



Rosneft Oil Company

Interim Condensed Consolidated Financial Statements
(Unaudited)

Three and nine months ended September 30, 2012

Rosneft Oil Company

Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2012

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Report on review of interim condensed consolidated financial statements

To the Shareholders and the Board of Directors
of Rosneft Oil Company

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Open Joint Stock Company Rosneft Oil Company and its subsidiaries (collectively, "The Company"), comprising the interim consolidated balance sheet as at September 30, 2012, the related interim consolidated statements of comprehensive income for the three and nine-month periods ended September 30, 2012, the related interim consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



November 1, 2012

Rosneft Oil Company
Consolidated balance sheet
(in billions of Russian rubles)

	Notes	September 30, 2012 (unaudited)	December 31, 2011
ASSETS			
Current assets:			
Cash and cash equivalents	9	240	166
Restricted cash		4	4
Financial assets	10	102	150
Accounts receivable, net of allowance of RUB 5 and RUB 5, respectively	11	251	217
Inventories	12	140	126
Prepayments and other current assets	13	164	152
Total current assets		901	815
Non-current assets:			
Property, plant and equipment	14	2,399	2,231
Intangible assets		21	22
Financial assets	16	29	34
Investments in associates and joint ventures	15	261	114
Bank loans granted, net of allowance of RUB 1 and RUB 1, respectively		14	13
Deferred tax assets		16	13
Goodwill		134	132
Other non-current non-financial assets		4	3
Total non-current assets		2,878	2,562
Assets held for sale	16	4	–
Total assets		3,783	3,377
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	17	228	181
Loans and borrowings		115	152
Finance lease liabilities		3	1
Liabilities related to derivative financial instruments		2	4
Income tax liabilities		14	3
Other tax liabilities	18	81	66
Provisions	19	4	6
Other current liabilities		1	1
Total current liabilities		448	414
Non-current liabilities:			
Loans and borrowings	20	769	596
Finance lease liabilities		9	5
Deferred tax liabilities		248	234
Provisions	19	52	57
Other non-current liabilities		1	2
Total non-current liabilities		1,079	894
Equity:			
Share capital	21	1	1
Treasury shares		(292)	(224)
Additional paid-in capital		385	386
Other funds and reserves		(3)	(5)
Retained earnings		2,129	1,877
Rosneft shareholders' equity		2,220	2,035
Non-controlling interest		36	34
Total equity		2,256	2,069
Total liabilities and equity		3,783	3,377

President



I.I. Sechin

November 1, 2012

*The accompanying notes to the interim condensed consolidated financial statements
are an integral part of these statements.*

Rosneft Oil Company

Consolidated statement of comprehensive income

(in billions of Russian rubles, except earnings per share data, and share amounts)

	Notes	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Revenues					
Oil and gas sales	5	393	354	1,141	1,020
Petroleum products and petrochemicals sales	5	398	350	1,096	899
Support services and other revenues		11	11	31	35
Total revenues		802	715	2,268	1,954
Costs and expenses					
Production and operating expenses		52	56	158	140
Cost of purchased oil, gas, petroleum products and refining costs		100	88	275	189
General and administrative expenses		15	15	48	37
Pipeline tariffs and transportation costs		61	51	179	161
Exploration expenses		6	1	15	6
Depreciation, depletion and amortization	14	59	55	166	160
Taxes other than income tax	7	165	132	484	356
Export customs duty	6	212	220	664	567
Total costs and expenses		670	618	1,989	1,616
Operating income		132	97	279	338
Finance income		6	5	15	15
Finance expenses		(5)	(7)	(12)	(17)
Equity share in profits of associates and joint ventures		7	6	20	11
Other income	15	84	5	85	6
Other expenses	8	(9)	(11)	(27)	(29)
Result of operations with foreign currency, foreign exchange differences		16	(31)	3	(12)
Income before income tax		231	64	363	312
Income tax	7	(50)	(7)	(78)	(65)
Net income		181	57	285	247
Other comprehensive income					
Foreign exchange differences on translation of foreign operations		5	7	4	2
Gain/(loss) from changes in fair value of financial assets available-for-sale		1	(1)	(2)	–
Total other comprehensive income, net of tax		6	6	2	2
Total comprehensive income, net of tax		187	63	287	249
Net income					
attributable to Rosneft shareholders		181	56	285	244
attributable to non-controlling interests		–	1	–	3
Total comprehensive income, net of tax		187	62	287	246
attributable to Rosneft shareholders		187	62	287	246
attributable to non-controlling interests		–	1	–	3
Net income attributable to Rosneft per common share (in RUB) – basic and diluted		19.53	5.84	30.10	25.44
Weighted average number of shares outstanding (millions)		9,266	9,588	9,469	9,592

The accompanying notes to the interim condensed consolidated financial statements are an integral part of these statements.

Rosneft Oil Company

Consolidated statement of changes in shareholders' equity

(in billions of Russian rubles, except share amounts)

	Number of shares (millions)	Share capital	Additional paid-in capital	Treasury shares	Other funds and reserves	Retained earnings	Rosneft share- holders' equity	Non- controlling interests	Total equity
Balance at December 31, 2010	9,599	1	396	(221)	(5)	1,588	1,759	32	1,791
Net income	–	–	–	–	–	244	244	3	247
Other comprehensive loss	–	–	–	–	2	–	2	–	2
Total comprehensive income	–	–	–	–	2	244	246	3	249
Purchase of shares (Note 21)	(11)	–	–	(3)	–	–	(3)	–	(3)
Dividends declared on common stock	–	–	–	–	–	(26)	(26)	–	(26)
Change in ownership interest in subsidiaries	–	–	1	–	–	–	1	(3)	(2)
Balance at September 30, 2011	9,588	1	397	(224)	(3)	1,806	1,977	32	2,009
Balance at December 31, 2011	9,588	1	386	(224)	(5)	1,877	2,035	34	2,069
Net income	–	–	–	–	–	285	285	–	285
Other comprehensive loss	–	–	–	–	2	–	2	–	2
Total comprehensive income	–	–	–	–	2	285	287	–	287
Purchase of shares (Note 21)	(322)	–	–	(68)	–	–	(68)	–	(68)
Dividends declared on common stock	–	–	–	–	–	(33)	(33)	–	(33)
Change in ownership interest in subsidiaries	–	–	(1)	–	–	–	(1)	2	1
Balance at September 30, 2012	9,266	1	385	(292)	(3)	2,129	2,220	36	2,256

*The accompanying notes to the interim condensed consolidated financial statements
are an integral part of these statements.*

Rosneft Oil Company
Consolidated statement of cash flows
(in billions of Russian rubles)

	Notes	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Operating activities			
Net income		285	247
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	14	166	160
Loss on sale and disposal of non-current assets	8	4	9
Gain on disposal of subsidiaries	15	(82)	–
Asset impairment loss, net	14	9	2
Dry hole costs		1	1
Foreign exchange (gain)/loss		(17)	23
Equity share in profits of associates and joint ventures		(20)	(11)
Finance expenses		12	17
Finance income		(15)	(15)
Income tax expense	7	78	65
Changes in operating assets and liabilities:			
Increase in accounts receivable, gross		(26)	(88)
Increase in restricted cash		–	(3)
Increase in inventories		(14)	(52)
(Increase)/decrease in prepayments and other current assets		(12)	29
Increase in accounts payable and accrued liabilities		48	52
Increase in other tax liabilities		17	13
Decrease in current provisions		(2)	–
Decrease in other current liabilities		(4)	–
Decrease in other non-current liabilities		–	(8)
Long-term bank loans granted		(26)	(43)
Proceeds from long-term bank loans granted		25	39
Acquisition of trading securities		(40)	(28)
Proceeds from sale of trading securities		43	28
Net cash provided by operating activities before income tax and interest		430	437
Income tax payments		(59)	(77)
Interest received		8	9
Net cash provided by operating activities		379	369

*The accompanying notes to the interim condensed consolidated financial statements
are an integral part of these statements.*

Rosneft Oil Company
Consolidated statement of cash flows (continued)
(in billions of Russian rubles)

	Notes	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Investing activities			
Capital expenditures		(344)	(258)
Acquisition of licenses		(2)	(6)
Acquisition of short-term financial assets		(45)	(41)
Proceeds from sale of short-term financial assets		72	111
Acquisition of short-term notes receivable		(48)	(24)
Proceeds from sale of short-term notes receivable		51	7
Acquisition of long-term financial assets		(2)	(2)
Proceeds from sale of long-term financial assets		5	–
Acquisition of interest in associates and joint ventures	15	(36)	(47)
Acquisition of a subsidiary, net of cash acquired.	4	(4)	–
Sale of property, plant and equipment		3	1
Placements under reverse REPO agreements		(14)	(25)
Receipts under reverse REPO agreements		33	12
Net cash used in investing activities		(331)	(272)
Financing activities			
Proceeds from short-term loans and borrowings		22	17
Repayment of short-term loans and borrowings		(31)	(8)
Proceeds from long-term loans and borrowings	20	229	31
Repayment of long-term loans and borrowings		(65)	(92)
Cash paid for acquisition of treasury shares		(68)	(3)
Acquisition of non-controlling interests in subsidiaries		(2)	–
Dividends paid to shareholders		(33)	(26)
Interest paid		(21)	(18)
Net cash from/(used in) financing activities		31	(99)
Net increase/(decrease) in cash and cash equivalents		79	(2)
Cash and cash equivalents at beginning of period	9	166	127
Effect of foreign exchange on cash and cash equivalents		(5)	2
Cash and cash equivalents at end of period	9	240	127

*The accompanying notes to the interim condensed consolidated financial statements
are an integral part of these statements.*

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2012

(all amounts in tables are in billions of Russian rubles, except as noted otherwise)

1. General

Open Joint Stock Company ("OJSC") Rosneft Oil Company ("Rosneft") and its subsidiaries (collectively, "The Company") are principally engaged in exploration, development, production and sale of crude oil and gas and refining, transportation and sale of petroleum products in the Russian Federation and in certain international markets.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for 2011 prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the information contained in its 2011 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Company has provided disclosures where significant events have occurred subsequent to the issuance of its 2011 audited consolidated financial statements. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these interim condensed consolidated financial statements are read in conjunction with the Company's 2011 audited consolidated financial statements and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments necessary to present fairly the Company's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by the Russian legislation. These interim condensed consolidated financial statements were derived from the Company's Russian statutory books and records.

The Company's interim condensed consolidated financial statements are presented in billions of Russian rubles ("RUB"), unless otherwise indicated.

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2012 were approved and authorized for issue by the President of the Company on November 1, 2012.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's IFRS annual consolidated financial statements for the year ended December 31, 2011.

Seasonality of operations

The Company's operations are not seasonal. Income and expenses are recognized on a straight-line basis throughout the year.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

4. Business combinations

In February 2012, the Company acquired for RUB 4 billion 100% interest in Research and Development Center LLC which is engaged in developing advanced for oil and gas production and refining, and for petrochemical industry.

The following table summarizes the Company's purchase price allocation of Research and Development Center LLC to the fair value of assets acquired and liabilities assumed:

Property, plant and equipment	1
Intangible assets	2
Total non-current assets	3
Deferred tax liabilities	1
Total non-current liabilities	1
Total identifiable net assets at fair value	2
Goodwill	2
Purchase consideration transferred	4

In June 2012, the Company acquired for RUB 1 billion 100% interest in Polar Terminal LLC. Polar Terminal LLC is engaged in an investment project for construction of crude oil and petroleum products transshipment terminal. Allocation of purchase price to assets, liabilities and result of operations of Polar Terminal LLC are not significant to these interim condensed consolidated financial statements.

5. Segment information

The Company determines its operating segments based on the nature of their operations. The performance of these operating segments is assessed by management on a regular basis. Exploration and production segment is engaged in field exploration and production of crude oil and natural gas. Refining and distribution segment is engaged in processing crude oil and other hydrocarbons into petroleum products, as well as the purchase, sale and transportation of crude oil and petroleum products. Corporate and other unallocated activities do not represent operating segment and comprise corporate activity, activities involved in field development, maintenance of infrastructure and functioning of the first two segments, as well as banking and finance services, and other activities. Substantially all of the Company's operations and assets are located in the Russian Federation.

Segment performance is evaluated based on both revenues and operating income which are measured on the same basis as in the consolidated financial statements, and of revaluation of intersegment transactions at market prices.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

5. Segment information (continued)

Below is performance of the operating segments for the three months ended September 30, 2012 (unaudited):

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Revenues					
Revenues from external customers	12	785	5	–	802
Intersegment revenues	323	–	–	(323)	–
Total revenues	335	785	5	(323)	802
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	164	754	16	(323)	611
Depreciation, depletion and amortization	50	8	1	–	59
Total costs and expenses	214	762	17	(323)	670
Operating income	121	23	(12)	–	132
Finance income					6
Finance expenses					(5)
Total finance income					1
Equity share in profits of associates and joint ventures					7
Other income					84
Other expenses					(9)
Result of operations with foreign currency, foreign exchange differences					16
Income before income tax					231
Income tax					(50)
Net Income					181

Below is performance of the operating segments for the three months ended September 30, 2011 (unaudited):

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Revenues					
Revenues from external customers	12	697	6	–	715
Intersegment revenues	255	–	–	(255)	–
Total revenues	267	697	6	(255)	715
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	136	670	12	(255)	563
Depreciation, depletion and amortization	45	7	3	–	55
Total costs and expenses	181	677	15	(255)	618
Operating income	86	20	(9)	–	97
Finance income					5
Finance expenses					(7)
Total finance expenses					(2)
Equity share in profits of associates and joint ventures					6
Other income					5
Other expenses					(11)
Result of operations with foreign currency, foreign exchange differences					(31)
Income before income tax					64
Income tax					(7)
Net income					57

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

5. Segment information (continued)

Below is performance of the operating segments for the nine months ended September 30, 2012 (unaudited):

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Revenues					
Revenues from external customers	35	2,214	19	–	2,268
Intersegment revenues	876	–	–	(876)	–
Total revenues	911	2,214	19	(876)	2,268
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	489	2,156	54	(876)	1,823
Depreciation, depletion and amortization	140	22	4	–	166
Total costs and expenses	629	2,178	58	(876)	1,989
Operating income	282	36	(39)	–	279
Finance income					15
Finance expenses					(12)
Total finance income					3
Equity share in profits of associates and joint ventures					20
Other income					85
Other expenses					(27)
Result of operations with foreign currency, foreign exchange differences					3
Income before income tax					363
Income tax					(78)
Net income					285

Below is performance of the operating segments for the nine months ended September 30, 2011 (unaudited):

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
Revenues					
Revenues from external customers	38	1,892	24	–	1,954
Intersegment revenues	790	–	–	(790)	–
Total revenues	828	1,892	24	(790)	1,954
Costs and expenses					
Costs and expenses other than depreciation, depletion and amortization	370	1,835	41	(790)	1,456
Depreciation, depletion and amortization	137	19	4	–	160
Total costs and expenses	507	1,854	45	(790)	1,616
Operating income	321	38	(21)	–	338
Finance income					15
Finance expenses					(17)
Total finance expenses					(2)
Equity share in profits of associates and joint ventures					11
Other income					6
Other expenses					(29)
Result of operations with foreign currency, foreign exchange differences					(12)
Income before income tax					312
Income tax					(65)
Net income					247

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

5. Segment information (continued)

Oil and gas and petroleum products sales comprise the following (based on the country indicated in the bill of lading):

	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Oil and gas sales				
Export sales of crude oil – Europe and other destinations	265	247	772	694
Export sales of crude oil – Asia	98	87	290	273
Export sales of crude oil – CIS, other than Russia	22	16	58	40
Domestic sales of crude oil	1	–	5	2
Domestic sales of gas	7	4	16	11
Total oil and gas sales	393	354	1,141	1,020

	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Petroleum products and petrochemicals sales				
Export sales of petroleum products – Europe and other destinations	171	145	467	347
Export sales of petroleum products – Asia	59	50	174	162
Export sales of petroleum products – CIS, other than Russia	3	3	7	6
Domestic sales of petroleum products	147	133	386	345
Domestic sales of petrochemical products	2	1	8	7
Sales of petrochemical products – Europe	16	18	54	32
Total petroleum products and petrochemicals sales	398	350	1,096	899

6. Export customs duty

Export customs duty comprises the following:

	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Export customs duty on oil and gas sales	162	176	509	444
Export customs duty on petroleum products and petrochemicals sales	50	44	155	123
Total export customs duty	212	220	664	567

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

7. Income tax and other taxes

Income tax expenses comprise the following:

	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Current income tax	37	9	67	78
Deferred tax (benefit)/expense due to the origination and reversal of temporary differences	13	(2)	11	(13)
Total income tax	50	7	78	65

In addition to income tax, the Company accrued other taxes as follows:

	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Mineral extraction tax	133	111	395	292
Excise tax	23	15	59	41
Property tax	3	3	9	9
Other	6	3	21	14
Total taxes other than income tax	165	132	484	356

8. Other expenses

Other expenses comprise the following:

	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Sale and disposal of property, plant and equipment and intangible assets	(4)	(6)	(4)	(10)
Disposal of companies and non-production assets	(2)	(1)	(10)	(5)
Charity, sponsorship, financial aid, social payments	(2)	(2)	(8)	(9)
Other	(1)	(2)	(5)	(5)
Total other expenses	(9)	(11)	(27)	(29)

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

9. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	September 30, 2012 (unaudited)	December 31, 2011
Cash on hand and in bank accounts in RUB	34	22
Cash on hand and in bank accounts in foreign currencies	132	62
Deposits	70	80
Other	4	2
Total cash and cash equivalents	240	166

10. Short-term financial assets

Short-term financial assets comprise the following:

	September 30, 2012 (unaudited)	December 31, 2011
Financial assets available for sale:		
Bonds	15	13
Stocks and shares	5	2
Loans and receivables:		
Loans granted	2	2
Loans issued to associates and joint ventures	15	4
Notes receivable, net of allowance	36	36
Loans granted under reverse repurchase agreements	3	22
Deposits and deposit certificates	2	21
Structured deposits	7	31
Held-for-trading financial assets at fair value through profit or loss:		
Corporate bonds	12	16
Government bonds	5	3
Total short-term financial assets	102	150

11. Accounts receivable, net of allowance

Accounts receivable, net of allowance, include the following:

	September 30, 2012 (unaudited)	December 31, 2011
Trade receivables	217	183
Banking loans to customers	25	24
Other accounts receivable	14	15
Total	256	222
Valuation allowance for doubtful accounts	(5)	(5)
Total accounts receivable, net of allowance	251	217

As of September 30, 2012 and December 31, 2011, accounts receivable were not pledged as collateral for loans and borrowings provided to the Company.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

12. Inventories

Inventories comprise the following:

	September 30, 2012 (unaudited)	December 31, 2011
Crude oil and associated gas	49	46
Petroleum products and petrochemicals	57	46
Materials and supplies	20	23
Work in progress	14	11
Total inventories	140	126

Materials and supplies mostly include spare parts. Petroleum products and petrochemicals include those designated both for sale and for own use.

	Three months ended September 30, 2012 (unaudited)	Three months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
The cost of inventories expensed during the period	101	82	284	185

Cost of inventories recognized as an expense during the period is included in Production and operating expenses, Cost of purchased oil, gas, petroleum products and refining costs, General and administrative expenses.

13. Prepayments and other current assets

Prepayments and other current assets comprise the following:

	September 30, 2012 (unaudited)	December 31, 2011
Value added tax and excise tax recoverable	82	62
Prepayments to suppliers	23	25
Prepaid customs duties	40	51
Other taxes	15	11
Other	4	3
Total prepayments and other current assets	164	152

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Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

14. Property, plant and equipment

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Total
<i>Cost</i>				
As of December 31, 2011	2,204	472	98	2,774
Additions and other movements	223	109	16	348
Disposals and other movements	(17)	(3)	(8)	(28)
Exchange differences	(4)	–	–	(4)
As of September 30, 2012	2,406	578	106	3,090
<i>Depreciation, depletion and impairment losses</i>				
As of December 31, 2011	(474)	(84)	(32)	(590)
Depreciation and depletion charge	(135)	(26)	(8)	(169)
Disposals and other movements	1	1	–	2
Impairment of assets	(6)	–	–	(6)
Exchange differences	3	–	–	3
As of September 30, 2012	(611)	(109)	(40)	(760)
<i>Net book value</i>				
As of December 31, 2011	1,730	388	66	2,184
As of September 30, 2012	1,795	469	66	2,330
<i>Prepayments for property, plant and equipment</i>				
As of December 31, 2011	11	29	7	47
As of September 30, 2012	6	51	12	69
Total as of December 31, 2011	1,741	417	73	2,231
Total as of September 30, 2012 (unaudited)	1,801	520	78	2,399

The Company capitalized RUB 17 billion and RUB 10 billion of interest expenses on loans and borrowings for the nine months ended September 30, 2012 and 2011, respectively.

Depreciation charge for the period includes RUB 3 billion of depreciation which was capitalized as part of the construction cost of property, plant and equipment and cost of inventory.

In the second quarter of 2012 the Company recognized an impairment of unproved property of RUB 6 billion. The corresponding expense was recorded in Disposal of companies and non-production assets in Other expenses in the consolidated statement of comprehensive income (Note 8).

15. Investments in joint ventures and associates

Taas-Yuryakh Neftegazodobycha LLC

In March 2012, the Company acquired 35.3% interest in Taas-Yuryakh Neftegazodobycha LLC from Sberbank Capital LLC for RUB 13 billion. Taas-Yuryakh Neftegazodobycha LLC holds licenses for oil production at the Srednebotuobinskoye oil, gas and condensate field located 160 km north of the Eastern Siberia – Pacific Ocean ("ESPO") oil pipeline. This acquisition was accounted for as an investment in associate using the equity method.

Shares of CJSC Arcticshelfneftegaz

In February 2012, the Company acquired 50% interest in CJSC Arcticshelfneftegaz ("ASNG") through acquisition of 100% interest in ArcticProminvest LLC for RUB 3 billion. ASNG was established for the purpose of raising private investments for the exploration and development of oil and gas resources of the Arctic shelf in the Barents Sea area. ASNG holds a license for the exploration and production of hydrocarbons at the Medyn-Varandei license area. The license is valid until 2025. Two oil fields (Varandei-sea and Medyn-sea) were discovered within the license area. This acquisition was accounted for as investment in jointly controlled entity using the equity method.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

15. Investments in joint ventures and associates (continued)

Shares of Fueling Service Complex of International Airport Vnukovo

In April 2012, the Company acquired 50% interest in Fueling Service Complex of International Airport Vnukovo through acquisition of share in Lanard Holdings Ltd (Cyprus) for RUB 16 billion. International Airport Vnukovo is located in the Moscow Region and is one of the largest air transportation hubs in Russia. The acquisition was accounted for as an investment in jointly controlled entity using the equity method.

NGK ITERA LLC

In August 2012, the Company completed the acquisition of 51% of NGK ITERA LLC, one of the largest independent producers and traders of natural gas in Russia. 6% interest in equity of NGK ITERA LLC is to be paid in cash in the amount of US\$ 173.4 million (RUB 6 billion at the CBR official exchange rate as of September 30, 2012). The Company also contributed its wholly owned subsidiary Kynsko-Chaselskoye neftegaz LLC for the increase in the equity interest of NGK ITERA LLC to 51%. The final settlement is subject to possible work capital and net debt adjustments as of the date of the transaction based on the financial results of NGK ITERA LLC and Kynsko-Chaselskoye neftegaz LLC. Acquisition of NGK ITERA LLC is accounted for provisionally in these interim consolidated financial statements as the Company did not finalize the valuation of the consideration transferred, which is expected to be finalized by the end of 2012. As a result the Company recognized gain in the amount of RUB 82 billion in Other income in the consolidated statement of comprehensive income before the income tax effect of RUB 17 billion. The acquisition of NGK ITERA LLC was accounted for as an investment in jointly controlled entity using the equity method.

RN Cardium Oil

In August 2012, the Company acquired 30 percent of ExxonMobil's stake in the Harmattan acreage in the Cardium project for RUB 2 billion. Cardium formation is located in the Western Canada Oil Basin in Alberta, Canada.

16. Assets held for sale

In March 2012, the Company entered into a sales-purchase agreement for investments in associates OJSC Kubanenergo and OJSC Tomsk Distribution Company with the subsequent purchase of additionally issued shares of OJSC IDGC Holding for the same amount. The Company recorded the disposal group at the fair value less costs to sell with recognition of RUB 1 billion gain in Other income in the consolidated statement of comprehensive income.

The shares of OJSC IDGC Holding were purchased in the second quarter of 2012 in the amount of RUB 5 billion and classified as available-for-sale securities in the Non-current financial assets. As of September 30, 2012 Company revaluated the shares and recognized RUB 1 billion loss in Other comprehensive income. The transaction of equity investments sale is planned to be completed by the end of March 2013.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

17. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	September 30, 2012 (unaudited)	December 31, 2011
Accounts payable to suppliers and contractors	126	97
Advances received	17	18
Banking customer accounts	43	40
Salary and other benefits payable	24	17
Other accounts payable	18	9
Total accounts payable and accrued liabilities	228	181

Current accounts payable are normally settled within 34 days on average (2011: 32 days). Interest rates on banking customer accounts amount to 0.01%-2.5% p.a. Trade and other payables are non-interest bearing.

18. Other tax liabilities

Other tax liabilities comprise the following:

	September 30, 2012 (unaudited)	December 31, 2011
Mineral extraction tax	45	41
Value added tax	21	13
Excise tax	10	7
Personal income tax	1	–
Property tax	3	3
Other	1	2
Total other tax liabilities	81	66

19. Provisions

	Asset retirement obligations	Environmental remediation provision	Legal, tax and other claims	Total
<i>Non-current</i>	54	3	–	57
<i>Current</i>	–	1	5	6
As of December 31, 2011, including	54	4	5	63
Provisions charged during the year	4	1	–	5
Increase/ (decrease) in the liability resulting from:				
<i>Changes in estimates</i>	(2)	–	(1)	(3)
<i>Change in discount rate</i>	(9)	–	–	(9)
<i>Unwinding of discount</i>	3	–	–	3
<i>Utilised</i>	(1)	–	(2)	(3)
As of September 30, 2012 (unaudited), including	49	5	2	56
<i>Non-current</i>	49	3	–	52
<i>Current</i>	–	2	2	4

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

20. Long-term loans and borrowings

In April 2012, the Company received cash under two long-term unsecured loan agreements. One loan in the amount of US\$ 1.05 billion (RUB 32.5 billion at the CBR official exchange rate as of September 30, 2012) and EUR 0.85 billion (RUB 33.8 billion at the CBR official exchange rate as of September 30, 2012) was received from a syndicate of foreign banks for 5 years at floating rates. Loans were raised for general corporate purposes. The second loan was received from a Russian bank at a fixed rate in the amount of US\$ 1.0 billion (RUB 30.9 billion at the CBR official exchange rate as of September 30, 2012) repayable in 2015. These loans were raised to finance business activities.

During the third quarter 2012, the Company received cash under two long-term unsecured loan agreements. One loan in the amount of EUR 0.53 billion (RUB 21.2 billion at the CBR official exchange rate as of September 30, 2012) was received from a syndicate of foreign banks for 5 years at floating rates and RUB 100 billion from a Russian bank at a fixed rate repayable in 2015. These loans were raised for general corporate purposes.

As of September 30, 2012 the loans are fully drawn down.

21. Shareholders' equity

On June 20, 2012 the annual general shareholders' meeting approved dividends on the Company's common shares 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.

In June 2012, the Company purchased 321,963,949 of its own shares for RUB 68 billion or RUB 212 per share.

In August 2012, the Company paid 185,794 of treasury shares to compensate to independent members of the Company's Board of Directors for 2011 and 2012. Both fair and carrying value of the above shares approximated RUB 0.04 billion.

On September 17, 2012, Rosneft's Board of Directors recommended shareholders to approve additional dividends on the Rosneft's common shares for 2011 in the amount of RUB 4.08 per share, that is in total amount of RUB 38 billion relates to outstanding shares, including dividend withholding tax on treasury shares.

22. Related party transactions

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business the Company enters into transactions with the following related parties: joint ventures and associates; joint operations; enterprises directly or indirectly controlled by the Russian Government; key management personnel; pension funds.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms as transactions between unrelated parties.

Disclosure of related party transactions is presented on an aggregate basis for the companies directly or indirectly controlled by the Russian Government, associates and other companies. In addition, there may be an additional disclosure of certain significant transactions (balances and turnovers) with certain related parties.

In the course of its ordinary business, the Company enters into transactions with other companies controlled by the Russian Government. In the Russian Federation, electricity and transport tariffs are regulated by the Federal Tariff Service, an authorized governmental agency of the Russian Federation. Bank loans are recorded based on the market interest rates. Taxes are accrued and paid in accordance with the Russian tax law.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

22. Related party transactions (continued)

Transactions with companies directly or indirectly controlled by the Russian Government

Revenues and income

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Oil and gas sales	82	26
Petroleum products and petrochemicals sales	21	17
Finance income	2	7
	105	50

Costs and expenses

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Production and operating expenses	3	6
Pipeline tariffs and transportation costs	132	130
Other expenses	6	6
	141	142

Other operations

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Purchase of financial assets and investments in associates	–	(9)
Sale of financial assets and investments in associates	–	1
Loans received	129	–
Loans repaid	–	(3)
Repayment of loans and borrowings issued	1	–
Deposits placed	1	–
Deposits repaid	39	153
Purchase of shares	1	–

Settlement balances

	September 30, 2012 (unaudited)	December 31, 2011
Assets		
Cash and cash equivalents	141	55
Accounts receivable, net of allowance	13	11
Prepayments and other current assets	13	16
Financial assets	8	11
	175	93
Liabilities		
Accounts payable and accrued liabilities	8	2
Loans and borrowings	96	–
	104	2

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited)
(continued)

22. Related party transactions (continued)

Transactions with joint ventures

Revenues and income

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Finance income	1	4
	<u>1</u>	<u>4</u>

Costs and expenses

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Cost of purchased oil, gas and petroleum products	68	49
Pipeline tariffs and transportation costs	5	4
Other expenses	1	4
	<u>74</u>	<u>57</u>

Other operations

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Loans repaid	(2)	(2)
Repayment of loans and borrowings issued	5	1

Settlement balances

	September 30, 2012 (unaudited)	December 31, 2011
Assets		
Accounts receivable, net of allowance	–	1
Financial assets	–	6
	<u>–</u>	<u>7</u>
Liabilities		
Accounts payable and accrued liabilities	4	1
Loans and borrowings	5	7
	<u>9</u>	<u>8</u>

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

22. Related party transactions (continued)

Transactions with associates

Revenues and income

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Oil and gas sales	1	1
Petroleum products and petrochemicals sales	2	4
Support services and other revenues	3	5
	6	10

Costs and expenses

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Cost of purchased oil, gas and petroleum products	12	8
Production and operating expenses	1	3
Other expenses	9	2
	22	13

Other operations

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Purchase of financial assets	(3)	(5)
Loans and borrowings issued	1	–
Repayment of loans and borrowings issued	–	4

Settlement balances

	September 30, 2012 (unaudited)	December 31, 2011
Assets		
Accounts receivable, net of allowance	6	8
Financial assets	11	10
	17	18
Liabilities		
Accounts payable and accrued liabilities	15	8
	15	8

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

22. Related party transactions (continued)

Transactions with non-state pension fund NPF Neftegarant

Costs and expenses

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Other expenses	2	2

Other operations

	Nine months ended September 30, 2012 (unaudited)	Nine months ended September 30, 2011 (unaudited)
Loans repaid	-	(1)

23. Contingencies

Russian business environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Legal claims

In 2006, Yukos Capital S.a.r.l., a former subsidiary of Yukos Oil Company, initiated arbitral proceedings against OJSC Yuganskneftegaz, which was subsequently merged into the Company, and OJSC Samaraneftgaz, the Company's subsidiary, in various arbitration courts alleging default under six RUB-denominated loans. The International Commercial Arbitration Court (the "ICAC") at the Russian Federation Chamber of Commerce and Industry issued four arbitration awards in favor of Yukos Capital S.a.r.l. against OJSC Yuganskneftegaz concerning four of the loans in the aggregate amount of approximately RUB 12.9 billion. Arbitration panel formed pursuant to the International Chamber of Commerce ("ICC") rules issued an award against OJSC Samaraneftgaz in the amount of RUB 3.1 billion in loan principal and interest plus post award interest of 9% p.a. on the above amount of loan principal and interest concerning the two other loans.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

23. Contingencies (continued)

Legal claims (continued)

In 2007, the Company successfully challenged the ICAC awards and the ICAC awards were set aside by the Russian courts, including the Supreme Arbitrazh Court of the Russian Federation. Yukos Capital S.a.r.l., nevertheless, sought to enforce the ICAC awards in the Netherlands. Although the district court in Amsterdam refused to enforce the ICAC awards on the ground that they were properly set aside by a competent court on April 28, 2009 the Amsterdam Court Appeal reversed the district court's judgment and allowed Yukos Capital S.a.r.l. to enforce the ICAC awards in the Netherlands. On June 25, 2010, the Supreme Court of the Netherlands declared inadmissible the Company's appeal of the decision of the Amsterdam Court of Appeal. Although the Company does not agree with the decisions of the Dutch courts above, on August 11, 2010 it complied with such decisions and arranged for relevant payments to be made with respect to the claim against the Company.

While the Dutch case was pending, Yukos Capital S.a.r.l. filed an additional lawsuit against the Company in the High Court of Justice in London, seeking enforcement of the ICAC awards in England and Wales, as well as interest on those awards.

Following the payments arranged by the Company noted above, Yukos Capital S.a.r.l. continues to seek statutory interest in the High Court of Justice in London in the amount of approximately RUB 4.6 billion as of the date of its Particulars of Claim. On June 14, 2011, the High Court issued an interim decision on two preliminary issues it had agreed to consider prior to reaching a decision on the merits of the claim. Although Yukos Capital S.a.r.l. prevailed on both issues, the court granted the Company leave to appeal, which it did. On June 27, 2012 the Court of Appeal of England handed down its judgment whereby the Company prevailed on one of these preliminary issues. No further appeals were requested by any party. The case will now return to the High Court of Justice to schedule the timetable for the next steps. The Company intends to defend its position vigorously in the remaining proceedings in England.

In 2007, lawsuits were filed in Russian arbitrazh courts in Moscow and Samara to nullify the loan agreements with Yukos Capital S.a.r.l. Court hearings in both cases were suspended for some time. However, February 1, 2012 the Arbitrazh Court of the Samara Region declared invalid the loan agreements between Yukos Capital S.a.r.l. and OJSC Samaraneftgaz. On July 17, 2012 the 11th Arbitrazh Appellate Court dismissed Yukos Capital S.a.r.l.'s appeal of that judgment. Yukos Capital S.a.r.l. filed a cassation appeal against both court decisions with the Federal Arbitrazh Court for Povolzhsky District.

On July 11, 2012 the Moscow Arbitrazh Court declared invalid the loan agreements between Yukos Capital S.a.r.l. and OJSC Yuganskneftgaz. On October 09, 2012 the 9th Arbitrazh Appellate Court dismissed Yukos Capital S.a.r.l.'s appeal of that judgment.

On July 2, 2010, Yukos Capital S.a.r.l. filed a petition with the U.S. District Court for the Southern District of New York (the "U.S. S.D.N.Y.") seeking confirmation of the ICC award against OJSC Samaraneftgaz noted above. In August 2010, Yukos Capital S.a.r.l. also commenced proceedings in the Arbitrazh Court of the Samara Region seeking enforcement of the same award in the Russian Federation.

On February 15, 2011, the Arbitrazh Court of the Samara Region denied Yukos Capital S.a.r.l.'s enforcement application. The time for cassation appeal from the ruling has lapsed without Yukos Capital S.a.r.l. having filed such an appeal. On May 13, 2011, the U.S. S.D.N.Y. ordered limited discovery solely on the issue of whether the U.S. S.D.N.Y. has jurisdiction to consider Yukos Capital S.a.r.l.'s petition. On January 20, 2012 OJSC Samaraneftgaz filed a motion for summary judgment on the issue of personal jurisdiction. Yukos Capital S.a.r.l. replied on February 17, 2012. OJSC Samaraneftgaz submitted its response on March 5, 2012. On July 24, 2012, the U.S. S.D.N.Y. granted summary judgment to Yukos Capital S.a.r.l. on the issue of personal jurisdiction over OJSC Samaraneftgaz in New York. On September 25, 2012, both Yukos Capital S.a.r.l. and OJSC Samaraneftgaz filed their memorandums of law in support of motion for summary judgment together with the statements of undisputed material facts with the U.S. S.D.N.Y. Whether to enforce the award will be the subject of future proceedings.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

23. Contingencies (continued)

Legal claims (continued)

The Company and its subsidiary participate in arbitral proceedings related to bankruptcy of OJSC Sakhaneftegaz and OJSC Lenaneftegaz for the recovery of certain loans and guarantees of indemnity in the amount of RUB 1.3 billion, stated above account receivable was reserved in full.

During 2009-2012, the Federal Antimonopoly Service ("FAS Russia") and its regional bodies claimed that the Company and some of its subsidiaries (associates) violated certain antimonopoly regulations in relation to petroleum products trading and passed respective decisions on administrative liability. As of September 30, 2012, the total amount of administrative fines levied by FAS Russia and its regional bodies against Rosneft and its subsidiaries amounts to RUB 0.4 billion.

Rosneft and its subsidiaries are involved in other litigations which arise from time to time in the course of their business activities. Management believes that the ultimate result of those litigations will not materially affect the performance or financial position of the Company.

Taxation

Legislation and regulations regarding taxation in Russia continue to evolve. Various legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual.

The current regime of penalties and interest related to reported and discovered violations of Russia's laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

Effective January 1, 2012 the market price defining rules were changed and the list of entities that could be recognized as interdependent entities and list of managed deals were expanded. Due to the absence of law enforcement precedents based on the new rules and certain contradictions in the provisions of the new law, such rules cannot be considered clear and precise. To eliminate influence of the significant risks associated with transfer pricing to the consolidated financial statements, the Company developed methods of pricing for all types of controlled transactions, a standard on preparation of reporting documentation, also the Company systematically researches databases to determine the market price level (ROI) of the controlled transactions.

According to additions to part one of the Tax code of the Russian Federation, brought by the Federal law of the Russian Federation from November 16, 2011 No. 321-FZ, the Company created the Consolidated group of taxpayers which included 22 of subsidiaries of the Company, including Rosneft. Rosneft became a responsible taxpayer of the group. The Company management believes that creation of the consolidated group of taxpayers does not lead to significant changes of tax burden of the Company for the purpose of these interim condensed consolidated financial statements.

During the reporting period, the tax authorities continued examinations of Rosneft and its certain subsidiaries for 2008-2011 fiscal years. Rosneft and its subsidiaries dispute a number of claims in pre-trial and trial appeal in federal tax service. The Company management does not expect results of the examinations to have a material impact on the Company's consolidated financial position or results of operations.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

23. Contingencies (continued)

Taxation (continued)

As of September 30, 2012, the amount of VAT potentially unrecoverable from the tax authorities is immaterial. The Company currently reimburses the current VAT in full in a declarative manner.

Management believes that the above tax risks will not have any significant impact on the Company's consolidated financial position or results of operations.

Overall, management believes that the Company has paid or accrued all taxes that are applicable. For taxes other than income tax, where uncertainty exists, the Company has accrued tax liabilities based on management's best estimate of the probable outflow of resources, which will be required to settle these liabilities. Potential liabilities which were identified by management at the reporting date as those that can be subject to different interpretations of tax laws and regulations are not accrued in the consolidated financial statements.

Capital commitments

The Company and its subsidiaries are engaged in ongoing capital projects for exploration and development of production facilities and modernization of refineries and the distribution network. The budgets for these projects are generally set on an annual basis. Depending on the current market situation, actual expenditures may differ from the budgeted amounts.

As of September 30, 2012, the Company's contractual commitments for capital construction and purchase of property, plant and equipment amount to RUB 346.5 billion.

Environmental liabilities

The Company periodically evaluates its environmental liabilities pursuant to environmental regulations. Such liabilities are recognized in the consolidated financial statements as identified. Potential liabilities, which might arise as a result of changes in existing regulations or regulation of civil litigation or changes in environmental standards cannot be reliably estimated but may be material. With the existing system of control, management believes that there are no material liabilities for environmental damage, other than those recorded in the consolidated financial statements.

24. Events after the reporting period

On October 22, 2012, Rosneft announced that it has entered into an agreement in principle with BP to acquire its 50% interest in TNK-BP in exchange for US\$ 17.1 billion (RUB 537 billion at the CBR official exchange rate as of November 1, 2012) in cash and 12.84% Rosneft shares currently held in treasury.

The execution of the final documentation is conditional on the approval by the Russian government and final board approvals by Rosneft and BP. In addition, completion of the transaction would be subject to customary conditions, including regulatory and other approvals, and is expected to occur in the first half of 2013.

In addition, Rosneft has agreed heads of terms with the AAR consortium (Alfa Group, Access Industries and Renova) («AAR») to acquire AAR's 50% interest in TNK-BP for cash consideration of US\$ 28.0 billion (RUB 878 billion at the CBR official exchange rate as of November 1, 2012), subject to the negotiation of definitive agreements, corporate and regulatory approvals and certain other conditions.

On October 29, 2012, Rosneft sold certified interest-bearing non-convertible bonds with 10-year tenor totaling RUB 20 billion by public offering. The market price was equal to the nominal value and amounted to RUB 1 thousand per bond.

Rosneft Oil Company

Notes to Interim Condensed Consolidated Financial Statements (unaudited) (continued)

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