		23.6	3.60	(1.6)%	2.1%	3.4%	(6.1)%	0.4%	6.7%
<b>PETROLEUM PRODUCTS</b>																		
<b>International sales</b>																		
Pipeline	1.4	3.8%	3.3	2.39	0.6	1.9%	1.4	2.22	1.1	4.2%	2.3	2.07	133.3%	135.7%	7.7%	(45.5)%	(39.1)%	7.2%
Railroad and mixed	27.0	73.4%	47.0	1.74	25.5	77.2%	49.7	1.95	18.0	68.1%	46.2	2.56	5.9%	(5.4)%	(10.8)%	41.7%	7.6%	(23.8)%
Pipeline and FCA <sup>(2)</sup>	8.4	22.8%	-	-	6.9	20.9%	-	-	7.3	27.7%	-	-	21.7%	-	-	(5.5)%	-	-
<b>Other transportation expenses<sup>(3)</sup></b>																		
			34				22				25			54.5%			(12.0)%	
<b>Total</b>	<b>152.7</b>		<b>241</b>		<b>145.1</b>		<b>216</b>		<b>131.6</b>		<b>212</b>		<b>5.2%</b>	<b>11.6%</b>		<b>10.3%</b>	<b>1.9%</b>	

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

(2) Rosneft exported part of petroleum products in 2012, 2011 and 2010, respectively, 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.

Construction of Skovorodino - Daqing pipeline (branch of ESPO pipeline) was completed in the end of 2010. Rosneft replaced railroad deliveries of crude oil to China by pipeline supplies, which changed the structure of the transportation routes and allowed the Company to benefit from economies on transportation expenses.

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

The increase in crude oil pipeline transportation cost per tonne of international sales was 16.3% in 2011, which was due to an increase in tariffs of between 11.5% – 16.4% and the change in transportation routes used (particularly, start of deliveries of Vankor and Yugansk crude oil to China via ESPO).

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

The decrease in crude oil railroad and mixed transportation cost per tonne of international sales was 54.0% in 2011, which was primarily due to ceasing the supply of crude oil to China by mixed transport.

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

The decrease in crude oil pipeline transportation cost per tonne of supplies to refineries was 1.7% in 2011, which was primarily due to the start of crude oil supplies to Ruhr Oel GmbH, where transportation costs are low due to short transportation distances in Europe.

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

Crude oil railroad and mixed transportation cost per tonne of domestic supplies increased by 6.7% in the year ended 31 December 2011, primarily due to an increase in transportation tariffs by 8.2%, which was partially offset by the change in structure of transportation routes.

The increase in pipeline cost per tonne of petroleum product international sales was 7.7% in 2012, which was due to increase in tariffs.

In 2011 the increase in pipeline cost per tonne of petroleum product international sales was 7.2%, which was due to increase in tariffs by 5.0% - 8.1%.

The decrease in railroad and mixed cost per tonne of petroleum product international sales was 10.8% in 2012 due to petroleum products sales volumes growth on the local market of Germany, where transportation costs are low due to short transportation distances. For the same reason in 2011 the decrease in cost per tonne of petroleum product international sales via railroad and mixed transportation was equal to 23.8%.

### **Exploration Expenses**

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

In the fourth quarter of 2012 exploration expenses increased to RUB 8 billion compared with RUB 6 billion in the third quarter of 2012 due to seismic exploration works at the Norway off-shore.

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

In 2011 exploration expenses decreased by 7.1% compared with 2010.

### **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 61 billion in the fourth quarter of 2012 compared to RUB 59 billion in the third quarter of 2012 due to higher volumes of production and increased book value of fixed assets.

In 2012 depreciation, depletion and amortisation were RUB 227 billion and increased by 6.6% compared with RUB 213 billion in 2011.

### **Taxes Other than Income Tax**

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

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

	<i>For 3 months ended</i>		<i>%change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 - 2011</b>	<b>2011- 2010</b>
	<b>(RUB billion, except %)</b>							
Mineral extraction tax	132	133	(0.8)%	527	414	274	27.3%	51.1%
Excise tax	20	23	(13.0)%	79	55	34	43.6%	61.8%
Social security tax	5	6	(16.7)%	22	15	12	46.7%	25.0%
Property tax	3	3	-	12	11	9	9.1%	22.2%
Interest, penalties and other payments to budget	1	-	100.0%	5	3	2	66.7%	50.0%
<b>Total taxes other than income tax</b>	<b>161</b>	<b>165</b>	<b>(2.4)%</b>	<b>645</b>	<b>498</b>	<b>331</b>	<b>29.5%</b>	<b>50.5%</b>

Taxes other than income tax were RUB 161 billion and decreased by 2.4% in the fourth quarter of 2012, compared with RUB 165 billion in the third quarter of 2012 mainly due to the excise tax and the mineral extraction tax decrease. In the fourth quarter of 2012 the excise tax decreased significantly due to decrease in share of petroleum products subject to excises taxes in total volume of petroleum product sales. In the fourth quarter of 2012 the mineral extraction tax decreased due to reduction of mineral extraction tax rates.

In 2012 taxes other than income tax increased by 29.5% compared with 2011 mainly due to the beginning of the mineral extraction tax accruals for crude oil produced at the Vankor field and the increase in base rate of the mineral extraction tax, as well as the excise tax increase from January 1, and July 1, 2012.

Taxes other than income tax increased by 50.5% to RUB 498 billion in 2011 compared to 2010. The increase in taxes resulted mainly from an increase in mineral extraction tax rate by 44.9% due to increase in crude oil price.

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 - 2011</b>	<b>2011 - 2010</b>
	(thousand RUB per ton, except %)							
Average enacted mineral extraction tax rate	5.01	5.15	(2.7)%	5.07	4.46	3.07	13.7%	44.9%
Actual mineral extraction tax expense per tonne of crude oil produced	4.62	4.71	(1.9)%	4.73	3.81	2.52	24.1%	51.2%
Actual mineral extraction tax expense per tonne of oil equivalent produced	4.21	4.33	(2.8)%	4.33	3.50	2.31	23.7%	51.5%

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. In 2011 the actual average mineral extraction tax rate and expense duty on application of the zero rate for crude oil produced at the Vankor fields was applicable till August 2011. Since May 2012, the reduced mineral extraction tax is applicable to the Severo-Vankorsky 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 between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 - 2011</b>	<b>2011 - 2010</b>
	(RUB billion, except %)							
Export customs duty for crude oil	180	162	11.1%	689	612	396	12.6%	54.5%
Export customs duty for petroleum products	57	50	14.0%	212	178	113	19.1%	57.5%
<b>Total export customs duties</b>	<b>237</b>	<b>212</b>	<b>11.8%</b>	<b>901</b>	<b>790</b>	<b>509</b>	<b>14.1%</b>	<b>55.2%</b>

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

	<i>For 3 months ended</i>		<i>% change between 3<sup>d</sup> and 4<sup>th</sup> quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 - 2011</b>	<b>2011 - 2010</b>
	(thousand RUB, except %)							
Average Urals price	24.72	25.52	(3.1)%	25.08	23.45	17.38	7.0%	34.9%
Average enacted export customs duty	12.64	11.73	7.8%	12.57	12.02	8.31	4.6%	44.6%
Hypothetical export customs duty*	12.33	12.74	(3.2)%	12.55	12.61	8.58	(0.5)%	47.0%
Average customs duty on crude oil exports to non-CIS countries subject to regular rate (th. RUB/tonne)	12.60	11.82	6.6%	12.57	12.04	8.33	4.4%	44.5%

\*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. Furthermore, crude oil produced at the Vankor field was subject to reduced export duty until May 2011.

### **Operating Income**

As a result of the factors discussed above, operating income decreased by 40.3% to RUB 83 billion in the fourth quarter of 2012 compared with RUB 139 billion in the third quarter of 2012. Reduction in operating income is primarily driven by the decrease in revenues due to decrease in market prices in RUB terms and decrease in petroleum products sales volume, and due to negative effect from export duty lag. As a percentage of total revenue, operating income was 10.5% and 17.2% in the fourth quarter of 2012 and in the third quarter of 2012, respectively.

Operating income decreased by 14.9% in 2012 to RUB 382 billion compared to RUB 449 billion in 2011. As a percentage of total revenues, operating income was 12.4% and 16.5% in 2012 and 2011, respectively. Reduction in operating income margin is primarily driven by termination of zero Mineral Extraction Tax rate and special export customs duty rate for crude oil produced at the Vankor field, by revision 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 in the fourth quarter of 2012 increased by RUB 5 billion up to RUB 6 billion compared with RUB 1 billion in the third quarter of 2012. The increase 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.

Net finance income in the year ended 31 December 2012 increased by RUB 8 billion up to RUB 9 billion. The increase is mainly attributable to changes in fair value of derivative financial instruments and the extinguishment of restructured tax liabilities in 2011 and 2012.

Net finance expense decreased from RUB 1 billion in the year ended 31 December 2010 to net finance income of RUB 1 billion in the year ended 31 December 2011, due to partial disposal of financial assets.

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

In the fourth quarter of 2012 other income decreased to less than one billion RUB, compared to RUB 84 billion in the third quarter of 2012. In 2012 and 2011 other income amounted to RUB 85 billion and RUB 25 billion, respectively. The increase in other income is mostly attributable to the non-cash income from acquisition of 51% of ITERA Oil and Gas Company in the amount of RUB 82 billion.

In the fourth quarter of 2012 other expenses amounted to RUB 23 billion, compared to RUB 9 billion in the third quarter of 2012. The increase in other expenses in the fourth quarter was mostly due to recognition of impairment in the value of unproved reserves and impairment of certain assets resulting from annual inventory revision, and the write-off of non-production costs. In 2012 and 2011 other expenses amounted to RUB 50 billion and RUB 48 billion, respectively.

### **Foreign Exchange Income / (Loss)**

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

Foreign exchange income was RUB 8 billion in the fourth quarter of 2012 compared with foreign exchange income of RUB 16 billion in the third quarter of 2012. The reduction in foreign exchange income is attributed to considerable appreciation of rouble against US dollar during the fourth quarter.

Foreign exchange income was RUB 11 billion in 2012 compared to foreign exchange loss of RUB 22 billion in 2011. Opposite dynamics of gain and loss from the foreign exchange in 2012 compared to 2011 is attributed to fluctuation of the exchange rate of rouble against US dollar during 2012 compared to 2011.

## Income Tax

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	<i>December 31, 2012</i>	<i>September 30, 2012</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
Effective income tax rate for Rosneft under IFRS	23.0%	21.6%	21.7%	21.2%	16.2%

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 income tax is amounted to RUB 17 billion of loss in the fourth quarter of 2012 compared to the loss of RUB 50 billion accrued in the third quarter of 2012 due to the decrease in taxable income which was significantly affected by losses recognition from the revaluation of obligations denominated in foreign currency in the fourth quarter of 2012.

Income tax expense amounted to RUB 95 billion in 2012 compared to the expenses of RUB 86 billion in 2011.

## Net Income/(Loss)

As a result of the factors discussed above, net income amounted to RUB 57 billion in the fourth quarter of 2012 compared to the net income of RUB 181 billion in the third quarter of 2012.

Net income increased from RUB 319 billion in 2011 to RUB 342 billion in 2012. The increase in the net income in 2012 is mainly attributable to non-cash income from ITERA acquisition and income from foreign exchange gain which was partially offset by operating income decrease.

## **Liquidity and Capital Resources**

### Cash Flows

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

	<i>For 3 months ended</i>		<i>Change between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>Change for 12 months ended December 31</i>	
	<i>December 31, 2012</i>	<i>September 30, 2012</i>	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>	<i>2012 – 2011</i>	<i>2011 – 2010</i>
	<i>(RUB billion)</i>		<i>times</i>	<i>(RUB billion)</i>			<i>times</i>	
Net cash provided by operating activities	137	160	0.86	516	487	478	1.06	1.02
Net cash used in investing activities	(114)	(105)	1.09	(445)	(394)	(379)	1.13	1.04
Net cash from/(used in) financing activities	37	55	0.67	68	(56)	(32)	–	1.75

### **Operating Cash Flow**

Net cash provided by operating activities amounted to RUB 137 billion in the fourth quarter of 2012 compared to RUB 160 billion in the third quarter of 2012. Operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net inflow of RUB 2 billion in the fourth quarter of 2012 and net inflow of RUB 2 billion in the third 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 135 billion in the fourth quarter of 2012 and RUB 158 billion in the third 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 between 4 and 3 quarters</i>	<i>For 12 months ended December 31</i>			<i>Change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011-2010</b>
	<b>(RUB billion)</b>		<b>times</b>	<b>(RUB billion)</b>			<b>times</b>	
<b>Net cash provided by operating activity</b>	<b>137</b>	<b>160</b>	<b>0.86</b>	<b>516</b>	487	478	<b>1.06</b>	1.02
Effect from operation with trading securities	(2)	(2)	1.00	(5)	3	(11)	–	–
<b>Adjusted net cash provided by operating activity</b>	<b>135</b>	<b>158</b>	<b>0.85</b>	<b>511</b>	<b>490</b>	<b>467</b>	<b>1.04</b>	<b>1.05</b>
Change in working capital before FX	19	(25)	–	11	(76)	(17)	–	4.47
<b>Adjusted net cash provided by operating activity before change in working capital</b>	<b>116</b>	<b>183</b>	<b>0.63</b>	<b>500</b>	<b>414</b>	<b>450</b>	<b>1.21</b>	<b>0.92</b>

The decrease in the adjusted operating cash flow quarter-on-quarter primarily resulted from the decrease in the net income due to decrease in revenues which caused by decrease in market prices in RUB terms and decrease in petroleum products sales volume, and due to negative effect from export duty lag.

Changes mentioned above were compensated by decrease in working capital by RUB 19 billion before foreign exchange effect in the fourth quarter of 2012 compared with the increase in working capital by RUB 25 billion before foreign exchange effect in the third quarter of 2012. The working capital with the foreign exchange effect decreased by RUB 24 billion in the fourth quarter of 2012 due to the following factors:

- decrease in accounts receivables by RUB 20 billion due to early payments collection from buyers and due to decrease in sales volumes;
- decrease in the inventories by RUB 8 billion;
- increase in accounts payables by RUB 13 billion, that was compensated by increase in prepayments by RUB 11 billion.

In 2012 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of RUB 5 billion) amounted to RUB 511 billion. In 2011 net cash provided by the operating activity (adjusted for the result of the operations with trading securities of RUB 3 billion) amounted to RUB 490 billion. The increase in adjusted net cash provided by operating activity in 2012 compared to 2011 resulted from the increased net income by 7.21% and change in working capital.

### **Investing Activities**

Net cash used in investing activities was RUB 114 billion in the fourth quarter of 2012 compared to RUB 105 billion in the third quarter of 2012. The increase resulted mainly from the increase in capital expenditures and acquisition of additional share in subsidiaries and affiliates.

Net cash used in investing activities was RUB 445 billion in 2012 compared to RUB 394 billion in 2011. The increase resulted mainly from the increase in capital expenditures and acquisition of additional share in subsidiaries and affiliates, which was partially offset by the positive effect from sale of financial assets.

## Capital Expenditures

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

	<i>For 3 months ended</i>		<i>% change between 4 and 3 Quarters</i>	<i>For 12 months ended December 31</i>			<i>% change for 12 months ended December 31</i>	
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012 – 2011</b>	<b>2011 – 2010</b>
	<b>(RUB billion, except %)</b>							
Yuganskneftegaz	29	31	(6.5)%	108	96	74	12.5%	29.7%
Vankorneft	21	22	(4.5)%	95	86	63	10.5%	36.5%
Purneftegaz	7	5	40.0%	18	15	15	20.0%	-
Severnaya Neft	2	1	100.0%	6	6	3	-	100.0%
Samaraneftegaz	4	2	100.0%	11	9	6	22.2%	50.0%
Other <sup>1</sup>	12	6	100.0%	31	28	27	10.7%	3.7%
<b>Total upstream segment</b>	<b>75</b>	<b>67</b>	<b>11.9%</b>	<b>269</b>	<b>240</b>	<b>188</b>	<b>12.1%</b>	<b>27.7%</b>
The Company	-	-	-	1	1	2	-	(50.0)%
Tuapse refinery	17	15	13.3%	76	59	22	28.8%	168.2%
Komsomolsk refinery	2	2	-	9	5	3	80.0%	66.7%
Angarsk refinery	4	2	100.0%	9	6	3	50.0%	100.0%
Achinsk refinery	4	2	100.0%	14	5	4	180.0%	25.0%
Syzran refinery	2	2	-	8	5	3	60.0%	66.7%
Novokuibyshevsk refinery	5	2	150.0%	13	7	3	85.7%	133.3%
Kuibyshev refinery	2	3	(33.3)%	11	6	4	83.3%	50.0%
Marketing Business Units and others <sup>2</sup>	10	8	25.0%	29	24	18	20.8%	33.3%
<b>Total downstream</b>	<b>46</b>	<b>36</b>	<b>27.8%</b>	<b>170</b>	<b>118</b>	<b>62</b>	<b>44.1%</b>	<b>90.3%</b>
<b>Other activities<sup>3</sup></b>	<b>7</b>	<b>6</b>	<b>16.7%</b>	<b>19</b>	<b>17</b>	<b>14</b>	<b>11.8%</b>	<b>21.4%</b>
<b>Subtotal capital expenditures</b>	<b>128</b>	<b>109</b>	<b>17.4%</b>	<b>458</b>	<b>375</b>	<b>264</b>	<b>22.1%</b>	<b>42.0%</b>
Increase/(decrease) in stock of materials for capital expenditures	(6)	(4)	50.0%	8	16	-	(50.0)%	-
<b>Total capital expenditures</b>	<b>122</b>	<b>105</b>	<b>16.2%</b>	<b>466</b>	<b>391</b>	<b>264</b>	<b>19.2%</b>	<b>48.1%</b>
<b>Licence acquisition costs</b>	<b>2</b>	<b>1</b>	<b>100.0%</b>	<b>4</b>	<b>7</b>	<b>4</b>	<b>(42.9)%</b>	<b>75.0%</b>

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 fourth quarter of 2012 total capital expenditures (including construction material purchases) increased by 16.2% to RUB 122 billion compared with RUB 105 billion in the third quarter of 2012. In the years ended 31 December 2012, 2011 and 2010, total capital expenditures (including construction material purchases) amounted to RUB 466 billion, RUB 391 billion and RUB 264 billion, respectively.

Upstream capital expenditures increased by 11.9% to RUB 75 billion in the fourth quarter of 2012, compared with RUB 67 billion in the third quarter of 2012. In the years ended 31 December 2012, 2011 and 2010, upstream capital expenditures amounted to RUB 269 billion, RUB 240 billion and RUB 188 billion, respectively. The increase was driven by intensified construction works and equipment purchases at Yuganskneftegaz, Vankorneft, Purneftegaz, Severnaya Neft, and Samaraneftegaz. The construction works mainly include development of oil field infrastructure and construction of associated gas utilization facilities.

Downstream capital expenditures increased by 27.8% to RUB 46 billion in the fourth quarter of 2012, compared with RUB 36 billion in the third quarter of 2012. In the years ended 31 December 2012, 2011 and 2010, downstream capital expenditures amounted to RUB 170 billion, RUB 118 billion and RUB 62 billion, respectively. The increase in capital expenditures was driven by 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 increased by 16.7% to RUB 7 billion in the fourth quarter of 2012, compared with RUB 6 billion in the third quarter of 2012. In the years ended 31 December 2012, 2011 and 2010, capital expenditures for other activities amounted to RUB 19 billion, RUB 17 billion and RUB 14 billion, respectively. The increase resulted from the planned acquisition of transportation and other equipment.

Since the fourth quarter of 2006, the Company's subsidiaries have been purchasing construction materials and selling the materials to contractors that provide construction and drilling services at subsidiaries' fields. The net decrease in stock of materials for capital expenditures was RUB 6 billion in the fourth quarter of 2012 and RUB 4 billion in the third quarter of 2012. In the years ended 31 December 2012, 2011 and 2010 the net increase in stock of materials for capital expenditures were RUB 8 billion, RUB 16 billion and RUB 0 billion, respectively.

The licence acquisition costs refer to the acquisition of licences for research, exploration and production:

- In the Barents sea, in the Pechora sea, at blocks in the Ingooshetia and Samara regions in 2012;
- At blocks in the Yamalo-Nenets Autonomous District, Krasnoyarsk region, Samara region and in the Okhotskoe sea in 2011; and
- At blocks in Samara region, the Yamalo-Nenets Autonomous District and in the Black Sea, the Okhotskoe sea, the Kara sea, the Barents sea and the Pechora sea in 2010.

### **Financing activities**

Net cash provided by financing activities was RUB 37 billion in the fourth quarter of 2012 compared to RUB 55 billion of net cash provided by financing activities in the third quarter of 2012. Decrease in cash provided by financing activities in the fourth quarter of 2012 is related to payment of current portion of long-term debts.

Net cash provided by financing activities amounted to RUB 68 billion in 2012 in comparison to used in financing activity amounted to RUB 56 billion in 2011. The increase in cash provided by financing activities in 2012 is related to placement of rouble nominated obligations in amount of RUB 20 billion and attracting financing in the scope of Eurobonds program in amount of USD 3 billion.

On June 20, 2012 the annual general shareholders' meeting approved dividends for 2011 in the amount of RUB 37 billion or RUB 3.45 per share. RUB 33 billion of the above are related to outstanding shares, including dividend withholding tax on treasury shares. In August 2012, the approved dividends were fully paid.

On November 30, 2012 the extraordinary general Shareholders' meeting approved additional dividends on the Company's common shares for 2011 in amount of RUB 42 billion or 4.08 per share. In December 2012, the approved dividends, including dividend withholding tax on treasury shares were fully paid.

### **Debt Obligations**

Rosneft net debt increased to RUB 581 billion as of December 31, 2012 compared to RUB 542 billion as of September 30, 2012.

Rosneft's total loans and borrowings increased to RUB 963 billion as of December 31, 2012 from RUB 884 billion as of September 30, 2011. The increase resulted from the raise funding through the placement of long-term interest bearing Eurobonds nominated in US\$ and issuance of long-term interest bearing bonds nominated in RUB in the fourth quarter of 2012.

Portion of Rosneft's long-term loans are secured by oil export contracts. As of December 31, 2012 and September 30, 2012 and December 31, 2011 49.3%, 56.1% and 75.6%, respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding exports to the CIS).

As of December 31, 2012 and September 30, 2012 and December 31, 2011, pledged oil exports constituted 13.6%, 13.7% and 20.1%, 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	December 31, 2012	September 30, 2012	December 31, 2011
	RUB billions		
Short term debt	126	115	152
Long term debt	837	769	596
<b>Total debt</b>	<b>963</b>	<b>884</b>	<b>748</b>
Cash and cash equivalents	296	240	166
Short-term Financial assets	86	102	150
<b>Net debt</b>	<b>581</b>	<b>542</b>	<b>432</b>

## Key Financial Ratios

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

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
EBITDA margin	18.2%	24.5%	19.8%	24.4%	30.5%
Net income margin	7.2%	22.4%	11.1%	11.7%	15.7%
Net debt to capital employed ratio	0.20	0.19	0.20	0.17	0.17
Net debt to annualised EBITDA	1.01	0.68	0.95	0.65	0.65
Current ratio	2.15	2.01	2.15	1.97	1.98
	<b>RUB / bbl</b>				
EBITDA/bbl	689	959	746	832	752
Upstream capital expenditure/bbl	359	324	329	302	241
Upstream operating expenses/bbl	94.8	88.1	89.9	88.8	85.1
Free cash flow before interest/bbl	62	257	55	124	261
	<b>RUB / boe</b>				
EBITDA/boe	627	881	682	764	691
Upstream capital expenditure/boe	327	298	301	277	222
Upstream operating expenses/boe	86.2	81.0	82.3	81.6	78.2
Free cash flow before interest/boe	57	236	50	114	240

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

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

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

### *Upstream Measures*

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Upstream capital expenditures (RUB billion)	75	67	269	240	188
Upstream operating expenses (RUB billion)	19.8	18.2	73.4	70.7	66.3
Barrels of crude oil produced (million)	208.9	206.5	816.5	795.8	779.1
Barrels of oil equivalent produced (million)	229.6	224.6	892.3	866.4	847.5

### *Calculation of Free Cash Flow*

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(RUB billion)</b>				
Net cash provided by operating activities	137	160	516	487	478
Capital expenditures	(122)	(105)	(466)	(391)	(264)
Trading securities operations	(2)	(2)	(5)	3	(11)
<b>Free cash flow</b>	<b>13</b>	<b>53</b>	<b>45</b>	<b>99</b>	<b>203</b>

### Calculation of EBITDA Margin

	For 3 months ended		For 12 months ended December 31		
	December 31, 2012	September 30, 2012	2012	2011	2010
	(RUB billion, except %)				
Operating income	83	139	382	449	384
Accretion expense	-	-	-	-	-
Depreciation, depletion and amortisation	61	59	227	213	202
<b>EBITDA</b>	<b>144</b>	<b>198</b>	<b>609</b>	<b>662</b>	<b>586</b>
Sales revenues	790	809	3,078	2,718	1,919
<b>EBITDA margin</b>	<b>18.2%</b>	<b>24.5%</b>	<b>19.8%</b>	<b>24.4%</b>	<b>30.5%</b>

### Calculation of Net Income Margin

	For 3 months ended		For 12 months ended December 31		
	December 31, 2012	September 30, 2012	2012	2011	2010
	(RUB billion, except %)				
Net income	57	181	342	319	301
Sales revenues	790	809	3,078	2,718	1,919
<b>Net income margin</b>	<b>7.2%</b>	<b>22.4%</b>	<b>11.1%</b>	<b>11.7%</b>	<b>15.7%</b>

### Current ratio

	For 12 months ended December 31		
	2012	2011	2010
	(RUB billion, except ratio)		
Current assets	920	815	696
Current liabilities	427	414	352
<b>Current ratio</b>	<b>2.15</b>	<b>1.97</b>	<b>1.98</b>

### Calculation of Capital Employed and Related Indicators

	For 12 months ended December 31		
	2012	2011	2010
	(RUB billion)		
Short-term loans and current portion of long-term debt	126	152	167
Long-term debt	837	596	549
Cash and cash equivalents	(296)	(166)	(127)
Short-term financial assets	(86)	(150)	(211)
<b>Net debt<sup>(1)</sup></b>	<b>581</b>	<b>432</b>	<b>378</b>
Shareholders' equity	2,230	2,035	1,759
Minority interest in subsidiaries' earnings	36	34	32
Equity	2,266	2,069	1,791
<b>Capital employed</b>	<b>2,847</b>	<b>2,501</b>	<b>2,169</b>
<b>Average equity, including minority interest<sup>(2)</sup></b>	<b>2,168</b>	<b>1,930</b>	<b>1,653</b>
<b>Average capital employed<sup>(3)</sup></b>	<b>2,674</b>	<b>2,335</b>	<b>2,129</b>

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

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

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

### *Calculation of Return on Average Capital Employed (ROACE)*

	<i>For 12 months ended December 31</i>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>(RUB billion, except %)</b>	
Operating income	382	449	384
Income tax expense	(95)	(86)	(58)
<b>Return used for calculation of ROACE</b>	<b>287</b>	<b>363</b>	<b>326</b>
Average capital employed	2,674	2,335	2,129
<b>ROACE</b>	<b>10.7%</b>	<b>15.5%</b>	<b>15.3%</b>

### *Calculation of Return on Average Equity (ROAE)*

	<i>For 12 months ended December 31</i>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>(RUB billion, except %)</b>	
Net income	342	319	301
Average equity, including minority interest	2,168	1,930	1,653
<b>ROAE, annualized where appropriate</b>	<b>15.8%</b>	<b>16.5%</b>	<b>18.2%</b>



**For reference:**

**Consolidated Statement of Comprehensive Income (US\$ million)\***

	<i>For 3 months ended</i>		<i>For 12 months ended December 31</i>		
	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(US\$ million)				
<b>Revenues</b>					
Oil and gas sales	12,389	12,278	49,079	47,367	34,772
Petroleum products and petrochemicals sales	12,324	12,435	47,567	43,046	26,672
Support services and other revenues	354	344	1,351	1,531	1,613
Equity share in profits of associates and joint ventures	354	219	997	544	132
<b>Total revenues</b>	<b>25,421</b>	<b>25,276</b>	<b>98,994</b>	<b>92,488</b>	<b>63,189</b>
<b>Costs and expenses</b>					
Production and operating expenses	1,995	1,625	7,076	6,431	4,742
Cost of purchased oil, gas and petroleum products	3,089	3,124	11,932	10,140	2,371
General and administrative expenses	644	469	2,187	1,769	1,679
Pipeline tariffs and transportation costs	1,995	1,906	7,751	7,352	6,981
Exploration expenses	257	187	740	442	461
Depreciation, depletion and amortisation	1,963	1,843	7,301	7,248	6,651
Taxes other than income tax	5,181	5,155	20,744	16,946	10,899
Export customs duty	7,626	6,624	28,978	26,882	16,760
<b>Total cost and expenses</b>	<b>22,750</b>	<b>20,933</b>	<b>86,709</b>	<b>77,210</b>	<b>50,544</b>
<b>Operating income</b>	<b>2,671</b>	<b>4,343</b>	<b>12,285</b>	<b>15,278</b>	<b>12,645</b>
Finance income	290	187	772	681	659
Finance expenses	(97)	(156)	(482)	(647)	(691)
Other income	-	2,624	2,734	851	889
Other expenses	(740)	(281)	(1,608)	(1,633)	(1,614)
Result of operations with foreign currency, foreign exchange differences	257	500	354	(749)	(66)
<b>Income before income tax</b>	<b>2,381</b>	<b>7,217</b>	<b>14,055</b>	<b>13,781</b>	<b>11,822</b>
Income tax expense	(547)	(1,562)	(3,055)	(2,926)	(1,910)
<b>Net income</b>	<b>1,834</b>	<b>5,655</b>	<b>11,000</b>	<b>10,855</b>	<b>9,912</b>
<b>Other comprehensive income</b>					
Foreign exchange differences on translation of foreign operations	-	156	129	(34)	(99)
Income/(loss) from changes in fair value of financial assets available for-sale, net of tax	(32)	31	(96)	34	-
<b>Total other comprehensive income/(loss), net of tax</b>	<b>(32)</b>	<b>187</b>	<b>33</b>	<b>-</b>	<b>(99)</b>
<b>Total comprehensive income, net of tax</b>	<b>1,802</b>	<b>5,842</b>	<b>11,033</b>	<b>10,855</b>	<b>9,813</b>

\* figures translated to US\$ from RUB from consolidated statement of comprehensive income using average exchange rate for the respective periods.