



**Rosneft Oil Company**

Interim Condensed Consolidated Financial Statements  
(Unaudited)

*Three months ended March 31, 2013*

# Rosneft Oil Company

## Interim Condensed Consolidated Financial Statements (unaudited)

March 31, 2013

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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 (hereinafter collectively referred to as the "Company"), comprising the interim consolidated balance sheet as at March 31, 2013 and the related interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the three-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.

A handwritten signature in blue ink that reads "Ernst & Young LLC".

April 30, 2013

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

	Notes	March 31, 2013 (unaudited)	December 31, 2012 (restated)
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	9	318	299
Restricted cash		8	4
Other financial assets	10	83	90
Accounts receivable	11	298	237
Inventories	12	186	134
Prepayments and other current assets	13	251	176
<b>Total current assets</b>		<b>1,144</b>	<b>940</b>
<b>Non-current assets:</b>			
Property, plant and equipment	14	4,601	2,638
Intangible assets		40	19
Other financial assets		37	24
Investments in associates and joint ventures	15	522	186
Bank loans granted		12	13
Deferred tax assets		33	17
Goodwill		153	144
Other non-current non-financial assets		17	3
<b>Total non-current assets</b>		<b>5,415</b>	<b>3,044</b>
<b>Total assets</b>		<b>6,559</b>	<b>3,984</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	16	318	213
Loans and borrowings	17	468	143
Finance lease liabilities		3	3
Income tax liabilities		3	7
Other tax liabilities	18	157	83
Provisions	19	7	5
Other current liabilities		17	1
<b>Total current liabilities</b>		<b>973</b>	<b>455</b>
<b>Non-current liabilities:</b>			
Loans and borrowings	17	1,714	837
Finance lease liabilities		7	8
Deferred tax liabilities		673	277
Provisions	19	102	71
Prepayment on oil supply agreements	23	232	–
Other non-current liabilities		20	14
<b>Total non-current liabilities</b>		<b>2,748</b>	<b>1,207</b>
<b>Equity:</b>			
Share capital		1	1
Treasury shares		–	(299)
Additional paid-in capital		413	385
Other funds and reserves		(3)	(6)
Retained earnings		2,303	2,202
<b>Rosneft shareholders' equity</b>		<b>2,714</b>	<b>2,283</b>
Non-controlling interest		124	39
<b>Total equity</b>		<b>2,838</b>	<b>2,322</b>
<b>Total liabilities and equity</b>		<b>6,559</b>	<b>3,984</b>

President  I.I. Sechin

April 30, 2013

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

# Rosneft Oil Company

## Interim consolidated statement of comprehensive income

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

		Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
	Notes		
<b>Revenues and equity share in profits of joint ventures and associates</b>			
Oil and gas sales	5	414	378
Petroleum products and petrochemicals sales	5	381	364
Support services and other revenues		10	10
Equity share in profits of associates and joint ventures		7	7
<b>Total revenues and equity share in profits of joint ventures and associates</b>		<b>812</b>	<b>759</b>
<b>Costs and expenses</b>			
Production and operating expenses		60	51
Cost of purchased oil, gas, petroleum products and refining costs		75	77
General and administrative expenses		17	15
Pipeline tariffs and transportation costs		70	60
Exploration expenses		3	5
Depreciation, depletion and amortization		56	49
Taxes other than income tax	7	188	168
Export customs duty	6	243	207
<b>Total costs and expenses</b>		<b>712</b>	<b>632</b>
<b>Operating income</b>		<b>100</b>	<b>127</b>
Finance income		3	6
Finance expenses		(7)	(5)
Other income	8	48	1
Other expenses	8	(15)	(5)
Foreign exchange differences		(11)	26
<b>Income before income tax</b>		<b>118</b>	<b>150</b>
Income tax expense	7	(16)	(33)
<b>Net income</b>		<b>102</b>	<b>117</b>
<b>Other comprehensive income/(loss) – to be reclassified to profit/(loss) in subsequent periods</b>			
Foreign exchange differences on translation of foreign operations		–	(1)
Gain/(loss) from changes in fair value of financial assets available-for-sale, net of tax		3	(1)
<b>Total other comprehensive income/(loss) – to be reclassified to profit/(loss) in subsequent periods, net of tax</b>		<b>3</b>	<b>(2)</b>
<b>Total comprehensive income, net of tax</b>		<b>105</b>	<b>115</b>
<b>Net income</b>			
attributable to Rosneft shareholders		101	117
attributable to non-controlling interests		1	–
<b>Total comprehensive income, net of tax</b>			
attributable to Rosneft shareholders		104	115
attributable to non-controlling interests		1	–
<b>Net income attributable to Rosneft per common share (in RUB) – basic and diluted</b>			
		<b>10.76</b>	<b>12.20</b>
Weighted average number of shares outstanding (millions)		<b>9,389</b>	<b>9,588</b>

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

# Rosneft Oil Company

## Interim 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 shareholders' equity	Non- controlling interests	Total equity
<b>Balance at December 31, 2011</b>	9,588	1	386	(224)	(5)	1,877	2,035	34	2,069
Effect of changes in accounting policies (Note 3)	–	–	–	–	–	33	33	2	35
<b>Balance at December 31, 2011 (restated)</b>	9,588	1	386	(224)	(5)	1,910	2,068	36	2,104
Net income	–	–	–	–	–	117	117	–	117
Other comprehensive loss	–	–	–	–	(2)	–	(2)	–	(2)
<b>Total comprehensive income</b>	–	–	–	–	(2)	117	115	–	115
Change in ownership interest in subsidiaries	–	–	(1)	–	–	–	(1)	(1)	(2)
<b>Balance at March 31, 2012 (unaudited) (restated)</b>	9,588	1	385	(224)	(7)	2,027	2,182	35	2,217
<b>Balance at December 31, 2012</b>	9,238	1	385	(299)	(4)	2,147	2,230	36	2,266
Effect of changes in accounting policies (Note 3)	–	–	–	–	(2)	55	53	3	56
<b>Balance at December 31, 2012 (restated)</b>	9,238	1	385	(299)	(6)	2,202	2,283	39	2,322
Net income	–	–	–	–	–	101	101	1	102
Other comprehensive income	–	–	–	–	3	–	3	–	3
<b>Total comprehensive income</b>	–	–	–	–	3	101	104	1	105
Sale of treasury shares	1,360	–	28	299	–	–	327	–	327
Acquisition of subsidiaries (Note 4)	–	–	–	–	–	–	–	86	86
Other changes	–	–	–	–	–	–	–	(2)	(2)
<b>Balance at March 31, 2013 (unaudited)</b>	10,598	1	413	–	(3)	2,303	2,714	124	2,838

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

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

	Notes	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
<b>Operating activities</b>			
Net income		102	117
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization		56	49
Loss/(gain) on sale and disposal of non-current assets	8	1	(1)
Asset impairment loss		3	–
Dry hole costs		–	1
Foreign exchange loss/(gains)		10	(53)
Equity share in profits of associates and joint ventures		(7)	(7)
Gain from revaluation of non-controlling interest in OJSC Verkhnechonskneftegaz	4	(48)	–
Loss from disposal of companies and non-production assets		1	1
Finance expenses		7	5
Finance income		(3)	(6)
Income tax expense	7	16	33
Changes in operating assets and liabilities:			
Increase in accounts receivable, gross		(2)	(51)
Increase in inventories		(7)	(18)
Decrease in restricted cash		1	–
Decrease in prepayments and other current assets		–	14
(Decrease)/increase in accounts payable and accrued liabilities		(6)	9
Increase in other tax liabilities		19	7
Decrease in current provisions		(1)	(1)
Decrease in other current liabilities		(2)	(1)
Increase/(decrease) in other non-current liabilities		6	(2)
Increase in long-term prepayment on oil supply agreements		232	–
Long-term loans granted by subsidiary banks		(11)	(8)
Repayment of long-term loans granted by subsidiary banks		12	8
Acquisition of trading securities		(6)	(12)
Proceeds from sale of trading securities		10	13
<b>Net cash provided by operating activities before income tax and interest</b>		<b>383</b>	<b>97</b>
Income tax payments		(22)	(23)
Interest received		1	3
<b>Net cash provided by operating activities</b>		<b>362</b>	<b>77</b>

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

# Rosneft Oil Company

## Interim consolidated statement of cash flows (continued)

*(in billions of Russian rubles)*

		Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
	Notes		
<b>Investing activities</b>			
Capital expenditures		(95)	(120)
Acquisition of licenses		(5)	(1)
Acquisition of short-term financial assets		(22)	(35)
Proceeds from sale of short-term financial assets		16	44
Acquisition of long-term financial assets		(1)	–
Acquisition of interest in associates and joint ventures	15	(12)	(16)
Acquisition of a subsidiaries, net of cash acquired	4	(1,195)	(4)
Sale of property, plant and equipment		–	4
Placements under reverse REPO agreements		(6)	(5)
Receipts under reverse REPO agreements		3	25
<b>Net cash used in investing activities</b>		<b>(1,317)</b>	<b>(108)</b>
<b>Financing activities</b>			
Proceeds from short-term loans and borrowings		–	19
Repayment of short-term loans and borrowings		(3)	(7)
Proceeds from long-term loans and borrowings		998	5
Repayment of long-term loans and borrowings		(18)	(24)
Acquisition of non-controlling interests in subsidiaries		–	(2)
Interest paid		(9)	(6)
<b>Net cash provided by/(used in) financing activities</b>		<b>968</b>	<b>(15)</b>
Net increase/(decrease) in cash and cash equivalents		13	(46)
Cash and cash equivalents at beginning of period	9	299	166
Effect of foreign exchange on cash and cash equivalents		6	(6)
<b>Cash and cash equivalents at end of period</b>	9	<b>318</b>	<b>114</b>

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



# Rosneft Oil Company

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

March 31, 2013

*(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 2012 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 2012 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 subsequently to the issuance of its 2012 audited consolidated financial statements. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the presented information not misleading if these interim condensed consolidated financial statements are read in conjunction with the Company's 2012 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. The accompanying IFRS 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 months ended March 31, 2013 were approved and authorized for issue by the President of the Company on April 30, 2013.

# Rosneft Oil Company

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

### 3. Changes in 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 annual consolidated financial statements for 2012 prepared in accordance with IFRS except for the adoption of new standards and interpretations effective as of January 1, 2013 and a voluntary change in accounting policy described below.

Effective January 1, 2013, the Company voluntarily changed its accounting policy which has an effect on the prior reporting periods. In applying the unit-of-production method to oil and gas properties (excluding mineral licenses), the depletion rate is based on proved developed reserves. Capitalized costs applicable to this category of reserves are included in the depreciable amount to achieve a proper matching of costs and production. In certain cases it is difficult to reliably assign the construction in progress costs to proved developed reserves. For example, if an oil field is not fully developed, there may be construction in progress costs that do not relate, in total or in part, to proved developed reserves. To improve matching of costs and production the Company has decided to exclude the construction in progress costs from the depreciable amounts in applying the unit-of-production method to oil and gas properties. This change was accounted for as a change in accounting policy and applied retrospectively. The effect from the change in accounting policy for the three months ended March 31, 2012 is a decrease in Depreciation, depletion and amortization charge of RUB 5 billion. The total cumulative effect from the change in accounting policy as of December 31, 2012 is an increase in Retained earnings of RUB 59 billion. The effect on Net income attributable to Rosneft per common share (in RUB) – basic and diluted for the three months ended March 31, 2012 is an increase of RUB 0.52.

The Company applies, for the first time, certain standards and amendments effective as of January 1, 2013.

The nature and the impact of each new standard/amendment are described below:

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

In addition, the application of IFRS 12, *Disclosure of Interest in Other Entities* results in additional disclosures in the annual consolidated financial statements.

IFRS 13, *Fair Value Measurement* establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements of the Company. IFRS 13 also requires specific disclosures of fair values. Some of these disclosures are specifically required for the interim condensed consolidated financial statements. The Company made these disclosures in Note 20.

IAS 1, *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*. The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Company's financial position or results of operations.

# Rosneft Oil Company

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

### 3. Changes in accounting policies (continued)

Several other new standards and amendments including amended IFRS 7, *Financial Instruments: Disclosure*, and IAS 32, *Financial Instrument: Presentation*, IAS 19, *Employee Benefits (Revised 2011)*, amendments resulting from Annual Improvements 2009-2011 cycle to IAS 1, *Presentation of Financial Statements*, IAS 16, *Property, Plant and Equipment*, IAS 32, *Financial Instruments: Presentation*, IAS 34, *Interim Financial Reporting*, were applied for the first time in 2013. Application of these standards and amendments had no significant impact on the Company's financial position or results of operations.

The impact of change from the equity method of accounting to accounting for assets, liabilities, income and expenses in accordance with IFRS 11, *Joint Arrangements*, in respect of the Company's interests in Ruhr Oel GmbH, a joint operation with BP Group, engaged in processing and sale of crude oil in Western Europe, and OJSC Tomskneft VNK ("Tomskneft"), a joint operation with OJSC Gazprom Neft, engaged in crude oil exploration and production in Western Siberia, on the December 31, 2012 consolidated balance sheet and the interim consolidated statement of comprehensive income for the three months ended March 31, 2012 is presented below:

Impact on the consolidated balance sheet:

	As of December 31, 2012		
	Ruhr Oel GmbH	OJSC Tomskneft VNK	Total
<b>Increase in current assets:</b>			
Cash and cash equivalents	–	3	3
Other financial assets	2	–	2
Accounts receivable	10	1	11
Inventories	1	1	2
Prepayments and other current assets	1	–	1
<b>Increase in total current assets</b>	<b>14</b>	<b>5</b>	<b>19</b>
<b>Increase/(decrease) in non-current assets:</b>			
Property, plant and equipment	57	42	99
Investment in Ruhr Oel GmbH	(47)	–	(47)
Investment in OJSC Tomskneft VNK	–	(38)	(38)
Investments in associates and joint ventures	2	–	2
Deferred tax assets	–	2	2
Goodwill	–	11	11
<b>Increase in total non-current assets</b>	<b>12</b>	<b>17</b>	<b>29</b>
<b>Increase in total assets</b>	<b>26</b>	<b>22</b>	<b>48</b>
<b>Increase in current liabilities:</b>			
Accounts payable and accrued liabilities	4	2	6
Loans and borrowings	5	11	16
Other tax liabilities	2	4	6
<b>Increase in total current liabilities</b>	<b>11</b>	<b>17</b>	<b>28</b>
<b>Increase in non-current liabilities:</b>			
Deferred tax liabilities	4	5	9
Provisions	–	4	4
Other non-current liabilities	13	–	13
<b>Increase in total non-current liabilities</b>	<b>17</b>	<b>9</b>	<b>26</b>
<b>Decrease in equity:</b>			
Other funds and reserves	(2)	–	(2)
Retained earnings	–	(4)	(4)
<b>Decrease in total equity</b>	<b>(2)</b>	<b>(4)</b>	<b>(6)</b>
<b>Increase in total liabilities and equity</b>	<b>26</b>	<b>22</b>	<b>48</b>

# Rosneft Oil Company

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

### 3. Changes in accounting policies (continued)

Impact on the interim consolidated statement of comprehensive income:

	Three months ended March 31, 2012 (unaudited)		
	Ruhr Oel GmbH	OJSC Tomskneft VNK	Total
<b>Revenues and equity share in profits of joint ventures and associates</b>			
Equity share in profits of associates and joint ventures	–	(2)	(2)
<b>Total revenues and equity share in profits of joint ventures and associates</b>	–	(2)	(2)
<b>Costs and expenses</b>			
Production and operating expenses	3	3	6
Cost of purchased oil, gas, petroleum products and refining costs	(4)	(13)	(17)
Depreciation, depletion and amortization	1	1	2
Taxes other than income tax	–	7	7
<b>Total costs and expenses</b>	–	(2)	(2)
<b>Operating income</b>	–	–	–
<b>Income before income tax</b>	–	–	–
Income tax expense	–	–	–
<b>Net income</b>	–	–	–
<b>Other comprehensive income/(loss) – to be reclassified to profit/(loss) in subsequent periods</b>			
Foreign exchange differences on translation of foreign operations	(3)	–	(3)
<b>Total other comprehensive income/(loss) – to be reclassified to profit/(loss) in subsequent periods, net of tax</b>	(3)	–	(3)
<b>Total comprehensive income/(loss), net of tax</b>	(3)	–	(3)
<b>Net income</b>			
attributable to Rosneft shareholders	–	–	–
attributable to non-controlling interests	–	–	–
<b>Total comprehensive income/(loss), net of tax</b>			
attributable to Rosneft shareholders	(3)	–	(3)
attributable to non-controlling interests	–	–	–

### Seasonality of operations

The Company's operations are not seasonal. Income and expenses are earned and incurred evenly during the financial year.

# Rosneft Oil Company

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

### 4. Acquisition of TNK-BP

On March 21, 2013, Rosneft completed the acquisition of an aggregate 100% equity interest in TNK-BP Limited, the ultimate holding company of TNK-BP, and of its subsidiary TNK Industrial Holdings Limited (collectively with their subsidiaries referred to "TNK-BP").

TNK-BP is a vertically integrated group of companies operating a diversified upstream and downstream portfolio, with assets in Russia, Ukraine, Belarus, Venezuela, Vietnam and Brazil. TNK-BP was Russia's third largest oil producer. TNK-BP operates in Russia's major hydrocarbon regions, including West Siberia, Volga-Urals and East Siberia.

The fair value of consideration paid was RUB 1,777 billion at the acquisition date. The acquisition was effected through two independent transactions with BP and AAR consortium.

The consideration transferred is presented below:

#### **BP's 50% equity interest in TNK-BP:**

US\$16.65 billion in cash at the Central Bank of Russia's ("CBR") official exchange rate as of the date of acquisition	515
1,360,449,797 Company's treasury shares (12.84% of share capital) at fair value	327

#### **AAR's 50% equity interest in TNK-BP:**

US\$27.73 billion in cash at the CBR official exchange rate as of the date of acquisition	858
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#### **Total cash and equity instruments**

1,700

#### **Fair value of the Company's investment in OJSC Verkhnechonskneftegaz**

77

#### **Total consideration transferred**

1,777

The fair value of the Company's treasury shares included in the consideration transferred at TNK-BP acquisition was determined at the closing price of the Rosneft's global depository receipts listed on the London Stock Exchange as of March 21, 2013.

Prior to TNK-BP acquisition the Company's share in OJSC Verkhnechonskneftegaz was 25.94%. With the TNK-BP acquisition the Company's increase in share in OJSC Verkhnechonskneftegaz to control was accounted for under IFRS 3, *Business Combinations*, as a step acquisition. Corresponding revaluation of the Company's non-controlling share in OJSC Verkhnechonskneftegaz of RUB 48 billion is included in Other income in the interim consolidated statement of comprehensive income for the three months ended March 31, 2013. Fair value of non-controlling share in OJSC Verkhnechonskneftegaz of RUB 77 billion is included in the consideration transferred.

The acquisition of TNK-BP does not contemplate contingent consideration.

# Rosneft Oil Company

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

### 4. Acquisition of TNK-BP (continued)

In the course of the transaction the following assets were acquired:

Name	Country of incorporation	Core activity	Preferred and common shares	Voting shares
<b><u>Exploration and production</u></b>			%	%
OJSC Nizhnevartovskoe				
Neftegazodobyvayushee Predpriyatie	Russia	Oil and gas development and production	94.67	96.51
OJSC Varyoganneftegaz	Russia	Oil and gas development and production	89.34	90.91
LLC Vanyoganneft JV	Russia	Oil and gas development and production	94.67	96.51
OJSC TNK-Nyagan	Russia	Oil and gas development and production	94.67	96.51
OJSC Tumenneftegaz	Russia	Oil and gas development and production	94.67	96.51
OJSC Orenburgneft	Russia	Oil and gas development and production	94.82	96.61
LLC Buguruslanceft	Russia	Oil and gas development and production	94.82	96.61
OJSC Yugraneft Corporation	Russia	Oil and gas development and production	75.30	76.77
OJSC Samotlorneftegaz	Russia	Oil and gas development and production	94.67	96.51
OJSC TNK-Nizhnevartovsk	Russia	Oil and gas development and production	94.67	96.51
CJSC ROSPAN INTERNATIONAL	Russia	Oil and gas development and production	94.67	96.51
OJSC Verkhnechonskneftegaz	Russia	Oil and gas development and production	70.05	71.42
LLC TNK-Uvat	Russia	Oil and gas development and production	94.67	96.51
LLC Tagulskoe	Russia	Field survey and exploration	100.00	100.00
OJSC Suzun	Russia	Field survey and exploration	100.00	100.00
TNK Vietnam B.V.	Netherlands	Oil and gas development and production	100.00	100.00
<b><u>Refining, marketing and distribution</u></b>				
LLC Nizhnevartovskoe				
Neftepererabatyvayushee Obedinenie	Russia	Petroleum refining	94.67	96.51
CJSC RORC	Russia	Petroleum refining	94.67	96.51
OJSC Saratov Oil Refinery	Russia	Petroleum refining	81.82	87.98
CJSC Karelyanefteprodukt	Russia	Marketing and distribution	94.67	96.51
LLC Kurskoblnefteprodukt	Russia	Marketing and distribution	94.67	96.51
OJSC Kaluganefteprodukt	Russia	Marketing and distribution	93.04	96.51
OJSC Rjazan Oil Produkt, Inc	Russia	Marketing and distribution	93.55	96.51
OJSC Tulanefteprodukt	Russia	Marketing and distribution	90.53	92.29
CJSC PCEC	Russia	Marketing and distribution	94.67	96.51
OJSC TNK-Stolitsa	Russia	Marketing and distribution	94.67	96.51
LLC ZSNP	Russia	Marketing and distribution	94.67	96.51
OJSC Saratovnefteprodukt	Russia	Marketing and distribution	87.98	90.29
LLC TNK-BP Northern Capital	Russia	Marketing and distribution	94.67	96.51
LLC TNK Lubricants	Russia	Marketing and distribution	97.33	98.25
CJSC TNK South Management	Russia	Marketing and distribution	94.67	96.51
LLC TNK-BP Marketing	Russia	Marketing and distribution	94.67	96.51
OJSC TNK-Yaroslavl	Russia	Marketing and distribution	89.03	90.76
FLLC "TNK-BP West"	Belarus	Marketing and distribution	100.00	100.00
LLC TNK-Industries	Russia	Marketing and distribution	94.67	96.51
CJSC Koltsovo Fueling Company	Russia	Marketing and distribution	94.67	96.51
LLC TZK-Aktiv	Russia	Marketing and distribution	94.67	96.51
PRJSC "LINIK"	Ukraine	Petroleum refining	95.21	95.21
TNK Trade Limited	Cyprus Republic	Marketing and distribution	100.00	100.00
LLC Krasnoleninsky Oil Refinery	Russia	Petroleum refining	94.67	96.51
<b><u>Other</u></b>				
TNK Industrial Holdings Limited	Virginia British Isles	Holding company	100.00	100.00
TNK-BP Limited	Virginia British Isles	Holding company	100.00	100.00
TNK-BP International Limited	Virginia British Isles	Holding company	100.00	100.00
TNK Pipelines Vietnam B.V.	Netherlands	Transportation services	100.00	100.00
Novy Investments Limited	Cyprus Republic	Holding company	100.00	100.00
TNK Management Company Limited	Cyprus Republic	Holding company	100.00	100.00
OJSC TNK-BP Holding	Russia	Holding company	94.67	96.51
OJSC TNK-BP Management	Russia	Management company	100.00	100.00

# Rosneft Oil Company

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

### 4. Acquisition of TNK-BP (continued)

As a result of the acquisition, the Company significantly increased its crude oil production and refining capacity, entered new geographical markets and substantially expanded its retail network. The management of the Company believes that the TNK-BP acquisition places it in a leading position globally among public companies operating in the oil and gas sector, reinforce its position as a regional downstream leader in Russia and Europe, as well as create significant synergies with TNK-BP, including in joint development areas, optimization of oil and oil product supply logistics, production and sales of natural gas, as well as with respect to cost and asset optimization.

The Company accounted for TNK-BP acquisition as a business combination. The Company consolidated the operating result of the acquired assets from March 21, 2013, the date the control was received.

The following table summarizes the Company's allocation of the purchase price to the fair value of TNK-BP's assets acquired and liabilities assumed:

#### ASSETS

##### Current assets:

Cash and cash equivalents	178
Restricted cash	5
Accounts receivable	55
Inventories	44
Prepayments and other current assets	76
<b>Total current assets</b>	<b>358</b>

##### Non-current assets:

Property, plant and equipment	1,915
Intangible assets	24
Other financial assets	12
Investments in associates and joint ventures	350
Deferred tax assets	14
Goodwill	9
Other non-current non-financial assets	16
<b>Total non-current assets</b>	<b>2,340</b>
<b>Total assets</b>	<b>2,698</b>

#### LIABILITIES

##### Current liabilities:

Accounts payable and accrued liabilities	118
Loans and borrowings	30
Income tax liabilities	3
Other tax liabilities	59
Provisions	3
Other current liabilities	13
<b>Total current liabilities</b>	<b>226</b>

##### Non-current liabilities:

Loans and borrowings	184
Deferred tax liabilities	390
Provisions	33
Other non-current liabilities	2
<b>Total non-current liabilities</b>	<b>609</b>
<b>Total liabilities</b>	<b>835</b>

<b>Total identifiable net assets at fair value</b>	<b>1,863</b>
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Non-controlling interests at fair value	(86)
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<b>Total consideration transferred</b>	<b>(1,777)</b>
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TNK-BP acquisition cash flow:

Net cash acquired	178
Cash paid	(1,373)
<b>Net cash outflow</b>	<b>(1,195)</b>

# Rosneft Oil Company

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

### **4. Acquisition of TNK-BP (continued)**

Deferred tax liabilities in the amount of RUB 390 billion are mainly attributable to revaluation of property, plant and equipment.

Net cash outflow of RUB 1,195 billion was included in Acquisition of a subsidiaries, net of cash acquired in the investing activities in the interim consolidated statement of cash flow for the three months ended March 31, 2013.

This allocation of the purchase price to the assets acquired and liabilities assumed is preliminary as of March 31, 2013. Purchase price allocation has not been finalized due to complexity of the acquisition and uncertainties related to fair value measurements of property, plant and equipment, intangible assets, provisions and deferred tax assets and liabilities. Allocation of the purchase price to fair value of the assets acquired and liabilities assumed will be finalized within 12 months from the acquisition date.

From March 21, 2013 (the date of acquisition) TNK-BP's revenues and net income included in the interim consolidated statement of comprehensive income for the three months ended March 31, 2013 were RUB 53 billion and RUB 6 billion, respectively.

Had the TNK-BP acquisition taken place at the beginning of the reporting period (January 1, 2013), revenues and net income of the combined entity would have been RUB 1,186 billion and RUB 172 billion, respectively, for the three month ended March 31, 2013.

### **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 March 31, 2013:

	Exploration and production	Refining and distribution	Corporate and other unallocated activities	Adjustments	Consolidated
<b>Revenues and equity share in profits of associates and joint ventures</b>					
Revenues from external customers	14	786	5	–	805
Intersegment revenues	318	–	–	(318)	–
Equity share in profits of associates and joint ventures	7	–	–	–	7
<b>Total revenues and equity share in profits of associates and joint ventures</b>	<b>339</b>	<b>786</b>	<b>5</b>	<b>(318)</b>	<b>812</b>
<b>Costs and expenses</b>					
Costs and expenses other than depreciation, depletion and amortization	193	761	20	(318)	656
Depreciation, depletion and amortization	45	9	2	–	56
<b>Total costs and expenses</b>	<b>238</b>	<b>770</b>	<b>22</b>	<b>(318)</b>	<b>712</b>
<b>Operating income</b>	<b>101</b>	<b>16</b>	<b>(17)</b>	<b>–</b>	<b>100</b>
Finance income					3
Finance expenses					(7)
<b>Total finance expenses</b>					<b>(4)</b>
Other income					48
Other expenses					(15)
Foreign exchange differences					(11)
<b>Income before income tax</b>					<b>118</b>
Income tax					(16)
<b>Net income</b>					<b>102</b>

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 March 31, 2012 (unaudited) (restated):

	<b>Exploration and production</b>	<b>Refining and distribution</b>	<b>Corporate and other unallocated activities</b>	<b>Adjustments</b>	<b>Consolidated</b>
<b>Revenues and equity share in profits of associates and joint ventures</b>					
Revenues from external customers	11	735	6	–	752
Intersegment revenues	314	5	–	(319)	–
Equity share in profits of associates and joint ventures	7	–	–	–	7
<b>Total revenues and equity share in profits of associates and joint ventures</b>	<b>332</b>	<b>740</b>	<b>6</b>	<b>(319)</b>	<b>759</b>
<b>Costs and expenses</b>					
Costs and expenses other than depreciation, depletion and amortization	173	711	18	(319)	583
Depreciation, depletion and amortization	39	9	1	–	49
<b>Total costs and expenses</b>	<b>212</b>	<b>720</b>	<b>19</b>	<b>(319)</b>	<b>632</b>
<b>Operating income</b>	<b>120</b>	<b>20</b>	<b>(13)</b>	<b>–</b>	<b>127</b>
Finance income					6
Finance expenses					(5)
<b>Total finance income</b>					<b>1</b>
Other income					1
Other expenses					(5)
Foreign exchange differences					26
<b>Income before income tax</b>					<b>150</b>
Income tax					(33)
<b>Net income</b>					<b>117</b>

# 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 March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
<b>Oil and gas sales</b>		
Export of crude oil – Europe	277	246
Export of crude oil – Asia	100	105
Export of crude oil – CIS, other than Russia	23	21
Domestic sales of crude oil	6	2
Domestic sales of gas	8	4
<b>Total oil and gas sales</b>	<b>414</b>	<b>378</b>

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
<b>Petroleum products and petrochemicals sales</b>		
Export of petroleum products – Europe	160	171
Export of petroleum products – Asia	66	59
Export of petroleum products – CIS, other than Russia	4	2
Domestic sales of petroleum products	126	111
Domestic sales of petrochemical products	3	3
Export of petrochemical products – Europe	22	18
<b>Total petroleum products and petrochemicals sales</b>	<b>381</b>	<b>364</b>

### 6. Export customs duty

Export customs duty comprises the following:

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Export customs duty on oil and gas sales	186	155
Export customs duty on petroleum products and petrochemicals sales	57	52
<b>Total export customs duty</b>	<b>243</b>	<b>207</b>

# Rosneft Oil Company

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

### 7. Income tax and other taxes

Income tax expenses comprise the following:

	<b>Three months ended March 31, 2013 (unaudited)</b>	<b>Three months ended March 31, 2012 (restated) (unaudited)</b>
Current income tax expense	12	34
Deferred tax benefit due to the origination and reversal of temporary differences	4	(1)
<b>Total income tax expense</b>	<b>16</b>	<b>33</b>

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

	<b>Three months ended March 31, 2013 (unaudited)</b>	<b>Three months ended March 31, 2012 (restated) (unaudited)</b>
Mineral extraction tax	152	140
Excise tax	24	18
Property tax	4	3
Other	8	7
<b>Total taxes other than income tax</b>	<b>188</b>	<b>168</b>

### 8. Other income and expenses

Other income and expenses comprise the following:

	<b>Three months ended March 31, 2013 (unaudited)</b>	<b>Three months ended March 31, 2012 (restated) (unaudited)</b>
Revaluation of non-controlling interest in OJSC Verkhnechonskneftegaz to its fair value	48	–
Sale and disposal of property, plant and equipment and intangible assets	–	1
<b>Total other income</b>	<b>48</b>	<b>1</b>
Sale and disposal of property, plant and equipment and intangible assets	1	–
Disposal of companies and non-production assets	1	1
Impairment of assets	3	–
Social payments, charity, sponsorship, financial aid	1	2
Other	9	2
<b>Total other expenses</b>	<b>15</b>	<b>5</b>

# Rosneft Oil Company

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

### 9. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	<b>March 31, 2013</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2012</b> <b>(restated)</b>
Cash on hand and in bank accounts in RUB	48	19
Cash on hand and in bank accounts in foreign currencies	245	206
Deposits	21	72
Others	4	2
<b>Total cash and cash equivalents</b>	<b>318</b>	<b>299</b>

### 10. Short-term financial assets

Short-term financial assets comprise the following:

	<b>March 31, 2013</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2012</b> <b>(restated)</b>
<b>Financial assets available for sale:</b>		
Bonds	19	14
Stocks and shares	5	6
<b>Loans and receivables:</b>		
Loans granted	17	18
Loans issued to associates	1	1
Notes receivable, net of allowance	17	27
Loans granted under reverse repurchase agreements	3	–
<b>Held-for-trading financial assets at fair value through profit or loss:</b>		
Corporate bonds	11	10
Government bonds	1	5
Stocks and shares	8	6
<b>Derivative financial instruments</b>	1	3
<b>Total short-term financial assets</b>	<b>83</b>	<b>90</b>

### 11. Accounts receivable

Accounts receivable, net of allowance, include the following:

	<b>March 31, 2013</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2012</b> <b>(restated)</b>
Trade receivables	263	204
Banking loans to customers	15	19
Other accounts receivable	29	22
<b>Total</b>	307	245
Valuation allowance for doubtful accounts	(9)	(8)
<b>Total accounts receivable, net of allowance</b>	<b>298</b>	<b>237</b>

No accounts receivable were pledged as collateral for loans and borrowings provided to the Company as of March 31, 2013 and December 31, 2012.

## Rosneft Oil Company

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

#### 12. Inventories

Inventories comprise the following:

	<b>March 31, 2013 (unaudited)</b>	<b>December 31, 2012 (restated)</b>
Crude oil and associated gas	58	46
Petroleum products and petrochemicals	76	56
Materials and supplies	37	21
Work in progress	15	11
<b>Total inventories</b>	<b>186</b>	<b>134</b>

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

	<b>Three months ended March 31, 2013 (unaudited)</b>	<b>Three months ended March 31, 2012 (restated) (unaudited)</b>
The cost of materials and supplies expensed during the period	98	88

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

#### 13. Prepayments and other current assets

Prepayments and other current assets comprise the following:

	<b>March 31, 2013 (unaudited)</b>	<b>December 31, 2012 (restated)</b>
Value added tax and excise tax recoverable	141	81
Prepayments to suppliers	31	24
Prepaid customs duties	52	54
Other taxes	21	11
Other	6	6
<b>Total prepayments and other current assets</b>	<b>251</b>	<b>176</b>

# Rosneft Oil Company

## 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
<b>Cost</b>				
As of December 31, 2012 (restated)	2,561	705	112	3,378
Acquisition of subsidiaries	1,774	134	7	1,915
Additions	66	28	8	102
Disposals	(5)	(1)	–	(6)
Exchange differences	2	–	–	2
Cost of asset retirement obligations	(4)	–	–	(4)
As of March 31, 2013	4,394	866	127	5,387
<b>Depreciation, depletion and impairment losses</b>				
As of December 31, 2012 (restated)	(621)	(145)	(42)	(808)
Depreciation and depletion charge	(46)	(4)	(3)	(53)
Exchange differences	(2)	–	–	(2)
As of March 31, 2013	(669)	(149)	(45)	(863)
<b>Net book value</b>				
As of December 31, 2012 (restated)	1,940	560	70	2,570
As of March 31, 2013	3,725	717	82	4,524
<b>Prepayments for property, plant and equipment</b>				
As of December 31, 2012 (restated)	5	53	10	68
As of March 31, 2013	6	60	11	77
<b>Total as of December 31, 2012 (restated)</b>	<b>1,945</b>	<b>613</b>	<b>80</b>	<b>2,638</b>
<b>Total as of March 31, 2013 (unaudited)</b>	<b>3,731</b>	<b>777</b>	<b>93</b>	<b>4,601</b>

The Company capitalized RUB 7 billion and RUB 5 billion of interest expenses on loans and borrowings for the three months ended March 31, 2013 and 2012, respectively.

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization is 1.02% and 0.92% quarterly for the three months ended March 31, 2013 and 2012, respectively.

Depreciation charge for the period includes RUB 1 billion of depreciation which was capitalized as part of the construction cost of property, plant and equipment and cost of inventory.

### 15. Investments in associates and joint ventures

#### *OJSC NGK Slavneft*

As a result of TNK-BP acquisition (Note 4) the Company obtained 49.9% interest in OJSC NGK Slavneft ("Slavneft"). Preliminary value of the investment in Slavneft of RUB 274 billion is accounted for as an investment in a joint venture using the equity method.

Slavneft holds licenses for exploration and oil and gas production at 31 license areas located in West Siberia and the Krasnoyarsk region. The annual production of Slavneft is 18 mln tons of crude oil. The crude oil produced (excluding export) is processed at Slavneft's refineries. The Slavneft's refineries process over 26 mln tons of hydrocarbons and produce over 5 mln tons of gasoline annually.

# Rosneft Oil Company

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

### 15. Investments in associates and joint ventures (continued)

#### *Investments in Venezuela*

As a result of TNK-BP acquisition (Note 4) the Company obtained ownership interest in certain assets in Venezuela. The most significant of these interests is in PetroMonagas S.A. in which the Company holds a 16.7% share. Preliminary value of the investment in PetroMonagas S.A. of RUB 32 billion is accounted for as an investment in associates using the equity method.

PetroMonagas S.A. is engaged in development and exploration of oil fields in the eastern part of Orinoko Basin. In 2012 PetroMonagas S.A. produced 6.85 mln tons of oil equivalent. PetroMonagas S.A. is an integrated project involving the extra-heavy crude oil extraction and upgrading, production and export of synthetic crude oil.

#### *National Oil Consortium LLC*

In January 2013, Company acquired additional 20% ownership share in LLC National Oil Consortium ("NOC") for RUB 6 billion. As a result of this acquisition and TNK-BP acquisition (Note 4), the Company's ownership interest in NOC increased to 60%. NOC is engaged in exploration of the Junin-6 block in Venezuela jointly with a subsidiary of Petr leos de Venezuela S.A., Venezuela's state oil company. This investment is continued to be accounted for as an investment using the equity method due to joint control under the shareholder's agreement.

#### *Acquisition of interest in exploratory assets in Brazil*

As a result of TNK-BP acquisition (Note 4) the Company obtained 45% interest in certain concession agreements for 21 exploratory blocks in the Brazilian Solimoes Basin. Under the farm-in agreement, the consideration of US\$ 1 billion is payable in five semi-annual installments plus interest at Libor rate starting from April 2012. The investment is accounted for as joint operation as the Company has acquired undivided interests in the respective assets and liabilities. In March 2013 the Company paid third of five semi-annual installments of RUB 6 billion.

### 16. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	<b>March 31, 2013</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2012</b> <b>(restated)</b>
Accounts payable to suppliers and contractors	<b>158</b>	121
Advances received	<b>50</b>	18
Banking customer accounts	<b>48</b>	41
Salary and other benefits payable	<b>34</b>	22
Other accounts payable	<b>28</b>	11
<b>Total accounts payable and accrued liabilities</b>	<b>318</b>	213

Current accounts payable are normally settled within 44 days on average (2012: 32 days). Interest rates on banking customer accounts amount to 0.01%-3.0% p.a. Trade and other payables are non-interest bearing.



# Rosneft Oil Company

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

### 17. Loans and borrowings

Loans and borrowings comprise the following:

	<b>Currency</b>	<b>March 31, 2013 (unaudited)</b>	<b>December 31, 2012 (restated)</b>
<b><i>Long-term</i></b>			
Bank loans	RUB	101	101
Bank loans	US\$, Euro	1,698	648
Bonds	RUB	51	20
Eurobonds	US\$	215	91
Customer deposits	RUB	9	8
Customer deposits	US\$, Euro	4	3
Other debt	RUB	–	1
<i>Less: Current portion of long-term loans and borrowings</i>		<b>(364)</b>	<b>(35)</b>
<b>Long-term loans and borrowings</b>		<b>1,714</b>	<b>837</b>
<b><i>Short-term</i></b>			
Bank loans	RUB	8	8
Bank loans	US\$	12	12
Customer deposits	RUB	11	12
Customer deposits	US\$, Euro	2	3
Borrowings	RUB	3	3
Borrowings	Euro	2	4
Borrowings – Yukos related	RUB	11	11
Promissory notes payable	RUB	1	1
Promissory notes payable – Yukos related	RUB	52	52
Obligations under a repurchase agreement	RUB	2	2
<i>Current portion of long-term loans</i>		<b>364</b>	<b>35</b>
<b>Short-term loans and borrowings and current portion of long-term loans</b>		<b>468</b>	<b>143</b>
<b>Total loans and borrowings</b>		<b>2,182</b>	<b>980</b>

Generally, long-term bank loans are denominated in US\$ and partially secured by oil export contracts. If the Company fails to make timely debt repayments, the terms of such contracts are normally provided the lender with an express right of claim for contractual revenue in the amount of failing loan repayments which must be remitted directly through transit currency (US\$ denominated) accounts in lender banks. Accounts receivable outstanding balance arising out of such contracts amounts to RUB 37 billion and RUB 32 billion as of March 31, 2013 and December 31, 2012, respectively, and is included in trade receivables.

In March 2013, the Company drawn down four long-term unsecured loans from a group of international banks for a total of US\$ 31.04 billion (RUB 965 billion at the CBR official exchange rate as of March 31, 2013) to finance the purchase of TNK-BP (Note 4). The debt agreement of US\$ 4.09 billion (RUB 127 billion at the CBR official exchange rate as of March 31, 2013) was entered into with the syndicate of foreign banks for 5 years at floating rates. The second debt agreement was entered into with the syndicate of foreign banks at floating rates in the amount of US\$ 12.74 billion (RUB 396 billion at the CBR official exchange rate as of March 31, 2013) for 2 years. The third debt agreement was entered into with the syndicate of foreign banks at floating rates for 2 years in the amount of US\$ 11.88 billion (RUB 369 billion at the CBR official exchange rate as of March 31, 2013). The fourth debt agreement in the amount of US\$ 2.33 billion (RUB 73 at the CBR official exchange rate as of March 31, 2013) was entered into with the syndicate of foreign banks for 5 years at floating rates. As of March 31, 2013 loans are drawn down in full.

# Rosneft Oil Company

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

### 17. Loans and borrowings (continued)

In March 2013, the Company issued two tranches of documentary non-convertible interest-bearing bonds with the nominal amount of RUB 30 billion and maturity in 2018. Coupon payments will be done on semi-annual basis at fixed rate of 8.0% p.a.

As of March 31, 2013 and December 31, 2012, the Company was in compliance with all restrictive financial and other covenants contained in its debt agreements.

### 18. Other tax liabilities

Other tax liabilities comprise the following:

	<b>March 31, 2013</b>	<b>December 31,</b>
	<b>(unaudited)</b>	<b>2012</b>
		<b>(restated)</b>
Mineral extraction tax	72	46
Value added tax	46	23
Excise tax	18	10
Personal income tax	4	1
Property tax	9	3
Other	8	–
<b>Total other tax liabilities</b>	<b>157</b>	<b>83</b>

### 19. Provisions

	<b>Asset retirement</b>	<b>Environmental</b>	<b>Legal, tax and</b>	<b>Total</b>
	<b>obligations</b>	<b>remediation</b>	<b>other claims</b>	
		<b>provision</b>		
<b>As of December 31, 2012 (restated), including</b>	<b>68</b>	<b>5</b>	<b>3</b>	<b>76</b>
<i>Non-current</i>	68	3	–	71
<i>Current</i>	–	2	3	5
Provisions charged during the year	2	–	–	2
Increase/(decrease) in provisions resulting from:				
<i>Changes in estimates</i>	(3)	–	–	(3)
<i>Change in the discount rate</i>	(2)	–	–	(2)
<i>Unwinding of discount</i>	1	–	–	1
<i>Utilization</i>	–	–	(1)	(1)
<i>Acquisition of TNK-BP (Note 4)</i>	19	17	–	36
<b>As of March 31, 2013 (unaudited), including</b>	<b>85</b>	<b>22</b>	<b>2</b>	<b>109</b>
<i>Non-current</i>	84	18	–	102
<i>Current</i>	1	4	2	7

## Rosneft Oil Company

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

#### 20. Fair value of financial instruments

Fair value of financial assets and liabilities is determined as follows:

- Fair value of financial assets and liabilities quoted on active liquid markets is determined in accordance with the market quotes;
- Fair value of other financial assets and liabilities is determined in accordance with generally accepted models and is based on discounted cash flow analysis that relies on prices used for existing transactions in the current market;
- Fair value of derivative financial instruments is based on market quotes. If such quotes are unavailable, fair value is determined on the basis of valuation models that rely on assumptions confirmed by observable market prices or rates as of the reporting date.

Assets and liabilities of the Company that are measured at fair value on a recurring basis in accordance with the fair value hierarchy are presented in the table below.

	Fair value measurement as of March 31, 2013 (unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Current assets</b>				
Held-for-trading	11	9	–	20
Available-for-sale	10	14	–	24
Derivative financial instruments	–	1	–	1
<b>Non-current assets</b>				
Available-for-sale	5	–	–	5
Derivative financial instruments	–	1	–	1
<b>Total assets measured at fair value</b>	<b>26</b>	<b>25</b>	–	<b>51</b>

	Fair value measurement as of December 31, 2012 (restated)			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Current assets</b>				
Held-for-trading	13	8	–	21
Available-for-sale	5	15	–	20
Derivative financial instruments	–	3	–	3
<b>Non-current assets</b>				
Available-for-sale	6	–	–	6
Derivative financial instruments	–	2	–	2
<b>Total assets measured at fair value</b>	<b>24</b>	<b>28</b>	–	<b>52</b>

The carrying value of cash and cash equivalents, accounts receivable and accounts payable recognized in this interim condensed consolidated financial statement approximate their fair value.

Rosneft Oil Company

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

**20. Fair value of financial instruments (continued)**

The following table summarizes carrying amounts and fair values of all the Company's financial instruments:

	Carrying value		Fair value	
	As of March 31, 2013 (unaudited)	As of December 31, 2012 (restated)	As of March 31, 2013 (unaudited)	As of December 31, 2012 (restated)
<b>Financial assets</b>				
Financial assets held-for-trading				
Bonds	19	14	19	14
Stocks and shares	10	12	10	12
Financial assets at fair value through profit or loss:				
Derivative financial instruments	2	5	2	5
Corporate and state bonds	12	15	12	15
Stocks and shares	8	6	8	6
Loans issued:				
Loans granted	17	18	17	18
Loans issued to associates	25	12	25	12
Notes receivable, net of allowance	17	27	17	27
Loans granted under reverse repurchase agreements	3	–	3	–
Other	7	5	7	5
	Carrying value		Fair value	
	As of March 31, 2013 (unaudited)	As of December 31, 2012 (restated)	As of March 31, 2013 (unaudited)	As of December 31, 2012 (restated)
<b>Financial liabilities</b>				
Financial liabilities at amortized cost:				
Accounts payable	(318)	(213)	(318)	(213)
Loans and borrowings with variable interest rate	(1,598)	(632)	(1,616)	(605)
Loans and borrowings with fixed interest rate	(584)	(348)	(497)	(338)
Financial liabilities at fair value, through profit or loss:				
Financial lease liabilities	(10)	(11)	(10)	(11)

# Rosneft Oil Company

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

### **21. 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)

21. Related party transactions (continued)

Transactions with companies directly or indirectly controlled by the Russian Government

*Revenues and income*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Oil and gas sales	19	30
Petroleum products and petrochemicals sales	10	7
Finance income	–	1
	<b>29</b>	<b>38</b>

*Costs and expenses*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Production and operating expenses	7	2
Pipeline tariffs and transportation costs	43	45
Other expenses	3	1
Finance expenses	1	–
	<b>54</b>	<b>48</b>

*Other operations*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Purchase of financial assets and investments in associates	(2)	(13)
Loans received	–	14
Loans repaid	(1)	(3)
Repayment of loans and borrowings issued	1	1
Deposits placed	(1)	(3)
Deposits repaid	19	35

*Settlement balances*

	March 31, 2013 (unaudited)	December 31, 2012 (restated)
<b>Assets</b>		
Cash and cash equivalents	96	188
Accounts receivable, net of allowance	20	13
Prepayments and other current assets	12	15
Financial assets	10	7
	<b>138</b>	<b>223</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	17	15
Loans and borrowings	100	100
	<b>117</b>	<b>115</b>

Rosneft Oil Company

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

21. Related party transactions (continued)

Transactions with joint ventures

*Revenues and income*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Petroleum products and petrochemicals sales	3	–
	<u>3</u>	<u>–</u>

*Settlement balances*

	March 31, 2013 (unaudited)	December 31, 2012 (restated)
<b>Assets</b>		
Accounts receivable, net of allowance	23	–
Financial assets	2	–
	<u>25</u>	<u>–</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2	–
Other non-current liabilities	15	–
	<u>17</u>	<u>–</u>

*Costs and expenses*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Cost of purchased oil, gas and petroleum products	20	24
Pipeline tariffs and transportation costs	2	1
Other expenses	2	1
	<u>24</u>	<u>26</u>

*Other operations*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Repayment of loans and borrowings issued	–	2

Rosneft Oil Company

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

21. Related party transactions (continued)

Transactions with joint ventures (continued)

*Settlement balances*

	March 31, 2013 (unaudited)	December 31, 2012 (restated)
<b>Assets</b>		
Accounts receivable, net of allowance	6	–
Financial assets	10	–
	<u>16</u>	<u>–</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	8	7
Loans and borrowings	5	5
	<u>13</u>	<u>12</u>

Transactions with associates

*Revenues and income*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Petroleum products and petrochemicals sales	1	1
Support services and other revenues	1	1
	<u>2</u>	<u>2</u>

*Costs and expenses*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Cost of purchased oil, gas and petroleum products	8	3
Production and operating expenses	1	1
Other expenses	1	1
	<u>10</u>	<u>5</u>

*Other operations*

	Three months ended March 31, 2013 (unaudited)	Three months ended March 31, 2012 (restated) (unaudited)
Loans received	1	1



## Rosneft Oil Company

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

#### 21. Related party transactions (continued)

##### Transactions with associates (continued)

###### *Settlement balances*

	<b>March 31, 2013 (unaudited)</b>	<b>December 31, 2012 (restated)</b>
<b>Assets</b>		
Accounts receivable, net of allowance	9	6
Financial assets	14	12
	<b>23</b>	<b>18</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	14	11
	<b>14</b>	<b>11</b>

##### Transactions with non-state pension fund NPF Neftegarant

###### *Costs and expenses*

	<b>Three months ended March 31, 2013 (unaudited)</b>	<b>Three months ended March 31, 2012 (restated) (unaudited)</b>
Other expenses	1	1

#### 22. 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.

# Rosneft Oil Company

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

### 22. Contingencies (continued)

#### 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, OJSC Samaraneftgaz, the Company's subsidiary, and Tomskneft, the Company's joint venture company, in various arbitration courts alleging default under nine 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. On February 12, 2007, the arbitration panel formed pursuant to the ICC rules issued an award against Tomskneft of RUB 4.35 billion plus interest of 9% per annum, plus default penalties of 0.1% per day (from December 1, 2005, through the date of the award), plus legal costs.

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 of 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. Upon return of the case to the High Court of Justice, the court entered an order on February 27, 2013 providing for the hearing of further preliminary issues concerning whether the court has the power to enforce the annulled ICAC awards at English common law and whether in principle there is a basis for Yukos Capital S.a.r.l. to recover post-award interest in the English courts. The High Court of Justice scheduled the hearing of the further preliminary issues to be conducted on May 13-15, 2014. 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, Samara and Tomsk to nullify the loan agreements with Yukos Capital S.a.r.l. Court hearings in all three cases were suspended for some time. However, on 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, which on February 28, 2013 upheld the lower courts' judgments.

# Rosneft Oil Company

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

### 22. Contingencies (continued)

#### Legal claims (continued)

On July 11, 2012, the Moscow Arbitrazh Court declared invalid the loan agreements between Yukos Capital S.a.r.l. and OJSC Yuganskneftegaz. On October 9, 2012, the 9th 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 these judgments with the Federal Arbitrazh Court of Moscow District, which on March 14, 2013 upheld the judgments of the lower courts.

On July 19, 2012 the Arbitrazh Court of the Tomsk Region declared void the loan agreements between Yukos Capital S.a.r.l. and Tomskneft. Yukos Capital S.a.r.l. filed an appeal of that judgment. The hearing is scheduled for June 3, 2013.

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 Samaraneftegaz 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 January 20, 2012, OJSC Samaraneftegaz filed a motion for summary judgment on the issue of personal jurisdiction in the U.S. S.D.N.Y. 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 Samaraneftegaz in New York. Yukos Capital S.a.r.l. and OJSC Samaraneftegaz thereafter filed cross-motions for summary judgment concerning whether the U.S. S.D.N.Y. should enforce the award. The motions are pending.

In February 2010, Yukos Capital S.a.r.l. commenced proceedings against Tomskneft in the Arbitrazh Court of the Tomsk Region seeking to enforce in Russia the abovementioned February 2007 ICC award. On July 7, 2010, the Arbitrazh Court of the Tomsk Region denied Yukos Capital S.a.r.l.'s enforcement application. On October 27, 2010 Yukos Capital S.a.r.l.'s cassation appeal was dismissed.

In July 2010, Yukos Capital S.a.r.l. brought an action against Tomskneft in the Paris Court of First Instance seeking enforcement of the February 2007 ICC award in France. On July 20, 2010, the court issued an *ex parte* order to allow enforcement. On February 22, 2011, Tomskneft timely filed an appeal against this order in the Paris Court of Appeal, which was granted on January 15, 2013, and the Paris Court of Appeal declared that the award could not be enforced in France. The time for Yukos Capital S.a.r.l. to seek cassation appeal has not yet lapsed.

In February 2013, Yukos Capital S.a.r.l. initiated proceedings against Tomskneft in Ireland and Singapore seeking to enforce the same February 2007 ICC award whose recognition and enforcement was declined in Russia and France. Tomskneft has made a conditional appearance in Ireland to challenge the court's jurisdiction. At a scheduling hearing held in April 2013, the Irish court scheduled the hearing of the jurisdictional issues for October 15-17, 2013. Tomskneft has made an initial application in Singapore to deny enforcement of the award there. The hearing schedule in Singapore has not been fixed yet. Tomskneft intends to defend vigorously against these actions.

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

# Rosneft Oil Company

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

### 22. Contingencies (continued)

#### Legal claims (continued)

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 March 31, 2013, the total amount of administrative fines levied by FAS Russia and its regional bodies against Rosneft and its subsidiaries amounts to RUB 0.3 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.

TNK-BP is involved in litigations which arose before the completion of TNK-BP acquisition. Currently, the Company is assessing the impact of these litigations on the financial position and results of operations of the Company. The resulting impact of these litigations will be taken into account in the Company's allocation of the TNK-BP purchase price.

#### 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 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.

In November 2012, the Company and Federal Tax Service signed the Pricing Agreement for the purpose of taxation of oil sales transactions at the Russian market. Six Company subsidiaries also acted as the Parties to the Agreement. The document establishes the principles and methods of pricing in the aforementioned transactions. The Agreement was signed as part of the new order of fiscal control over the pricing of related party transactions to match the market parameters.

# Rosneft Oil Company

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

### 22. Contingencies (continued)

#### Taxation (continued)

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. From January 1, 2013 under the terms of the agreement, the number of members of the consolidated group of taxpayers is increased to 44. 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 consolidated financial statements.

During the reporting period, the tax authorities continued examinations of Rosneft and its certain subsidiaries for 2009-2011 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 balance sheet or results of operations.

As of March 31, 2013, potential amount of VAT receivable, that is 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 balance sheet 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.

The total amount contracted but not yet performed deliveries related to the construction and acquisition of property, plant and equipment amounted to RUB 375 billion and RUB 340 billion as of March 31, 2013 and December 31, 2012, respectively.

#### 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 these interim condensed consolidated financial statements.

## Rosneft Oil Company

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

#### **23. Long-term prepayments on crude oil supply agreements**

In March 2013 the Company entered into long-term crude oil supply agreements with Glencore and Vitol, the world's leading crude oil traders. The agreements provide for a series of crude oil supply transactions at market prices. In March 2013 the Company has received prepayments under the crude oil supply agreements of RUB 232 billion. The crude oil deliveries start from 2013. The prepayments shall be reimbursed starting from 2015.

#### **24. Events after the reporting period**

On April 23, 2013 the Company acquired 13.70% share in Saras S.p.A. ("Saras") for the total consideration of EURO 178.5 million (RUB 7 billion at the CBR official exchange rate as of the date of acquisition) from Angelo Moratti S.a.p.a., Gian Marco Moratti and Massimo Moratti. Saras is a leading Italian and European crude oil refiner which sells and distributes petroleum products in Italy and international markets. Saras is also engaged in electric power production and sale, industrial engineering and scientific research services to the oil, electric power and environment sectors, and hydrocarbons exploration.

On April 3, 2013 the Company agreed heads of terms to acquire aviation refueling businesses from Basic Element in Krasnodar, Sochi, Anapa, Gelendzhik and Abakan airports operated by BASH (Basel Aero Supply and Handling).

## Rosneft Oil Company

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

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