



Alliance Oil Company Ltd: Interim report for the quarter and nine months ended 30 September 2013

Quarter ended 30 September 2013

- Revenue of MUSD 1,013.7, up 13% from Q2 2013.
- Profit before tax of MUSD 91.1, up 54% from Q2 2013.
- Profit for the period of MUSD 61.7, up 54% from Q2 2013.
- EBITDA of MUSD 175.1, up 1% from Q2 2013.

Nine months ended 30 September 2013

- Revenue of MUSD 2,795.4, up 10% from 9m 2012.
- Profit before tax of MUSD 214.1, down 43% from 9m 2012.
- Profit for the period of MUSD 145.8, down 50% from 9m 2012.
- EBITDA of MUSD 499.1, down 12% from 9m 2012.
- Transactions completed to form joint venture with Repsol.
- Launch of gas production in Tomsk region and Khanty-Mansiysk region.
- Eurobond offering of MUSD 500 completed in May 2013.
- Preference shares issue raised MUSD 100 in June 2013.

Subsequent events

- Alliance Group's potential acquisition of Alliance Oil Company by way of amalgamation.
- Tender offer for convertible bonds of MUSD 265.

	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Δ, %	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012	Δ, %
<u>Operational results</u>							
Consolidated crude oil production, bopd	51,807	52,683	-2%	53,315	52,133	54,413	-4%
Consolidated gas and gas liquids production, boepd	9,333	9,091	3%	-	7,422	-	100%
Refining volume, bopd	96,428	85,026	13%	84,571	89,501	79,325	13%
<u>Financial results</u>							
Revenue, MUSD	1,013.7	900.7	13%	904.3	2,795.4	2,536.6	10%
Profit for the period, MUSD	61.7	40.0	54%	132.0	145.8	290.8	-50%
EBITDA, MUSD	175.1	173.1	1%	214.0	499.1	564.9	-12%
Basic earnings per ordinary share, USD	0.18	0.11	64%	0.72	0.43	1.62	-73%
Diluted earnings per ordinary share, USD	0.18	0.11	64%	0.66	0.43	1.53	-72%

Alliance Oil Company Ltd is a leading independent oil and gas company with vertically integrated operations in Russia and Kazakhstan. Alliance Oil has substantial oil and gas reserves and downstream operations that include the Khabarovsk refinery and the leading network of gas stations and wholesale oil products terminals in the Russian Far East. Alliance Oil's depository receipts are traded on the NASDAQ OMX Nordic under the symbol AOIL.

Dear Shareholders,

In the third quarter of 2013, Alliance Oil Company demonstrated strong financial and operational performance. Crude oil and oil product prices increased and the average exchange rate of the RUB to the USD weakened compared to the previous quarter.

Consolidated Revenue, EBITDA and Profit grew by 13%, 1% and 54%, respectively, compared to the second quarter of 2013. The average daily production of hydrocarbons was flat quarter-on-quarter. Meanwhile refining volumes increased by 13% compared to the second quarter of 2013 despite the water flooding in the Russian Far East.

In the upstream segment, consolidated oil production declined slightly compared to the previous quarter primarily due to lower production in the Timano-Pechora and Tomsk regions. Approximately 43% of crude production was mineral extraction tax exempt in the quarter. Consolidated and joint venture gas and gas liquids production increased quarter-on-quarter.

In the downstream segment, the record high refining throughput was driven by continued high oil product demand in the wholesale and bunker markets. The Company sold 8.9 million barrels of oil products in the third quarter of 2013 compared to 8.3 million barrels in the previous quarter.

The Company's balance sheet remained solid, total debt was essentially unchanged while the net debt to EBITDA ratio increased quarter-on-quarter from 2.5 to 2.9.

Outlook

In October 2013, the total hydrocarbon production amounted to 66,200 barrels of oil equivalent per day, including about 5,800 barrels of oil equivalent per day from the joint venture with Repsol. The Company expects to meet its double digit production growth target for the full year of 2013.

The refining volumes increased further in October 2013 marking another milestone of raising the refining capacity at the Khabarovsk refinery to 100,000 barrels of oil per day. As previously announced, the modernisation plan of the Khabarovsk refinery and the launch of the new hydroprocessing complex have been reviewed. The mechanical completion and testing of the Hydrotreater and Sulfur production units are expected in the end of 2013. The testing and commissioning of the Hydrocracker and Hydrogen production units are planned for the first half of 2014. The final testing schedule and launch will depend on actual winter conditions. The schedule for connecting the Khabarovsk refinery to the ESPO system was also adjusted against background of the unprecedented water flooding in the Russian Far East. The first crude delivery to the refinery via pipeline is now scheduled for the second half of 2014.

In late October, Alliance Group proposed to acquire all shares of Alliance Oil Company, not currently held by Alliance Group and its affiliates. The independent directors of Alliance Oil Company's board have recommended that shareholders vote in favour of the transaction by way of amalgamation, at a Special General Meeting on 2 December 2013. Subject to approval by the shareholders and certain other conditions, the consummation of the transaction would imply that Alliance Oil Company is taken private and the shares of the Company are delisted from NASDAQ OMX Stockholm. In connection with this, Alliance Oil Company launched a tender offer to redeem outstanding convertible bonds of MUS\$ 265, subject to the completion of the amalgamation.

Arsen Idrisov, Managing Director

Financial Highlights (unaudited)

<i>(Expressed in USD thousands)</i>	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Δ, %	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012	Δ, %
Revenue	1,013,680	900,749	13%	904,320	2,795,405	2,536,579	10%
Profit for the period	61,664	40,032	54%	131,972	145,774	290,842	-50%
EBITDA ¹	175,138	173,143	1%	214,010	499,130	564,938	-12%
Operating cash flows before changes in working capital	198,855	179,504	11%	222,177	540,223	587,309	-8%
Total cash generated from operating activities	18,024	195,239	-91%	223,274	187,612	427,473	-56%
Total cash used in investing activities	-235,890	-131,254	80%	-233,395	-520,213	-636,349	-18%
Total cash generated from financing activities	93,405	178,583	-48%	201,184	220,861	336,313	-34%
Total debt (at the end of the period)	2,177,922	2,158,714	1%	1,949,636	2,177,922	1,949,636	12%
Cash, cash equivalents and restricted cash (at the end of the period)	276,369	398,281	-31%	322,343	276,369	322,343	-14%
Net debt (at the end of the period)	1,901,553	1,760,433	8%	1,627,293	1,901,553	1,627,293	17%
Net debt/EBITDA ²	2.85	2.49	14%	2.03	2.85	2.03	40%
EBITDA margin	17%	19%		24%	18%	22%	
Urals, average (USD per barrel)	109.41	102.03	7%	108.74	107.39	110.74	-3%

On 28 February, 28 May and 2 September 2013, dividends on preference shares of SEK 7.50 per share were paid in the total amount of MSEK 129.60 or MUSD 19.74 as of the dates of cash transfers.

	Average for the quarter ended 30 September 2013	Average for the quarter ended 30 June 2013	Average for the quarter ended 30 September 2012	Average for the nine months ended 30 September 2013	Average for the nine months ended 30 September 2012	At 30 September 2013	At 30 June 2013	At 31 December 2012
Exchange rates of the Russian Rouble (RUB) to the USD	32.80	31.61	32.01	31.62	31.10	32.35	32.71	30.37

¹ In its own analysis of the Group's results, the Group uses EBITDA as a key performance indicator which is not a measure determined in accordance with IFRS. Please refer to section "Key financial ratios and data definitions" for details of EBITDA calculation.

² EBITDA for the last twelve months is used for calculation of the ratio.

Exploration and Production (Upstream)

The Group operates upstream assets in three Russian regions: Timano-Pechora, Volga-Urals, Tomsk and in Kazakhstan.

Crude oil and gas sales volumes and prices for export and domestic markets, excluding intragroup sales, are presented in the tables below:

Crude oil	Quarter ended 30 September 2013			
	Export	CIS	Domestic	Total
Sold volume (barrels)	774,525	102,779	1,073,033	1,950,337
Gross price (USD/barrel)	107.33	69.70	65.65	82.41
Net price (USD/barrel)	68.14	69.70	55.63	61.34
Selling expenses (USD/barrel)	6.69	14.91	4.73	6.05
Netback price (USD/barrel)	61.45	54.79	50.90	55.29
Revenue from sales of crude oil (TUSD)	52,778	7,164	59,696	119,638

Gas and gas liquids	Gas		Gas liquids	
	<i>thousand cubic metres</i>	<i>barrels of oil equivalent</i>	<i>tonnes</i>	<i>barrels of oil equivalent</i>
Sold volume	111,281	704,966	13,870	135,922
Gross price (USD/unit)	99.42	15.69	471.23	48.09
Net price (USD/unit)	84.26	13.30	399.35	40.75
Revenue from sales of gas and gas liquids (TUSD)	9,376	9,376	5,539	5,539

Crude oil	Quarter ended 30 June 2013			
	Export	CIS	Domestic	Total
Sold volume (barrels)	1,583,567	383,400	672,329	2,639,296
Gross price (USD/barrel)	99.22	59.32	60.94	83.67
Net price (USD/barrel)	52.05	59.32	51.64	53.00
Selling expenses (USD/barrel)	6.74	15.28	7.03	8.05
Netback price (USD/barrel)	45.31	44.04	44.61	44.95
Revenue from sales of crude oil (TUSD)	82,420	22,745	34,722	139,887

Gas and gas liquids	Gas		Gas liquids	
	<i>thousand cubic metres</i>	<i>barrels of oil equivalent</i>	<i>tonnes</i>	<i>barrels of oil equivalent</i>
Sold volume	104,954	664,885	12,236	117,248
Gross price (USD/unit)	87.97	13.89	411.94	42.99
Net price (USD/unit)	74.56	11.77	349.05	36.43
Revenue from sales of gas and gas liquids (TUSD)	7,825	7,825	4,271	4,271

Crude oil	Nine months ended 30 September 2013			
	Export	CIS	Domestic	Total
Sold volume (barrels)	4,120,595	865,872	2,309,771	7,296,238
Gross price (USD/barrel)	105.05	62.92	63.10	86.77
Net price (USD/barrel)	58.07	62.92	53.47	57.19
Selling expenses (USD/barrel)	6.87	14.50	5.69	7.40
Netback price (USD/barrel)	51.20	48.42	47.78	49.79
Revenue from sales of crude oil (TUSD)	239,278	54,481	123,515	417,274

Gas and gas liquids	Gas		Gas liquids	
	<i>thousand cubic metres</i>	<i>barrels of oil equivalent</i>	<i>tonnes</i>	<i>barrels of oil equivalent</i>
Sold volume	260,200	1,648,369	30,350	290,922
Gross price (USD/unit)	93.93	14.83	451.93	47.15
Net price (USD/unit)	79.60	12.57	381.02	39.75
Revenue from sales of gas and gas liquids (TUSD)	20,713	20,713	11,564	11,564

Crude oil	Nine months ended 30 September 2012			
	Export	CIS	Domestic	Total
Sold volume (barrels)	5,382,609	241,192	2,514,764	8,138,565
Gross price (USD/barrel)	107.98	51.36	61.43	91.92
Net price (USD/barrel)	57.02	51.36	52.06	55.32
Selling expenses (USD/barrel)	6.85	12.54	5.18	6.50
Netback price (USD/barrel)	50.17	38.82	46.88	48.82
Revenue from sales of crude oil (TUSD)	306,934	12,389	130,907	450,230

The net prices are calculated by deducting VAT (for Russian domestic sales) or export duty (for export and certain CIS countries sales) from the gross prices. The netback prices are calculated by deducting VAT, railway and pipeline transportation costs (for Russian domestic sales) or transportation, export duty, brokers' commission and certain other costs (for export sales) or transportation, brokers' commission and certain other costs (for CIS countries sales) from the gross price.

Consolidated revenue from sales of crude oil and gas for the quarter amounted to MUSD 134.55 (including revenue from sales of gas and gas liquids of MUSD 14.92), representing an 11% decrease in comparison with the second quarter (Q2 2013: MUSD 151.98, including revenue from sales of gas and gas liquids of MUSD 12.10). The decrease was primarily due to lower crude oil volumes for export and CIS markets. Consolidated revenue from sales of crude oil and gas for the nine months period amounted to MUSD 449.55 (including revenue from sales of gas and gas liquids of MUSD 32.28), which was in line with the nine months 2012 (nine months 2012: MUSD 450.23).

Crude oil sales volumes, excluding intragroup sales, in the quarter are presented as follows: 40% was exported (Q2 2013: 60%), 5% was sold on the CIS market (Q2 2013: 15%) and 55% was sold on the domestic market (Q2 2013: 25%). All gas and gas liquids were sold on the domestic market.

Consolidated oil and gas production costs for the quarter amounted to MUSD 97.06, which was in line with the second quarter (Q2 2013: MUSD 97.17). Consolidated oil and gas production costs for the nine months period amounted to MUSD 298.27, which was slightly higher in comparison with the nine months 2012 (nine months 2012: MUSD 272.05).

Production and other taxes for the quarter amounted to MUSD 67.73 (Q2 2013: MUSD 63.95) and MUSD 197.89 for the nine months period (nine months 2012: MUSD 178.82). The increase for the nine months period was due to higher prices and lower production at the Kolvinskoye oil field and therefore decrease in the share of crude oil exempt from production tax.

The depletion charge for upstream assets for the quarter amounted to MUSD 42.16 (Q2 2013: MUSD 44.85) and MUSD 131.13 for the nine months period (nine months 2012: MUSD 112.46). Oil and gas assets are depleted based on 2P³ reserves; the base for depletion includes management's best estimates of future development costs. The increase in the depletion charge for the nine months period was primarily due to launch of gas production in Tomsk region in February 2013 and increase in future development costs based on the updated independent reserve engineer report as at 31 December 2012.

³ Proved and probable.

The upstream segment operational data is presented below:

	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Sales volume (boe ⁴)	5,408,649	5,565,037	15,937,683	14,589,347
to external customers	2,791,225	3,421,429	9,235,529	8,138,565
to intragroup companies	2,617,424	2,143,608	6,702,154	6,450,782
Revenue per boe sold (USD/boe)	49.86	44.98	48.95	51.91
Total production costs of crude oil and gas per boe sold (USD/boe)	25.69	25.52	26.91	26.36
Production costs	5.38	5.97	6.26	6.39
Production and other taxes	12.52	11.49	12.42	12.26
Depreciation, depletion and amortisation	7.79	8.06	8.23	7.71
Selling, administrative and other income/expenses, net (USD/boe)	7.74	6.22	7.32	6.56
EBITDA per boe sold (USD/boe) ⁵	24.22	21.30	22.95	26.70

The upstream segment operational data is calculated on the basis of total volume of crude oil and gas sold both to external customers and intragroup companies.

Crude oil operational data is presented below:

	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Sales volume (barrels)	4,567,761	4,782,904	13,998,392	14,589,347
to external customers	1,950,337	2,639,296	7,296,238	8,138,565
to intragroup companies	2,617,424	2,143,608	6,702,154	6,450,782
Revenue per barrel sold (USD/barrel)	55.77	49.79	53.42	51.91
Total production costs of crude oil per barrel sold (USD/barrel)	28.51	27.82	29.15	26.36
Production costs	5.94	6.53	6.79	6.39
Production and other taxes	14.36	13.05	13.81	12.26
Depreciation, depletion and amortisation	8.21	8.24	8.55	7.71
Selling, administrative and other income/expenses, net (USD/barrel)	9.15	7.31	8.30	6.56
EBITDA per barrel sold (USD/barrel) ⁵	26.32	22.90	24.52	26.70

Gas and gas liquids operational data is presented below:

	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Sales volume to external customers (boe)	840,888	782,133	1,939,291	-
Revenue per boe sold (USD/boe)	17.74	15.54	16.64	-
Total production costs of gas and gas liquids per boe sold (USD/boe)	10.45	10.96	10.67	-
Production costs	2.36	2.03	2.43	-
Production and other taxes	2.53	1.98	2.38	-
Depreciation, depletion and amortisation	5.56	6.95	5.86	-
Selling, administrative and other income/expenses, net (USD/boe)	0.08	0.02	0.30	-
EBITDA per boe sold (USD/boe) ⁵	12.77	11.51	11.53	-

The upstream segment EBITDA⁵ for the quarter amounted to MUSD 130.95 (Q2 2013: MUSD 118.52) and MUSD 365.74 for the nine months period (nine months 2012: MUSD 389.54). The increase in upstream segment EBITDA quarter on quarter was primarily due to higher prices.

⁴ Barrels of oil equivalent.

⁵ EBITDA is based on IFRS financial information.

The Group's crude oil reserves and production by regions are presented in the table below:

<i>(Expressed in barrels)</i>	2P crude oil reserves		Crude oil production		
	31 December 2012	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2012
	Timano-Pechora region	394,885,000	1,604,270	1,693,996	5,069,998
Volga-Urals region	162,824,000	2,099,081	1,930,070	5,861,567	5,542,447
Tomsk region	55,857,000	807,131	930,113	2,585,946	2,358,376
Kazakhstan	8,148,000	255,793	239,941	714,815	553,755
Total	621,714,000	4,766,275	4,794,120	14,232,326	14,909,120
Average consolidated crude oil production, bopd ⁶		51,807	52,683	52,133	54,413

The decrease in production in the Timano-Pechora region was due to lower production at the Kolvinskoye and Kharyaga oil fields.

Gas reserves and production are presented in the table below:

<i>(Expressed in barrels of oil equivalent)</i>	2P gas reserves		Gas production		
	31 December 2012	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2012
	Tomsk region				
Gas	95,506,000	694,523	664,622	1,645,323	-
Gas liquids	15,416,000	164,148	162,639	380,820	-
Total	110,922,000	858,671	827,261	2,026,143	-
Average consolidated gas and gas liquids production, boepd ⁷		9,333	9,091	7,422	-

Equity interest in joint venture with Repsol

Gas and gas liquids	79,279,000	510,442	413,548	1,099,403	-
Average gas and gas liquids production, boepd		5,548	4,544	4,027	-

Gas production in terms of tonnes and thousand cubic metres is presented in the table below:

	Gas production							
	Quarter ended 30 September 2013		Quarter ended 30 June 2013		Nine months ended 30 September 2013		Nine months ended 30 September 2012	
	<i>thousand cubic metres</i>	<i>tonnes</i>	<i>thousand cubic metres</i>	<i>tonnes</i>	<i>thousand cubic metres</i>	<i>tonnes</i>	<i>thousand cubic metres</i>	<i>tonnes</i>
Tomsk region								
Gas	109,632	-	104,913	-	259,719	-	-	-
Gas liquids	-	16,702	-	15,972	-	38,748	-	-

43% of the oil production for the quarter (Q2 2013: 44%) and 45% of the oil production for the nine months period (nine months 2012: 50%) were exempt from production tax. The decrease in the tax exempt production was primarily due to lower production at the Kolvinskoye oil field.

The average consolidated crude oil production for October 2013 amounted to 49,662 bopd. The average consolidated gas and gas liquids production for October 2013 amounted to 10,748 boepd. The Group's equity interest in joint venture average gas and gas liquids production for October 2013 amounted to 5,800 boepd.

⁶ Barrels of oil per day.

⁷ Barrels of oil equivalent per day.

The Group's drilling activity during the quarter is presented in the table below:

Field	Type of wells	Number of wells		
		Drilled during the quarter	Placed into production during the quarter	In progress at the end of the quarter
<u>Timano-Pechora region</u>				
Kolvinskoye oil field	production	2	1	1
Kolvinskoye oil field	exploration	-	-	1
<u>Volga-Urals region</u>				
Stepnoozerskoye oil field	production	8	8	1
West-Avgustovskoye oil field	exploration	1	1	-
Kultashinskoye oil field	exploration	1	-	-
<u>Tomsk region</u>				
North-Silginskoye gas field	exploration	1	1	-
<u>Kazakhstan</u>				
Zhanatalap oil field	production	9	9	4

Joint venture with Repsol

In January 2013, Repsol and Alliance Oil Company completed the formation of the joint venture company AR Oil and Gaz BV (AROG) in which Alliance Oil Company holds 51% and Repsol – 49%. Repsol contributed its subsidiary, OJSC Eurotek, to the joint venture. OJSC Eurotek owns two gas exploration and production licenses. In March 2013, OJSC Eurotek commenced commercial gas production in the Khanty-Mansiysk region in Russia.

Following the transactions, AROG had 2P oil and gas reserves of approximately 318 mboe⁸, out of which 163 mboe were included in the Group's consolidated oil and gas reserves, and equity interest amounted to approximately 79 mboe.

Refining and marketing (Downstream)

The Group operates the Khabarovsk Oil Refinery, the Alliance Oil Company gas station network, a network of wholesale oil products terminals and a sea terminal, all located in the Russian Far East and Eastern Siberia.

External oil products sales volumes and prices for export and domestic markets are presented in the tables below:

	Quarter ended 30 September 2013				
	Export	Bunker market	Wholesale market	Retail market	Total
Sold volume (barrels)	1,707,969	2,471,471	3,524,127	1,235,241	8,938,808
Net price (USD/barrel)	70.41	77.65	107.74	140.29	96.79
Revenue from sales of oil products (TUSD)	120,262	191,908	379,704	173,294	865,168
	Quarter ended 30 June 2013				
	Export	Bunker market	Wholesale market	Retail market	Total
Sold volume (barrels)	3,054,084	1,882,809	2,193,640	1,155,412	8,285,945
Net price (USD/barrel)	63.41	75.91	105.07	144.91	88.64
Revenue from sales of oil products (TUSD)	193,671	142,916	230,476	167,426	734,489

⁸ Million barrels of oil equivalent.

	Nine months ended 30 September 2013				
	Export	Bunker market	Wholesale market	Retail market	Total
Sold volume (barrels)	7,909,092	5,798,138	7,512,967	3,562,558	24,782,755
Net price (USD/barrel)	68.09	77.60	107.23	143.68	93.05
Revenue from sales of oil products (TUSD)	538,495	449,949	805,610	511,886	2,305,940

	Nine months ended 30 September 2012				
	Export	Bunker market	Wholesale market	Retail market	Total
Sold volume (barrels)	9,028,747	2,419,603	6,931,023	3,754,030	22,133,403
Net price (USD/barrel)	71.81	86.84	102.56	126.66	92.39
Revenue from sales of oil products (TUSD)	648,374	210,124	710,875	475,468	2,044,841

Consolidated revenue from sales of oil products for the quarter amounted to MUSD 865.17, representing an 18% increase in comparison with the the second quarter of 2013 (Q2 2013: MUSD 734.49). The increase for the quarter was primarily due to higher prices and volumes sold on the bunker and wholesale markets. Consolidated revenue from sales of oil products for the nine months period amounted to MUSD 2,305.94, representing a 13% increase in comparison with the nine months 2012 (nine months 2012: MUSD 2,044.84). The increase for the nine months period was primarily due to higher volumes sold on the bunker market.

External oil products sales volumes in the quarter are presented as follows: 19% of oil products was exported (Q2 2013: 37%), 28% of oil products was sold on the bunker market (Q2 2013: 23%), 39% of oil products was sold on the domestic wholesale market (Q2 2013: 26%) and 14% was sold through the Group's retail network (Q2 2013: 14%).

Consolidated production costs of oil products for the quarter amounted to MUSD 581.19, representing a 14% increase in comparison with the second quarter of 2013 (Q2 2013: MUSD 508.95). Consolidated production costs for the nine months period amounted to MUSD 1,581.66, representing a 15% increase in comparison with the nine months 2012 (nine months 2012: MUSD 1,375.39). The main cost driver for the quarter and nine months period was increased sales volumes.

Purchases of crude oil from third parties, included in the consolidated production costs, for the quarter amounted to MUSD 282.31 (Q2 2013: MUSD 226.59) and MUSD 763.85 for the nine months period (nine months 2012: MUSD 642.00). Total downstream segment purchases of crude oil from third parties and from the upstream segment for the quarter amounted to MUSD 409.75 (Q2 2013: MUSD 309.85) and MUSD 1,073.49 for the nine months period (nine months 2012: MUSD 924.20). The increase was primarily due to increased refining at the Khabarovsk Oil Refinery resulting from higher demand for oil products.

Transportation costs, included in the production costs of oil products, for the quarter amounted to MUSD 160.46 (Q2 2013: MUSD 150.12) and MUSD 457.54 for the nine months period (nine months 2012: MUSD 387.07). Higher sales volumes and tariffs were the primary reasons for the increased transportation costs for the quarter and nine months period.

The cost of oil products purchased for re-sale, included in the production costs of oil products, for the quarter amounted to MUSD 63.69 (Q2 2013: MUSD 85.12). In the second quarter there was increase of purchases of gasoline in order to prevent shortages caused by scheduled maintenance works at the Khabarovsk Oil Refinery. The cost of oil products purchased for re-sale, included in the production costs of oil products, for the nine months period amounted to MUSD 181.50 (nine months 2012: MUSD 196.10).

The cost of crude oil refining, excluding depreciation, for the quarter amounted to MUSD 30.65 (Q2 2013: MUSD 26.55) and MUSD 87.15 for the nine months period (nine months 2012: MUSD 50.43). The main cost drivers for the quarter and nine months period were increased costs of additives used for light oil products production and increased refining volumes.

Taxes other than income tax, included in the production costs of oil products, for the quarter amounted to MUSD 42.16 (Q2 2013: MUSD 21.59) and MUSD 94.45 for the nine months period (nine months 2012: MUSD 100.36). The increase for the quarter was primarily due to decrease in excisable oil products production in the second quarter as a result of scheduled maintenance works at the Khabarovsk Oil Refinery and therefore decrease in excise tax.

The depreciation charge for refining assets for the quarter amounted to MUSD 11.58 (Q2 2013: MUSD 10.04) and MUSD 31.35 for the nine months period (nine months 2012: MUSD 18.46). The increase was primarily due to putting significant refining assets into operation in December 2012, June 2013 and September 2013. The depreciation charge for marketing and other assets for the quarter amounted to MUSD 5.01 (Q2 2013: MUSD 5.01) and MUSD 15.26 for the nine months period (nine months 2012: MUSD 13.59).

The downstream segment operational data is presented below:

	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Sales volume to external customers (barrels)	8,938,808	8,285,945	24,782,755	22,133,403
Revenue per barrel sold (USD/barrel)	96.79	88.64	93.05	92.39
Production costs per barrel sold (USD/barrel)	80.37	72.81	77.69	75.75
Cost of crude oil purchased for refining	45.84	37.40	43.32	41.76
Transportation of crude oil for refining	17.95	18.12	18.46	17.49
Cost of oil products purchased for re-sale	7.13	10.27	7.32	8.86
Cost of refining	3.43	3.20	3.52	2.28
Taxes	4.72	2.61	3.81	4.53
Depreciation of refining assets	1.30	1.21	1.26	0.83
Selling, administrative and other income/expenses, net (USD/barrel)	8.43	8.03	8.86	8.08
EBITDA per barrel sold (USD/barrel) ⁹	9.29	9.01	7.76	9.39

The downstream segment operational data is calculated on the basis of total volume of oil products sold.

The downstream segment EBITDA⁹ for the quarter amounted to MUSD 83.00 (Q2 2013: MUSD 74.66) and MUSD 192.36 for the nine months period (nine months 2012: MUSD 207.83).

Refining and output volumes at the Khabarovsk Oil Refinery are presented in the table below:

	Quarter ended 30 September 2013	Quarter ended 30 June 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Refining volume, barrels	8,871,414	7,737,359	24,433,873	21,735,089
Average refining volume, bopd	96,428	85,026	89,501	79,325
Oil products output, barrels				
Mazut	2,549,439	2,334,796	7,671,507	6,473,245
Bunker fuel	2,385,430	2,221,788	6,785,514	5,837,145
Gasoline	1,259,209	537,234	2,770,731	2,644,046
Diesel fuel	654,795	393,402	1,583,502	1,432,037
Aviation kerosene	611,727	513,315	1,542,217	1,779,331
Nafta	449,265	1,026,274	2,106,047	1,449,219
Vacuum gasoil	364,382	367,914	732,296	747,346
Others	297,797	165,630	506,036	450,803
Total oil products output, barrels	8,572,044	7,560,353	23,697,850	20,813,172

The modernisation plan of the Khabarovsk Oil Refinery and the launch of the new hydroprocessing complex have been reviewed. The mechanical completion and testing of the Hydrotreater and Sulfur production units are expected in the end of 2013. The testing and commissioning of the Hydrocracker

⁹ EBITDA is based on IFRS financial information.

and Hydrogen production units are planned for the first half of 2014. The final testing schedule will depend on actual winter conditions.

The hydroprocessing complex is expected to be launched upon successful completion of testing operations and receiving all necessary permissions from the regulatory authorities.

The schedule for connecting the Khabarovsk Oil Refinery to the ESPO system has been adjusted, and the first crude delivery to the refinery via pipeline is now scheduled for the second half of 2014.

The average refining volumes for October 2013 amounted to 101,051 bopd.

Investments, Financing and Liquidity

Investments

Investments in oil and gas assets for the quarter amounted to MUSD 51.09 (Q2 2013: MUSD 82.57) and were split by regions as follows: Timano-Pechora – MUSD 16.41 (Q2 2013: MUSD 37.23), Tomsk – MUSD 15.89 (Q2 2013: MUSD 22.03), Volga-Urals – MUSD 15.25 (Q2 2013: MUSD 18.39) and Kazakhstan – MUSD 3.54 (Q2 2013: MUSD 4.92). For the nine months period total investments in oil and gas assets amounted to MUSD 198.20 (nine months 2012: MUSD 272.33).

Investments in refining assets for the quarter amounted to MUSD 71.53 (Q2 2013: MUSD 56.72) and MUSD 191.08 for the nine months period (nine months 2012: MUSD 202.75). Investments in marketing and other assets for the quarter amounted to MUSD 10.98 (Q2 2013: MUSD 7.24) and MUSD 22.22 for the nine months period (nine months 2012: MUSD 35.97).

Capitalised and paid interest on loans and borrowings for the quarter amounted to MUSD 31.59 (Q2 2013: MUSD 4.51) and MUSD 73.01 for the nine months period (nine months 2012: MUSD 71.01).

Financing

In May 2013, Alliance Oil Company issued MUSD 500 seven-year Eurobond maturing on 4 May 2020, with a fixed coupon of 7% per annum. The bonds are listed and traded on the Irish Stock Exchange regulated market.

In June 2013, 2,280,000 preference shares (Swedish Depository Receipts) were issued with a subscription price of SEK 280 raising MSEK 638.40 before issue costs (MUSD 99.37 as of transaction date). The financing raised after issue costs amounted to MUSD 97.34 as of transaction date and MUSD 93.54 as of the date of cash transfer on 3 July 2013. Preference share dividends were set SEK 30 per share per year. The preference shares have 1/10 vote each and can be redeemed by the Group at any time at a fixed redemption price of SEK 351. Following the transaction the total number of shares amounts to 178,808,414.

On 4 November 2013, Alliance Oil Company announced Tender offer and proposal to redeem MUSD 265 convertible bonds due in 2014 in connection with potential acquisition of Alliance Oil Company by way of amalgamation.

On 21 November 2013, the Khabarovsk Oil Refinery, a subsidiary of the Group, signed a MUSD 700 long-term bank financing agreement. The loan has a fixed interest rate of 5.3% per annum and matures in November 2023. Funds raised will be used to refinance the existing debt and to support investing activity.

Liquidity

At 30 September 2013 and 31 December 2012, the Group's liquidity position amounted to MUSD 405.25 and MUSD 855.84, including unused financing facilities of MUSD 128.88 and MUSD 444.02, respectively.

At 20 November 2013, the Group's liquidity position amounted to MUSD 641.14, including unused financing facilities of MUSD 120.99.

During the quarter ended 30 September 2013, the Group repaid loans in the amount of MUSD 152.41.

Parent company

The Parent company's net loss for the quarter amounted to MUSD 7.02 (Q2 2013: MUSD 11.00) and MUSD 31.59 for the nine months period (nine months 2012: MUSD 31.50).

At 30 September 2013 and 31 December 2012, the liquidity position of the Parent company amounted to MUSD 33.25 and MUSD 208.39, respectively.

Organisation

The Board of directors consists of Mr. Eric Forss (Chairman), Mr. Arsen E Idrisov (Director and Managing Director), Mr. Claes Levin, Mr. Fred Boling, Mr. Fernando Martinez-Fresneda, Mr. Raymond Liefoghe and Mr. Isa Bazhaev.

Share capital

At 30 September 2013, share capital of the Parent company amounted to MUSD 178.8 represented by 171,528,414 common shares and 7,280,000 preference shares with a par value of USD 1 per share (31 December 2012: MUSD 176.5 represented by 171,528,414 common shares and 5,000,000 preference shares).

Subsequent event

On 31 October 2013, the Boards of Directors of Lambros Overseas S.A. and OJSC Alliance Group (together "Alliance Group") and Alliance Oil Company announced a transaction pursuant to which Alliance Oil Company would by way of amalgamation under Bermuda law, indirectly become a wholly owned company of Alliance Group. Under the terms and conditions of the transaction, Alliance Group would acquire all shares of Alliance Oil Company that are currently not held by Alliance Group. A Special General Meeting to resolve on Alliance Group's potential acquisition of Alliance Oil Company by way of amalgamation has been scheduled for 2 December 2013. The Independent Directors of Alliance Oil Company unanimously recommend that the shareholders vote in favour of the transaction. An Information Memorandum relating to the transaction, which includes the recommendation with background and reasons, has been published at www.allianceoilco.com.

Key financial ratios and data definitions

1. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is defined as the Group's operating result plus depletion, depreciation and amortisation, impairment of oil and gas assets and goodwill less reversal of impairment, gain on disposal of shares in subsidiaries and other significant one-off items in the consolidated statement of profit or loss.
2. Net debt/EBITDA ratio is defined as loans and borrowings, as shown in the consolidated statement of financial position, less cash, cash equivalents and restricted cash, divided by EBITDA.
3. EBITDA margin is defined as EBITDA divided by revenue, as shown in the consolidated statement of profit or loss.
4. Liquidity position is defined as the sum of cash, cash equivalents, restricted cash and unused financing facilities.

Operational data definitions

Crude oil and gas

- Revenue per barrel is defined as revenue from sale of crude oil and gas divided by volume of crude oil and gas sold both intragroup and to external customers.
- Production costs per barrel are based on volume of crude oil and gas sold both intragroup and to the external customers excluding crude oil and gas purchased for re-sale.
- Selling, administrative and other income/expenses, net per barrel include transportation costs and other selling expenses, administrative expenses and other operating income/expenses divided by volume of crude oil and gas sold both intragroup and to external customers.

Oil products

- Revenue per barrel is defined as revenue from sale of oil products divided by volume of oil products sold both intragroup and to external customers.
- Production costs per barrel are defined as operating costs (including purchases of crude oil and other services from intragroup companies) divided by volume of oil products sold both intragroup and to external customers.
- Selling, administrative and other income/expenses, net per barrel include transportation costs of oil products and other selling expenses, administrative expenses and other operating income/expenses divided by volume of oil products sold both intragroup and to external customers.

Condensed consolidated interim financial statements (unaudited)

STATEMENT OF PROFIT OR LOSS

<i>(Expressed in USD thousands)</i>	Note	Quarter ended 30 September 2013	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Revenue					
Revenue from sales of crude oil and gas		134,553	144,494	449,551	450,230
Revenue from sales of oil products		865,168	744,918	2,305,940	2,044,841
Revenue from other sales		13,959	14,908	39,914	41,508
		1,013,680	904,320	2,795,405	2,536,579
Cost of sales					
Production costs of crude oil and gas		-97,060	-92,672	-298,270	-272,054
Production costs of oil products		-581,189	-487,576	-1,581,656	-1,375,393
Cost of other sales		-6,891	-6,760	-18,316	-18,255
Depletion and depreciation of oil and gas and refining assets		-53,729	-40,470	-162,474	-130,924
		274,811	276,842	734,689	739,953
Gross profit					
Selling expenses		-85,401	-73,968	-266,231	-228,151
Administrative expenses		-27,353	-23,227	-71,413	-67,092
Depreciation and amortisation of marketing and other assets		-5,006	-4,297	-15,264	-13,591
Other operating expenses, net	3	-39,463	-5,901	-54,151	-10,520
Share of losses of associates and joint venture		-1,185	-206	-6,238	-176
		116,403	169,243	321,392	420,423
Operating income					
Interest income		4,883	4,056	12,088	10,911
Finance costs	10	-32,169	-24,790	-96,156	-70,172
Gain/(loss) on derivatives classified as held for trading, net		871	3,958	-2,774	5,028
Currency exchange gain/(loss), net		1,140	17,430	-20,495	10,464
		91,128	169,897	214,055	376,654
Profit before tax					
Current tax expense	4	-24,508	-28,435	-61,739	-72,464
Deferred tax expense	4	-4,956	-9,490	-6,542	-13,348
		61,664	131,972	145,774	290,842
Profit for the period					
Attributable to:					
Owners of the Company		38,823	122,877	96,718	278,403
Non-controlling interests		22,841	9,095	49,056	12,439
		61,664	131,972	145,774	290,842
Earnings per share					
Basic (USD per share)	5	0.18	0.72	0.43	1.62
Diluted (USD per share)	5	0.18	0.66	0.43	1.53

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>(Expressed in USD thousands)</i>	Quarter ended 30 September 2013	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Profit for the period	61,664	131,972	145,774	290,842
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss:				
Currency exchange differences on translating foreign operations	39,335	4,897	-15,190	4,214
	39,335	4,897	-15,190	4,214
Items that may be reclassified subsequently to profit or loss:				
Currency exchange differences on intercompany loans	14,913	37,195	-62,633	36,962
Currency exchange differences on translating foreign operations	-12,946	118,482	-153,661	58,799
Income tax relating to currency exchange differences on intercompany loans	-2,100	-5,052	10,838	-6,013
	-133	150,625	-205,456	89,748
Other comprehensive income/(loss) for the period, net of income tax	39,202	155,522	-220,646	93,962
Total comprehensive income/(loss) for the period	100,866	287,494	-74,872	384,804
Attributable to:				
Owners of the Company	38,690	273,502	-108,738	368,151
Non-controlling interests	62,176	13,992	33,866	16,653

STATEMENT OF FINANCIAL POSITION

<i>(Expressed in USD thousands)</i>	Note	30 September 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,435,975	4,474,599
Intangible assets		742	871
Goodwill		19,150	20,394
Investments in associates and joint venture	7	180,138	187,191
Deferred tax assets		30,268	28,531
Other assets		3,225	2,991
		4,669,498	4,714,577
Current assets			
Inventories		284,144	227,991
Trade and other accounts receivable		165,349	116,368
Value added tax and other taxes receivable		236,477	296,236
Income tax receivable		4,136	13,811
Advances paid and prepaid expenses		173,708	161,262
Other financial assets	8	94,412	49,821
Restricted cash		398	26,887
Cash and cash equivalents		275,971	384,933
		1,234,595	1,277,309
TOTAL ASSETS		5,904,093	5,991,886
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	178,808	176,528
Additional paid-in capital		1,394,103	1,296,210
Translation reserve on intercompany loans		-181,291	-129,496
Translation reserve on foreign operations		-370,806	-217,145
Option premium on convertible bonds		22,271	22,271
Retained earnings		1,710,206	1,638,943
Equity attributable to owners of the Company		2,753,291	2,787,311
Non-controlling interests		281,293	245,699
TOTAL EQUITY		3,034,584	3,033,010
Non-current liabilities			
Loans and borrowings	10	1,692,159	1,669,014
Deferred tax liabilities		248,994	265,002
Provision for decommissioning and site restoration costs		84,953	73,195
Advances received	11	-	26,309
Retirement benefit obligation		9,128	8,728
		2,035,234	2,042,248
Current liabilities			
Loans and borrowings	10	485,763	401,606
Trade and other accounts payable		105,912	129,864
Advances received and accrued expenses	11	149,343	296,065
Income tax payable		8,654	10,199
Other taxes payable		84,603	72,913
Derivatives classified as held for trading		-	5,981
		834,275	916,628
TOTAL LIABILITIES		2,869,509	2,958,876
TOTAL EQUITY AND LIABILITIES		5,904,093	5,991,886

STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total equity
	Share capital	Additional paid-in capital	Translation reserve on intercompany loans	Translation reserve on foreign operations	Option premium on convertible bonds	Retained earnings	Total	Non-controlling interests	
<i>(Expressed in USD thousands)</i>									
Balance at 1 January 2012	171,528	1,104,355	-170,348	-332,302	22,271	1,159,946	1,955,450	37,983	1,993,433
Profit for the period	-	-	-	-	-	278,403	278,403	12,439	290,842
Other comprehensive income, net of income tax	-	-	30,949	58,799	-	-	89,748	4,214	93,962
Total comprehensive income for the period	-	-	30,949	58,799	-	278,403	368,151	16,653	384,804
Disposal of non-controlling interests	-	-	-	-	-	-31,785	-31,785	86,958	55,173
Changes in ownership of subsidiaries	-	328	-	-	-	-	328	-444	-116
Share option plan (Note 9)	-	-	-	-	-	1,242	1,242	-	1,242
Balance at 30 September 2012	171,528	1,104,683	-139,399	-273,503	22,271	1,407,806	2,293,386	141,150	2,434,536
Balance at 1 January 2013	176,528	1,296,210	-129,496	-217,145	22,271	1,638,943	2,787,311	245,699	3,033,010
Profit for the period	-	-	-	-	-	96,718	96,718	49,056	145,774
Other comprehensive loss, net of income tax	-	-	-51,795	-153,661	-	-	-205,456	-15,190	-220,646
Total comprehensive (loss)/income for the period	-	-	-51,795	-153,661	-	96,718	-108,738	33,866	-74,872
Issue of preference shares, net of issue costs	2,280	95,065	-	-	-	-	97,345	-	97,345
Dividends on preference shares (Note 9)	-	-	-	-	-	-30,567	-30,567	-	-30,567
Changes in ownership of subsidiaries	-	2,828	-	-	-	3,443	6,271	1,728	7,999
Share option plan (Note 9)	-	-	-	-	-	1,669	1,669	-	1,669
Balance at 30 September 2013	178,808	1,394,103	-181,291	-370,806	22,271	1,710,206	2,753,291	281,293	3,034,584

STATEMENT OF CASH FLOWS

<i>(Expressed in USD thousands)</i>	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Operating activities		
Profit before tax	214,055	376,654
Adjustments for:		
Depreciation, depletion and amortisation	177,738	144,515
Interest income	-12,088	-10,911
Finance costs	96,156	70,172
Loss/(gain) on derivatives classified as held for trading, net	2,774	-5,028
Currency exchange loss/(gain), net	20,495	-10,464
Share of losses of associates and joint venture	6,238	176
Loss on disposal of assets	2,284	3,890
Impairment loss recognised on slow-moving and obsolete inventory	16,331	576
Other non-cash items	16,240	17,729
Operating cash flows before changes in working capital	540,223	587,309
Movements in working capital		
Inventories	-40,131	-57,505
Accounts receivable, advances paid and prepaid expenses	-29,648	-49,202
Accounts payable, advances received and accrued expenses	-154,599	84,392
Cash generated from operations	315,845	564,994
Interest paid	-74,129	-60,977
Income tax paid	-54,104	-76,544
Total cash generated from operating activities	187,612	427,473
Investing activities		
Investments in oil and gas assets	-198,197	-272,331
Investments in refining assets	-191,077	-202,752
Investments in marketing and other assets	-22,220	-35,965
Interest capitalised and paid	-73,009	-71,006
Acquisition of controlling interest in subsidiaries, net of cash acquired	-	-30,026
Proceeds from disposal of assets	7,243	1,808
Interest received	11,839	5,066
Payments on settlement of swap contract, net of interest received	-6,828	-2,130
Loans provided	-39,650	-51,847
Loans repaid	13,743	50,304
Investments in promissory notes	-	-15,621
Proceeds from sale of promissory notes	-	7,209
Short-term deposits placed	-78,870	-19,058
Proceeds from deposits withdrawn	56,218	-
Dividends received from associate	595	-
Total cash used in investing activities	-520,213	-636,349

STATEMENT OF CASH FLOWS (CONTINUED)

<i>(Expressed in USD thousands)</i>	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Financing activities		
Proceeds from loans and borrowings	832,120	731,236
Repayment of loans and borrowings	-688,461	-429,380
Proceeds from issue of preference shares	93,544	-
Proceeds from joint venture formation	3,811	35,660
Acquisition of non-controlling interest in subsidiaries	-411	-1,203
Dividends on preference shares	-19,742	-
Total cash generated from financing activities	220,861	336,313
Effect of exchange rate changes on cash balances held in foreign currencies	173	-6,065
Translation difference	-23,884	13,170
Change in cash, cash equivalents and restricted cash	-135,451	134,542
Cash, cash equivalents and restricted cash at beginning of the period	411,820	187,801
Cash, cash equivalents and restricted cash at end of the period	276,369	322,343

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 Accounting principles

The condensed consolidated interim financial statements for the nine months ended 30 September 2013 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Management believes that the disclosures in these condensed consolidated interim financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS. In the opinion of management, these financial statements present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2012, except for the impact of the adoption of the Standards and Interpretations described below.

The revised and amended Standards and Interpretations which became effective for the reporting period, have been adopted for the preparation of the condensed consolidated interim financial statements. The impact of adoption of these Standards and Interpretations in the preparation of the condensed consolidated interim financial statements was assessed by management as insignificant.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS.

Seasonality of operations

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

Reclassifications

In prior reporting periods certain transportation costs were presented within "Selling expenses". Starting from 1 January 2013, transportation costs were presented as part of "Production costs of oil products". Comparative information for the quarter and nine months ended 30 September 2012 has been reclassified to achieve consistency with the method of presentation adopted. Reclassifications were based upon management's decision to enhance disclosure of the Group's results of operations through presentation of transportation costs related to oil products purchased for re-sale in accordance with their substance.

<i>(Expressed in USD thousands)</i>	Before reclassification	After reclassification	Effect
Quarter ended 30 September 2012			
Production costs of oil products	-479,291	-487,576	-8,285
Selling expenses	-82,253	-73,968	8,285
Nine months ended 30 September 2012			
Production costs of oil products	-1,358,108	-1,375,393	-17,285
Selling expenses	-245,436	-228,151	17,285
			-

Note 2 Segment information

For management purposes, the Group is organised into separate reporting segments based on the nature of the Group's operations. There are two business segments: the upstream segment, which includes crude oil and gas exploration, extraction and production, and the downstream segment, which includes oil refining, transportation and sales of oil products. Management reviews and evaluates the performance of these segments on a regular basis. Operations of the Parent company and subsidiaries involved in non-core activities are disclosed as "Other companies", none of which meet the criteria for separate reporting.

The CODM assesses the performance of the operating segments based on segment EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). Segment financial information provided to the CODM is prepared using the management accounts and includes segment EBITDA as the measure of profitability used by the CODM to allocate finance and make operational decisions. Segment EBITDA is prepared on a basis that does not directly align with IFRS. The explanations of differences to IFRS are included below, as a reconciliation of segment EBITDA (on a non-IFRS basis) to EBITDA (on an IFRS basis), which in turn is reconciled to profit before tax.

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these condensed consolidated interim financial statements.

Financial information by reportable segments is presented below:

Quarter ended 30 September 2013							
<i>(Expressed in USD thousands)</i>	Upstream	Downstream	Total reportable segments	Other companies	Inter- segment eliminations	Reconciling items	Total
Total segment revenue	273,318	889,762	1,163,080	14,944	-162,551	-1,793	1,013,680
Less inter-segment revenue	-135,101	-12,665	-147,766	-14,785	162,551	-	-
Revenue from external customers	138,217	877,097	1,015,314	159	-	-1,793	1,013,680
Segment EBITDA	130,835	82,687	213,522	-40,489	-309	2,414	175,138

Quarter ended 30 September 2012							
<i>(Expressed in USD thousands)</i>	Upstream	Downstream	Total reportable segments	Other companies	Inter- segment eliminations	Reconciling items	Total
Total segment revenue	256,497	772,914	1,029,411	11,038	-132,227	-3,902	904,320
Less inter-segment revenue	-106,364	-14,825	-121,189	-11,038	132,227	-	-
Revenue from external customers	150,133	758,089	908,222	-	-	-3,902	904,320
Segment EBITDA	130,874	98,850	229,724	-9,787	-25	-5,902	214,010

<i>(Expressed in USD thousands)</i>	Nine months ended 30 September 2013						
	Upstream	Downstream	Total reportable segments	Other companies	Inter-segment eliminations	Reconciling items	Total
Total segment revenue	786,957	2,391,038	3,177,995	46,838	-429,599	171	2,795,405
Less inter-segment revenue	-330,552	-52,368	-382,920	-46,679	429,599	-	-
Revenue from external customers	456,405	2,338,670	2,795,075	159	-	171	2,795,405
Segment EBITDA	367,826	191,615	559,441	-60,334	-239	262	499,130

<i>(Expressed in USD thousands)</i>	Nine months ended 30 September 2012						
	Upstream	Downstream	Total reportable segments	Other companies	Inter-segment eliminations	Reconciling items	Total
Total segment revenue	770,107	2,213,168	2,983,275	34,048	-469,866	-10,878	2,536,579
Less inter-segment revenue	-305,134	-130,684	-435,818	-34,048	469,866	-	-
Revenue from external customers	464,973	2,082,484	2,547,457	-	-	-10,878	2,536,579
Segment EBITDA	396,044	206,317	602,361	-27,692	-541	-9,190	564,938

Upstream and downstream segment revenue includes revenue from sales of crude oil and gas and oil products, respectively, and revenue from other sales.

Upstream and downstream segment EBITDA is based on management accounts.

The reconciliation of segments' EBITDA (on a non-IFRS basis) to EBITDA on an IFRS basis includes the following reconciling items:

- elimination of unrealised gains/losses on intra-segment operations;
- effect of difference in exchange rates applied.

Reconciliation of the segments' EBITDA to EBITDA on an IFRS basis to profit before tax is presented below:

<i>(Expressed in USD thousands)</i>	Quarter ended 30 September 2013	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012
EBITDA of reportable segments	213,522	229,724	559,441	602,361
EBITDA of other companies	-40,489	-9,787	-60,334	-27,692
Inter-segment eliminations	-309	-25	-239	-541
Effect of reconciling items	2,414	-5,902	262	-9,190
EBITDA (on an IFRS basis)	175,138	214,010	499,130	564,938
Depreciation, depletion and amortisation	-58,735	-44,767	-177,738	-144,515
Interest income	4,883	4,056	12,088	10,911
Finance costs	-32,169	-24,790	-96,156	-70,172
(Loss)/gain on derivatives classified as held for trading, net	871	3,958	-2,774	5,028
Currency exchange loss, net	1,140	17,430	-20,495	10,464
Profit before tax	91,128	169,897	214,055	376,654

Note 3 Other operating expenses, net

Other net operating expenses for the nine months ended 30 September 2013 amounted to TUSD 54,151 (nine months 2012: TUSD 10,520). The increase was primarily due to allowance recognised in respect of inventory (increase of TUSD 15,755) and increased charity donations to the Fund named after Z.Bazhaev (increase of TUSD 24,507).

Note 4 Income tax

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 32 per cent (2012: 23 per cent). The change in effective tax rate was caused mainly by the following factors:

- significant losses mainly relating to interest expenses on loans and bonds received on Alliance Oil Company Ltd., operating in 0% jurisdiction;
- charity expenses not deductible for tax purposes.

Note 5 Earnings per share

Basic earnings per share

	Quarter ended 30 September 2013	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Profit attributable to owners of the Company	38,823	122,877	96,718	278,403
Preference dividends for cumulative preference shares required for the period	-8,489	-	-22,387	-
	30,334	122,877	74,331	278,403
Weighted average number of ordinary shares in issue	171,528,414	171,528,414	171,528,414	171,528,414
Basic earnings per share	0.18	0.72	0.43	1.62

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares. The Company has the following categories of potential dilutive ordinary shares: convertible bonds and share options.

For the quarter and nine months ended 30 September 2013, convertible bonds and share options had no potentially dilutive effect.

	Quarter ended 30 September 2013	Quarter ended 30 September 2012	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Earnings used in the calculation of basic earnings per share	38,823	122,877	96,718	278,403
Preference dividends for cumulative preference shares required for the period	-8,489	-	-22,387	-
Finance costs on convertible bonds recognised in the consolidated statement of profit or loss	-	1,749	-	8,548
Earnings used in the calculation of diluted earnings per share	30,334	124,626	74,331	286,951
Weighted average number of ordinary shares in issue	171,528,414	171,528,414	171,528,414	171,528,414
Adjustments for:				
– Assumed conversion of convertible bonds	-	16,624,791	-	16,624,791
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	171,528,414	188,153,205	171,528,414	188,153,205
Diluted earnings per share	0.18	0.66	0.43	1.53

Note 6 Property, plant and equipment

During the nine months ended 30 September 2013, additions in the construction and acquisition of production and other assets amounted to TUSD 496,870 (nine months 2012: TUSD 590,126), including TUSD 264,706 related to OJSC Khabarovsk Oil Refinery (nine months 2012: TUSD 273,478) and TUSD 209,293 related to oil and gas fields (nine months 2012: TUSD 281,560).

Note 7 Investments in associates and joint venture

On 25 January 2013, the formation of the joint venture was completed through Repsol contributing its subsidiary, OJSC Eurotek, to the joint venture. The partners engaged independent appraisal to determine fair value of assets and liabilities of OJSC Eurotek contributed to the joint venture. Fair value of assets contributed was assessed as TUSD 277,477, and fair value of liabilities was assessed as TUSD 14,454. Accordingly, the Group's share in fair value of net assets of OJSC Eurotek amounted to TUSD 134,141 with a goodwill of 28,359 recorded as a part of investment in joint venture.

Note 8 Other financial assets

The increase in other financial assets by TUSD 44,591 as at 30 September 2013 compared to 31 December 2012 was mainly due to a number of short-term bank deposits placed and loans provided to the joint venture.

Note 9 Share capital and share option plan

Share capital

In June 2013, 2,280,000 preference shares (Swedish Depository Receipts) were issued with a subscription price of SEK 280 and a par value of USD 1 per share raising TSEK 638,400 (TUSD 99,373 before issue costs as of transaction date). The financing raised after issue costs amounted to TUSD 97,345 as of transaction date and TUSD 93,544 as of the date of cash transfer on 3 July 2013. Following the transaction, total number of shares amounts to 178,808,414.

The following terms and conditions apply to the preference shares issued:

- Preference shares dividends were set SEK 30 per share per year and have 1/10 vote each.
- Dividend payments are subject to resolution by the Annual General Meeting.
- If no dividend is paid on preference shares with respect to any quarter, holders of preference shares are entitled to receive in addition to dividends for the current period the full outstanding amount of dividends for the prior periods.
- The outstanding amount shall be increased by an annual interest rate of 14% calculated from the quarterly date on which the dividend payment should have been made, where no or insufficient dividend was paid, to the date of actual payment.
- No dividend or other distribution to holders of ordinary shares may be paid until preference shares have received full payment of any dividend due, plus any outstanding amount.
- The preference shares can be redeemed by the Group at any time at a fixed redemption price of SEK 351.

On 28 February, 28 May and 2 September 2013, dividends on preference shares of SEK 7.50 per share were paid in the total amount of TSEK 129,600 or TUSD 19,742 as of the dates of cash transfers. In addition, the Annual General Meeting resolved to pay quarterly dividends on preference shares of SEK 7.50, record dates for the distribution being 29 November 2013 and 28 February 2014. The total amount of dividends on preference shares accrued for 2013 amounted to TUSD 30,567.

Share option plan

At 30 September 2013 and at the date of authorisation of the condensed consolidated interim financial statements, 2,282,869 options were outstanding and 918,413 were exercisable. At 31 December 2012, 2,736,551 options were outstanding and 437,700 were exercisable. Each option gives the right to subscribe for 1 share of common stock at exercise prices ranging from SEK 55.00 to SEK 115.00.

For the quarters ended 30 September 2013 and 2012, the share option charge amounted to TUSD 541 and TUSD 420, respectively, and was recorded within administrative expenses. For the nine months ended 30 September 2013 and 2012, the charge amounted to TUSD 1,669 and TUSD 1,242, respectively.

Note 10 Loans and borrowings

<i>(Expressed in USD thousands)</i>	Currency	Interest rate	30 September 2013		
			Principal	Interest	Total
Non-convertible interest bearing Eurobonds	USD	7-9.88%	837,758	16,210	853,968
Non-convertible interest bearing bonds	RUB	8.85-9.25%	461,982	10,363	472,345
Bank loans denominated in RUB	RUB	9.5-11.65%	277,010	2,912	279,922
Convertible interest bearing bonds	USD	7.25%	259,383	4,003	263,386
Bank loans denominated in EUR	EUR	Euribor 6m+5.5%	173,571	1,282	174,853
Bank loans denominated in USD	USD	Libor 6m+5.5%	132,440	1,008	133,448
Total loans and borrowings			2,142,144	35,778	2,177,922
Current portion repayable within one year					485,763
Long-term loans and borrowings					1,692,159

			31 December 2012		
<i>(Expressed in USD thousands)</i>	Currency	Interest rate	Principal	Interest	Total
Non-convertible interest bearing bonds	RUB	8.85-9.75%	655,295	14,296	669,591
Non-convertible interest bearing Eurobonds	USD	9.88%	346,959	10,561	357,520
		Libor 3m+ 3.85%-Libor			
Bank loans denominated in USD	USD	6m+5.5%	329,550	3,924	333,474
Bank loans denominated in RUB	RUB	10.9-12%	267,969	4,010	271,979
Convertible interest bearing bonds	USD	7.25%	254,417	4,003	258,420
		Euribor			
Bank loans denominated in EUR	EUR	6m+5.5%	175,088	4,548	179,636
Total loans and borrowings			2,029,278	41,342	2,070,620
Current portion repayable within one year					401,606
Long-term loans and borrowings					1,669,014

At 30 September 2013 and 31 December 2012, the loans and borrowings were collateralised by:

- 97.62% of the Group's holding in OJSC Khabarovsk Oil Refinery (31 December 2012: 97.73%);
- 100% of the Group's holding in LLC SN-Gasproduction (31 December 2012: 100%);
- proceeds from sale of gas under the contract between LLC SN-Gasproduction and one of its customers in the total amount of TUSD 40,241 (31 December 2012: 42,854);
- property, plant and equipment with a carrying value of TUSD 125,322 (31 December 2012: TUSD 137,540);
- proceeds from sale of crude oil under the contract between OJSC Vostochnaya Transnationalnaya Kompaniya and one of its customers in the total amount of TUSD 330,000 at 31 December 2012.

The maturity profile of the Group's loans and borrowings based on contractual undiscounted payments, including accrued interest, for the two years ending 30 September 2015 and thereafter are as follows:

		30 September 2013		
<i>(Expressed in USD thousands)</i>		Principal	Interest	Total
Within one year from 30 September 2013		456,395	169,988	626,383
Within second year from 30 September 2013		386,811	123,808	510,619
More than two years from 30 September 2013		1,343,897	353,987	1,697,884
Total amount estimated to be repaid		2,187,103	647,783	2,834,886

The interest payments were based on the interest rate effective at 30 September 2013. The principal and interest payments denominated in RUB were converted into USD using the exchange rate at 30 September 2013.

During the nine months ended 30 September 2013, the Group raised new financing in the amount of TUSD 832,120 and repaid loans in the amount of TUSD 688,461.

Finance costs primarily include interest expenses on loans and borrowings and amounted for the nine months ended 30 September 2013 to TUSD 96,156 (nine months 2012: TUSD 70,172). The increase was caused by attracting additional financing, as well as ceasing of capitalisation of interest related to reconstruction of the refining assets, which were commissioned during the reporting period.

In May 2013, Alliance Oil Company issued TUSD 500,000 seven-year Eurobond maturing on 4 May 2020, with a fixed coupon of 7% per annum. The bonds are listed and traded on the Irish Stock Exchange regulated market.

Note 11 Advances received and accrued expenses

The decrease in advances received and accrued expenses by TUSD 173,031 as at 30 September 2013 compared to 31 December 2012 was mainly due to scheduled crude oil and oil products delivery to customers.

Note 12 Related party transactions

Related parties include shareholders with significant influence, associates, joint venture and other related parties representing entities under common ownership and control with the Group and members of key management personnel.

Significant balances with related parties at 30 September 2013 and 31 December 2012:

<i>(Expressed in USD thousands)</i>	30 September 2013	31 December 2012
Shareholders		
Trade and other accounts receivable	1,181	1,153
Associates and joint venture		
Trade and other accounts receivable	59,040	19,112
Advances received and accrued expenses	69	55,057
Advances paid and prepaid expenses	-	2,002
Other financial assets	22,724	-
Other related parties		
Advances paid and prepaid expenses	2,898	1,999

Significant transactions with related parties for the nine months ended 30 September 2013 and 2012:

<i>(Expressed in USD thousands)</i>	Nine months ended 30 September 2013	Nine months ended 30 September 2012
Associates and joint venture		
Revenue	574,225	698,426
Purchase of oil products	1,658	27,700
Loans provided	30,145	22,855
Loans repaid	6,830	22,855
Other related parties		
Purchase of services	13,716	14,118
Charity donations	31,803	7,296
Interest income	-	2,533

Note 13 Commitments and contingencies

The Group's contractual capital commitments at 30 September 2013 amounted to TUSD 823,980 (31 December 2012: TUSD 855,011).

Note 14 Significant events after the end of the period

On 31 October 2013, the Boards of Directors of Lambros Overseas S.A. and OJSC Alliance Group (together "Alliance Group") and Alliance Oil Company announced a transaction pursuant to which Alliance Oil Company would by way of amalgamation under Bermuda law, indirectly become a wholly owned company of Alliance Group. Under the terms and conditions of the transaction, Alliance Group would acquire all shares of Alliance Oil Company that are currently not held by Alliance Group. A Special General Meeting to resolve on Alliance Group's potential acquisition of Alliance Oil Company

by way of amalgamation has been scheduled for 2 December 2013. The Independent Directors of Alliance Oil Company unanimously recommend that the shareholders vote in favour of the transaction.

On 4 November 2013, Alliance Oil Company announced Tender offer and proposal to redeem TUSD 265,000 convertible bonds due in 2014 in connection with the potential acquisition of Alliance Oil Company by way of amalgamation.

On 21 November 2013, the Khabarovsk Oil Refinery, a subsidiary of the Group, signed a TUSD 700,000 long-term bank financing agreement. The loan has a fixed interest rate of 5.3% per annum and matures in November 2023. Funds raised will be used to refinance the existing debt and to support investing activity.

Risks and uncertainties associated with this report

The Group's risk exposure is presented on pages 59-62 of the financial statements part of Alliance Oil Company Ltd's 2012 annual report. There are no general changes to this presentation of risk exposure.

21 November 2013

The Board of directors and the Managing Director certify that the financial report gives a fair view of the performance of the business, position and profit or loss of the company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group are exposed to.

Eric Forss
Chairman

Arsen E Idrisov
Director and Managing Director

Claes Levin
Director

Fred Boling
Director

Raymond Liefoghe
Director

Fernando Martinez-Fresneda
Director

Isa Bazhaev
Director

For further information:

Arsen E Idrisov, Managing Director, Alliance Oil Company Ltd, telephone +7 (495) 777 18 08.

Eric Forss, Chairman of the Board, telephone +46 8 611 49 90.

Alliance Oil Company Limited

Registered address:

Clarendon House

2 Church Street

Hamilton HM 11, Bermuda

Registration Number: EC 25413

Internet: www.allianceoilco.com

Financial calendar

Twelve months report (January – December 2013) is due in February 2014.

Operational updates are disclosed monthly.

Special General Meeting

A Special General Meeting of shareholders will be held on 2 December 2013 at 15.00 CET at Nalen, Regeringsgatan 74, Stockholm, Sweden.

Conference call

Date: Thursday, 21 November 2013

Time: 10.00 CET

To participate in the conference call you may choose one of the following options:

Telephone

Dial one of the following numbers a few minutes before the conference starts:

Location	Local Number	Toll-Free
Russia	+7 495 662 5793	
Sweden	+46 8505 20278	0200 125 058
United Kingdom	+44 20 7190 1595	0800 358 5263

Conference ID: 4650834

Web

The conference call will be webcasted live at www.allianceoilco.com.

A replay of the conference call will be available at www.allianceoilco.com.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of Alliance Oil Company Ltd

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Alliance Oil Company Ltd and subsidiaries (collectively, the "Group") as at 30 September 2013 and the related condensed consolidated interim statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine months ended 30 September 2013, and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

21 November 2013

Deloitte AB

ZAO Deloitte & Touche CIS

Svante Forsberg
Authorized public accountant

Natalia Golovkina
Certified auditor