ROSNEFT

OIL COMPANY

OPEN JOINT STOCK COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30 AND JUNE 30, 2009, AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

*The following discussion of Rosneft's financial condition and results of operations is based on, and should be read in conjunction with, the Company's financial statements and the notes thereto for the periods ended September 30, 2009 and 2008 (the "**Interim Condensed Financial Statements**"). Such terms as "**Rosneft**," "**Company**" and "**Group**" in their different forms in this report mean Rosneft Oil Company and its consolidated subsidiaries and affiliated companies. This report presents Rosneft's financial condition and results of operations on a consolidated basis. This report contains forward-looking statements that involve risks and uncertainties. Rosneft's actual results may materially differ from those discussed in such forward-looking statements as a result of various factors.*

Except as otherwise indicated, oil and gas reserves and production are presented pro-rata for companies accounted for on an equity basis or under the proportionate consolidation method and 100% for fully consolidated companies.

Except as otherwise indicated, all amounts are provided in millions of US$. All figures are rounded; however, the fluctuations in percentage are provided based on the actual data.

To convert tonnes to barrels a 7.315 ratio is used. To convert thousands of cubic meters of gas to barrels of oil equivalent a 5.883 ratio is used.

Overview

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

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

Rosneft is one of the world's largest publicly traded companies in terms of proved hydrocarbon reserves which as of December 31, 2008 amounted to 22.3 billion barrels of oil equivalent, including 17.69 billion barrels of oil and 784 billion cubic meters of gas. The Company's proved reserve life exceeds 26 years.

Rosneft's crude oil production amounts to 2.21 million barrels per day (average for the third quarter of 2009) and output of natural and associated gas is over 12 billion cubic meters per year.

Rosneft processes part of the crude oil produced at its seven refineries with total primary refining capacity of 1.1 million barrels per day. Rosneft's refinery throughput is 1.01 million barrels per day (average for the third quarter of 2009) which equals 46% of the Company's crude oil output. The remaining volumes of crude oil are mostly exported to Europe, Asia and CIS countries.

Part of the petroleum products produced by the Company is sold in Russia, both wholesale and through Rosneft's own retail network which comprises approximately 1,700 service stations in 38 regions of Russia. The remaining volumes (mainly fuel oil, diesel and naphtha) are exported to Europe, CIS and Asia.

Financial and Operating Highlights

	For 3 months ended		***For 9 months ended September 30***	
	September 30, 2009	**June 30, 2009**	**2009**	**2008**
Revenues (US$ million)	13,048	10,947	32,259	58,192
EBITDA (US$ million)	3,659	3,574	9,551	17,076
Net income (US$ million)	1,168	1,612	4,840	10,345
Crude oil production (th. barrels per day)	2,214	2,127	2,151	2,119
Gas production (bcm)	2.96	2.93	9.24	9.06
Hydrocarbon production (th. boe per day)	2,403	2,291	2,350	2,322
Production of petroleum products (million tonnes)	12.01	11.65	35.26	34.98

Main Factors Affecting Results of Operations

Main factors affecting Rosneft's results of operations are:

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

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

Changes in Crude Oil, Petroleum Product and Gas Prices

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

Russian domestic market prices of crude oil are difficult to determine, mainly due to the significant intragroup turnover between upstream and downstream segments of the vertically integrated oil companies that together represent approximately 90% of Russia's daily production and 85% of refininery throughput. Moreover, to the extent they exist, crude oil market prices in Russia can significantly deviate from export netbacks due to seasonal oversupply and regional imbalances.

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

The table below sets forth the average crude oil and petroleum product prices worldwide and in Russia:

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**	**%**	**2009**	**2008**	**%**
World market	**(US$ per barrel)**			**(US$ per barrel)**		
Brent (dated)	68.27	58.79	16.1%	57.15	111.02	(48.5)%
Urals (average CIF Med and NWE)	68.00	58.12	17.0%	56.59	108.01	(47.6)%
Urals (FOB Primorsk)	66.82	56.76	17.7%	55.16	105.76	(47.8)%
Urals (FOB Novorossysk)	67.05	56.83	18.0%	55.29	105.23	(47.5)%
Dubai-Oman	68.10	59.16	15.1%	57.23	107.54	(46.8)%
	(US$ per tonne)			**(US$ per tonne)**		
Naphtha (av. FOB/CIF Med)	586.74	478.84	22.5%	478.24	911.03	(47.5)%
Naphtha (av. FOB Rotterdam/CIF NWE)	596.12	488.48	22.0%	488.47	930.32	(47.5)%
Naphtha (CF Japan)	609.11	513.96	18.5%	511.16	977.59	(47.7)%
Fuel oil 3.5% (av. FOB/CIF Med)	402.22	325.14	23.7%	318.76	535.39	(40.5)%
Fuel oil 3.5% (av. FOB Rotterdam/CIF NWE)	395.99	319.62	23.9%	314.32	527.46	(40.4)%
High sulphur fuel oil (FOB Singapore)	422.03	346.34	21.9%	340.64	584.27	(41.7)%
Gasoil 0.1% (av. FOB/CIF Med)	557.62	491.17	13.5%	490.32	1,045.46	(53.1)%
Gasoil 0.1% (av. FOB Rotterdam/CIF NWE)	558.48	487.56	14.5%	488.19	1,034.84	(52.8)%
Gasoil 0.5% (FOB Singapore)	556.86	491.52	13.3%	481.19	1,010.12	(52.4)%
Russian market (net of VAT, including excise tax)	**(US$ per tonne)**			**(US$ per tonne)**		
Crude oil	224.50	189.43	18.5%	169.69	339.66	(50.1)%
Fuel oil	252.74	183.88	37.4%	185.55	320.75	(42.2)%
Diesel	411.10	388.98	5.7%	385.42	797.07	(51.6)%
High octane gasoline	709.57	517.98	37.0%	543.18	884.53	(38.6)%
Low octane gasoline	614.62	435.67	41.1%	464.07	754.16	(38.5)%

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

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

The regulated price has affected, and is likely to continue to affect, the pricing of the gas Rosneft sells to Gazprom. Rosneft's average gas sale price was RUB 1,044 (US$ 33.33) per thousand cubic meters and RUB 1,078 (US$ 33.47) per thousand cubic meters in the third quarter of 2009 and in the second quarter of 2009, respectively. In the nine months of 2009 and 2008, Rosneft's average gas sale price was RUB 1,031 (US$ 31.74) per thousand cubic meters and RUB 980 (US$ 40.74) per thousand cubic meters, respectively.

US$/RUB Exchange Rate and Inflation

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

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

	For 3 months ended		*For 9 months ended September 30*	
	September 30, 2009	**June 30, 2009**	**2009**	**2008**
Rouble inflation (CPI) for the period	0.6%	1.9%	8.1%	10.6%
Change of the invert exchange rate (RUB/US$) during the period	2.8%	5.3%	(26.0)%	7.65%
US$/RUB exchange rate at the end of the period	30.09	31.29	30.09	25.25
Average US$/RUB exchange rate for the period	31.33	32.21	32.48	24.05
Real appreciation/(depreciation) of the RUB against the US$ for the period (1)	4.6%	10.8%	5.5%	7.5%
Real appreciation/(depreciation) of the RUB against the US$ for the last twelve months (1)	(7.1)%	(15.9)%	(7.1)%	13.0%

Source: Central Bank of Russia, Federal State Statistics Service of Russia.

(1) Rosneft uses the following formula to calculate the real appreciation of the RUB against the US$: ratio of the exchange rate at the beginning of the period to the exchange rate at the end of the period multiplied by the inflation index, minus 1.

Taxation

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

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**	**%**	**2009**	**2008**	**%**
Mineral extraction tax						
Crude oil (RUB per tonne)	2,662	2,201	20.9%	2,136	3,803	(43.8)%
Natural gas (RUB per th. cubic meters)	147	147	0%	147	147	0%
Associated gas (RUB per th. cubic meters)	0	0	0%	0	0	0%
Export customs duty						
Crude oil (US$ per tonne)	224.40	133.50	68.1%	156.56	379.02	(58.7)%
Light and middle distillates and gasoil (US$ per tonne)	163.50	102.23	59.9%	117.79	267.64	(56.0)%
Liquid fuels (fuel oil) (US$ per tonne)	88.07	55.07	59.9%	63.44	144.20	(56.0)%
Excise on petroleum products						
High octane gasoline (RUB per tonne)	3,629	3,629	-	3,629	3,629	-
Low octane gasoline (RUB per tonne)	2,657	2,657	-	2,657	2,657	-
Naphtha (RUB per tonne)	3,900	3,900	-	3,900	2,657	46.8%
Diesel (RUB per tonne)	1,080	1,080	-	1,080	1,080	-
Lubricants (RUB per tonne)	2,951	2,951	-	2,951	2,951	-

Tax rates translated from RUB to US$ at the average exchange rate for the period:

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**	**%**	**2009**	**2008**	**%**
Mineral extraction tax						
Crude oil (US$ per tonne)	84.97	68.33	24.4%	65.76	158.13	(58.4)%
Natural gas (US$ per th. cubic meters)	4.69	4.56	2.9%	4.53	6.11	(25.9)%
Excise on petroleum products						
High octane gasoline (US$ per tonne)	115.83	112.67	2.8%	111.73	150.89	(26.0)%
Low octane gasoline (US$ per tonne)	84.81	82.49	2.8%	81.80	110.48	(26.0)%
Naphtha (US$ per tonne)	124.48	121.08	2.8%	120.07	110.48	8.7%
Diesel (US$ per tonne)	34.47	33.53	2.8%	33.25	44.91	(26.0)%
Lubricants (US$ per tonne)	94.19	91.62	2.8%	90.86	122.70	(26.0)%

Tax rates per barrel:

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**	**%**	**2009**	**2008**	**%**
Mineral extraction tax on crude oil (US$ per barrel)	11.62	9.34	24.4%	8.99	21.62	(58.4)%
Export duty on crude oil (US$ per barrel)	30.68	18.25	68.1%	21.40	51.81	(58.7)%

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

	For 3 months ended				*For 9 months ended September 30*			
	September 30, 2009		**June 30, 2009**		**2009**		**2008**	
	US$ million	**% of total revenue**	**US$ million**	**% of total revenue**	**US$ million**	**% of total revenue**	**US$ million**	**% of total revenue**
Total revenues	**13,048**	**100.0%**	**10,947**	**100.0%**	**32,259**	**100.0%**	**58,192**	**100.0%**
Export customs duty (for oil sales)	2,905	22.3%	1,669	15.2%	5,962	18.5%	13,506	23.2%
Export customs duty (for petroleum prod. sales)	835	6.4%	522	4.8%	1,811	5.6%	3,819	6.6%
Mineral extraction tax	1,930	14.8%	1,508	13.8%	4,424	13.7%	11,011	18.9%
Excise tax	245	1.9%	233	2.1%	662	2.1%	884	1.5%
Other taxes	160	1.2%	191	1.7%	528	1.6%	663	1.1%
Income tax	698	5.3%	396	3.6%	1,221	3.8%	3,362	5.8%
Total taxes	**6,773**	**51.9%**	**4,519**	**41.2%**	**14,608**	**45.3%**	**33,245**	**57.1%**

The mineral extraction tax and the export customs duty accounted for approximately 38% and 49% of Rosneft’s total revenues in the nine months of 2009 and 2008, respectively.

Mineral Extraction Tax

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

In the nine months of 2009 the tax rate was calculated by multiplying the base rate of RUB 419 by the adjustment ratio of ((Price **- 15**) / 261) * Exchange rate, where "Price" is the average Urals price per barrel and "Exchange rate" is the average RUB/US$ exchange rate established by the Central Bank of Russia in the respective month. In the nine months of 2008 the base rate was the same and the adjustment ratio was ((Price **- 9**) / 261) * Exchange rate. The formula of the adjustment ratio was changed by the Russian Government in July 2008 and is applied from January 2009. The change in formula gave US$ 1.3 per barrel of mineral extraction tax savings to oil producers.

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

- the reduced rate is applicable to crude oil produced at the fields with reserve depletion rate of over 80%; for calculation of the reduced rate a special adjustment ratio (3.8 – 3.5 * reserve depletion rate) is applied; the reduced rate varies therefore from 0.3 to 1.0 of the standard rate;
- the zero tax rate is applicable to high-viscosity crude oil;
- the zero tax rate is applicable during specific time period or for specific volumes of production (depending on what is achieved earlier) at fields in Yakutia, Irkutsk Region, Krasnoyarsk Territory, Nenets Autonomous District, Yamal Peninsula, Azov and Caspian seas, offshore fields located to the north of the Arctic Circle (the exact time period and volume vary by region where the field is located), and for PSA projects.

Rosneft benefits from the reduced mineral extraction tax rate as it has several fields with reserve depletion rate of over 80%. Moreover its fields in Irkutsk Region and Krasnoyarsk Territory are subject to the zero mineral extraction tax rate which is applicable for the first 25 million tonnes of production or the first 10 years for a production licence and 15 years for an exploration and production license. The Verkhnechonsk field in the Irkutsk Region developed jointly with TNK-BP and accounted for on an equity basis was put on stream in 2008 and the major Vankor field in the Krasnoyarsk Territory developed by Rosneft was officially launched in August 2009.

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

Export Customs Duty on Crude Oil

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

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

Urals price (US$ per tonne)	*Export customs duty(US$ per tonne)*
Below and including 109.5 (15 US$ per barrel)	Export customs duty is not levied
Above 109.5 to and including 146 (15 to 20 US$ per barrel)	35% of the difference between the average Urals price in US$ per tonne and US$ 109.5
Above 146 to and including 182.5 (20 to 25 US$ per barrel)	US$ 12.78 plus 45% of the difference between the average Urals price in US$ per tonne and US$ 146
Above 182.5 (25 US$ per barrel)	US$ 29.2 plus 65% of the difference between the average Urals price in US$ per tonne and US$ 182.5

Prior to October 2008, the export customs duty rate changed every two months: the rate for the next two-months period was based on the average Urals price for the previous two-month period (with one month between the periods). The considerable time lag led to a positive effect on cash flow for oil producers when the oil price was growing and an inverse effect when the price was falling.

At the end of 2008, due to a drop in oil prices, the Russian Government made three one-off export duty changes in order to reduce the disparity between high tax levels and low prices and the Federal law No. 234–FZ reducing the time lag was adopted on December 3, 2008. Effective from December 9, 2008 the export customs duty is changed every month and the duty for the next month is based on the average Urals price for the period from the 15th day of the previous month to the 14th day (inclusive) of the current month.

Prior to January 1, 2007 export duties were not payable on crude oil exports to all CIS countries that were members of the Customs Union (Belarus, Kazakhstan, Kyrgyzstan and Tajikistan). Starting from 2007 export duties are payable on crude oil exports of crude oil to Belarus. In the periods analysed of 2009 and 2008, the export customs duties were levied on crude oil exports to Belarus at the fractional rate of 0.356 and 0.335, respectively, applied to export customs duty as calculated pursuant to the table above.

Export Customs Duty on Petroleum Products

Export customs duty on petroleum products is set every month simultaneously with the export customs duty on crude oil and is denominated in US$ per tonne. The rate of the export customs duty on petroleum products is linked to the Urals price on the international market. Average Urals price used for petroleum product export customs duty calculation is the same as for the calculation of the crude oil export customs duty. The rate of the export customs duty depends on the type of the product: light (gasoline, diesel, jet) or dark (fuel oil).

Export customs duty on light petroleum products is calculated using the following formula: 0.438* (Price * 7.3 – 109.5), where Price is the average Urals price in US$ per barrel. Export customs duty on dark petroleum products is calculated using the following formula: 0.236 * (Price * 7.3 – 109.5).

Export duties are not payable on exports of petroleum products to all CIS countries that were members of the Customs Union (Belarus, Kazakhstan, Kyrgyzstan and Tajikistan).

Changes in Transport Tariffs of Pipeline and Railway Monopolies

Rosneft transports most of its crude oil and petroleum products via pipeline network owned and operated respectively by Transneft and its subsidiary Transnefteproduct. These companies are natural state-owned pipeline monopolies. Rosneft also transports crude oil and petroleum products via railway network owned and operated by RZD, another natural state-owned monopoly.

The Federal Tariff Service (the FTS), a governmental body regulating natural monopolies, annually sets Transneft's and Transnefteproduct's base tariff for transportation of crude oil and petroleum products respectively, which includes a dispatch tariff, a pumping tariff, loading, charge-discharge, transshipment and other tariffs. Base tariffs for railroad transportation are also set by FTS annually. The tariffs are set in roubles and are not linked to the RUB/US$ exchange rate.

The monopolies set tariffs for each separate route of the pipeline and railroad networks depending on the length of the relevant routes, transportation direction and other factors. The table below presents tariffs applied for major transportation routes used by Rosneft:

	For 3 months ended			*For 9 months ended September 30*		
	September 30, 2009	**June 30, 2009**	**Change**	**2009**	**2008**	**Change**
	(RUB/tonne)	**(RUB/tonne)**	**(%)**	**(RUB/tonne)**	**(RUB/tonne)**	**(%)**
CRUDE OIL						
Domestic						
Pipeline						
Yugansk – Samara refineries	545.01	517.91	5.2%	526.94	408.37	29.0%
Samara – Samara refineries	35.61	34.27	3.9%	34.72	27.94	24.3%
Yugansk – Angarsk refinery	740.49	712.77	3.9%	722.01	577.84	24.9%
Purpe – Tuapse refinery	1,136.78	1,083.05	5.0%	1,100.96	859.04	28.2%
Tomsk – Achinsk refinery	304.36	289.16	5.3%	294.23	229.02	28.5%
Pipeline and railroad						
Yugansk – Komsomolsk refinery	2,890.10	2,749.23	5.1%	2,796.19	2,644.37	5.7%
Exports						
Pipeline						
Yugansk – Primorsk	1,070.35	1,034.08	3.5%	1,058.13	840.10	26.0%
Yugansk – Novorossysk	1,139.35	1,089.33	4.6%	1,106.19	859.61	28.7%
Pipeline and railroad						
Yugansk – China (through Meget)	2,574.00	2,470.00	4.2%	2,507.00	2,362.00	6.1%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	1,511.54	1,434.68	5.4%	1,466.12	1,244.67	17.8%
Angarsk refinery – Nakhodka	3,299.00	3,122.88	5.6%	3,178.65	2,848.81	11.6%
Komsomolsk refinery – Nakhodka	1,293.66	1,224.64	5.6%	1,246.10	1,106.51	12.6%
Achinsk refinery – Tuapse	3,713.50	3,515.13	5.6%	3,577.86	3,204.13	11.7%
Fuel oil						
Samara refineries – Odessa	2,398.50	2,292.01	4.6%	2,336.26	1,921.92	21.6%
Angarsk refinery – Nakhodka	3,355.16	3,173.74	5.7%	3,228.81	2,828.35	14.2%
Komsomolsk refinery – Nakhodka	1,256.66	1,188.70	5.7%	1,209.33	1,059.31	14.2%
Achinsk refinery – Nakhodka	4,138.84	3,915.05	5.7%	3,982.98	3,489.00	14.2%
Naphtha						
Samara refineries – Tuapse	1,586.33	1,502.15	5.6%	1,528.48	1,362.07	12.2%
Achinsk refinery – Tuapse	3,645.36	3,451.09	5.6%	3,512.99	3,158.85	11.2%
Angarsk refinery – Nakhodka	3,203.70	3,033.06	5.6%	3,087.48	2,777.79	11.1%
Komsomolsk refinery – Nakhodka	1,269.78	1,202.22	5.6%	1,223.32	1,088.86	12.3%

Source: Transneft, Transnefteproduct, RZD, Rosneft. Tariffs include transshipment at non-Rosneft terminals.

The table below presents tariffs applied for major transportation routes used by Rosneft translated from RUB to US$ at the average exchange rate for the respective period:

	For 3 months ended			*For 9 months ended September 30*		
	September 30, 2009	**June 30, 2009**	**Change**	**2009**	**2008**	**Change**
	(US$/tonne)	**(US$/tonne)**	**(%)**	**(US$/tonne)**	**(US$/tonne)**	**(%)**
CRUDE OIL						
Domestic						
Pipeline						
Yugansk – Samara refineries	17.40	16.08	8.2%	16.22	16.98	(4.5)%
Samara – Samara refineries	1.14	1.06	7.5%	1.07	1.16	(7.8)%
Yugansk – Angarsk refinery	23.64	22.13	6.8%	22.23	24.03	(7.5)%
Purpe – Tuapse refinery	36.29	33.62	7.9%	33.90	35.73	(5.1)%
Tomsk – Achinsk refinery	9.72	8.98	8.2%	9.06	9.52	(4.8)%
Pipeline and railroad						
Yugansk – Komsomolsk refinery	92.25	85.34	8.1%	86.09	109.97	(21.7)%
Exports						
Pipeline						
Yugansk – Primorsk	34.17	32.10	6.4%	32.58	34.94	(6.8)%
Yugansk – Novorossysk	36.37	33.81	7.6%	34.06	35.75	(4.7)%
Pipeline and railroad						
Yugansk – China (through Meget)	82.15	76.67	7.1%	77.18	98.22	(21.4)%
PETROLEUM PRODUCT EXPORTS						
Diesel						
Samara refineries – Ventspils	48.25	44.54	8.3%	45.14	51.76	(12.8)%
Angarsk refinery – Nakhodka	105.31	96.94	8.6%	97.86	118.48	(17.4)%
Komsomolsk refinery – Nakhodka	41.29	38.02	8.6%	38.36	46.02	(16.6)%
Achinsk refinery – Tuapse	118.54	109.12	8.6%	110.15	133.25	(17.3)%
Fuel oil						
Samara refineries – Odessa	76.56	71.15	7.6%	71.93	79.93	(10.0)%
Angarsk refinery – Nakhodka	107.10	98.52	8.7%	99.40	117.63	(15.5)%
Komsomolsk refinery – Nakhodka	40.11	36.90	8.7%	37.23	44.05	(15.5)%
Achinsk refinery – Nakhodka	132.11	121.53	8.7%	122.62	145.10	(15.5)%
Naphtha						
Samara refineries – Tuapse	50.64	46.63	8.6%	47.06	56.65	(16.9)%
Achinsk refinery – Tuapse	116.36	107.13	8.6%	108.15	131.37	(17.7)%
Angarsk refinery – Nakhodka	102.26	94.15	8.6%	95.05	115.52	(17.7)%
Komsomolsk refinery – Nakhodka	40.53	37.32	8.6%	37.66	45.28	(16.8)%

Rosneft operates proprietary transportation and transhipment facilities which allow to optimise netbacks. These facilities include: the Arkhangelsk, De-Kastri, Tuapse and Nakhodka export terminals, the Okha – Komsomolsk-on-Amur pipeline and the Caspian Pipeline Consortium pipeline in which Rosneft has a stake.

Production of Crude Oil

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

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

	For 3 months ended			*For 9 months ended September 30*		
	September 30, 2009	**June 30, 2009**	**Change**	**2009**	**2008**	**Change**
	(million of barrels)		**(%)**	**(million of barrels)**		
Yuganskneftegaz (Western Siberia)	122.80	121.71	0.9%	363.42	358.26	1.4%
Samaraneftegaz (Central Russia)	18.76	18.35	2.2%	54.98	51.97	5.8%
Purneftegaz (Western Siberia)	14.40	14.50	(0.7)%	43.03	45.89	(6.2)%
Vankorneft (Eastern Siberia)	9.54	0.25	–	9.99	0.03	–
Severnaya Neft (Timan Pechora)	8.55	8.84	(3.3)%	26.53	29.54	(10.2)%
Sakhalin-1 (Far East) (net of royalty and government share)	2.45	2.46	(0.4)%	7.61	9.13	(16.6)%
Other	9.87	10.26	(3.8)%	30.37	34.52	(12.0)%
Crude oil production by fully and proportionately consolidated enterprises	**186.37**	**176.37**	**5.7%**	**535.93**	**529.34**	**1.2%**
Tomskneft (Western Siberia)	9.98	10.13	(1.5)%	30.00	31.22	(3.9)%
Udmurtneft (Central Russia)	5.80	5.72	1.4%	17.20	16.98	1.3%
Polar Lights (Timan Pechora)	0.87	0.90	(3.3)%	2.58	3.01	(14.3)%
Verkhnechonskneftegaz (Eastern Siberia)	0.67	0.41	63.4%	1.41	–	–
Other	–	–	–	–	0.03	(100.0)%
Total share in production of joint ventures	**17.32**	**17.16**	**0.9%**	**51.19**	**51.24**	**(0.1)%**
Total crude oil production	**203.69**	**193.53**	**5.2%**	**587.12**	**580.58**	**1.1%**
Daily crude oil production (th. barrels per day)	**2,214**	**2,127**	**4.1%**	**2,151**	**2,119**	**1.5%**

In the third quarter of 2009 Rosneft's average daily crude oil production increased by 4.1% compared with the second quarter of 2009 and reached 2,214 th. barrels per day. The growth was driven primarily by commercial production launch at the Vankor field in July 2009, which gave additional average production of 101 th. barrels per day compared to the second quarter. Crude oil production at the Vankor field averaged 36 th. barrels per day, 128 th. barrels per day and 148 th. barrels per day in July, August and September 2009, respectively. Part of crude oil (2.8 million barrels) produced at the Vankor field in Q3 2009 was used to fill oil treatment facilities, in-field pipelines and Vankor – Purpe pipeline, and remained in Transneft system as inventories, which is why production increase at the field did not lead to a similar increase in sales volumes.

Other major production growth drivers in the third quarter of 2009 were Verkhnechonskneftegaz and Samaraneftegaz. At the same time overall crude oil production growth was partially offset by natural decline in production at the fields of Severnaya Neft, Purneftegaz and Tomskneft. In the third quarter of 2009 the share of the Russian Government in the production of the Sakhalin-1 project decreased to the minimum level of 2.07% (from 12.83% in the second quarter) in accordance with the PSA terms, which resulted in flat net share of Rosneft in the project's production despite organic production decline.

In the nine months of 2009 Rosneft's average daily crude oil production was 2,151 th. barrels per day, which is 1.5% higher compared with the nine months of 2008. Commercial production launch at the Vankor field in July 2009 and at the Verkhnechonsk field in the fourth quarter of 2008 made considerable contribution to the overall production increase. Other main growth factors were Samaraneftegaz and Yuganskneftegaz. Yuganskneftegaz increased its average daily output by 1.8% despite abnormally low temperatures in Western Siberia in February 2009 hindering well workovers. Overall production growth was partially offset by the decrease in Rosneft's net share in Sakhalin-1 production (partially due to the increase in share of the Russian Government share in accordance with the PSA terms) and by natural decline in production at the fields of Severnaya Neft, Purneftegaz and Tomskneft.

Production of Gas

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

	For 3 months ended			*For 9 months ended September 30*		
	September 30, 2009	**June 30, 2009**	**Change**	**2009**	**2008**	**Change**
	(bcm)		**(%)**	**(bcm)**		**(%)**
Purneftegaz (Western Siberia)	0.89	0.90	(1.1)%	2.78	2.96	(6.1)%
Yuganskneftegaz (Western Siberia)	0.71	0.51	39.2%	1.87	1.30	43.8%
Krasnodarneftegaz (Southern Russia)	0.65	0.71	(8.5)%	2.18	2.22	(1.8)%
Samaraneftegaz (Central Russia)	0.09	0.10	(10.0)%	0.28	0.24	16.7%
Severnaya Neft (Timan Pechora)	0.07	0.07	–	0.22	0.25	(12.0)%
Sakhalin-1 (Far East) (net of royalty and government share)	0.05	0.05	–	0.18	0.18	–
Other	0.34	0.38	(10.5)%	1.16	1.26	(7.9)%
Gas production by fully and proportionately consolidated enterprises	**2.80**	**2.72**	**2.9%**	**8.67**	**8.41**	**3.1%**
Tomskneft (Western Siberia)	0.15	0.20	(25.0)%	0.54	0.61	(11.5)%
Udmurtneft (Central Russia)	0.01	–	–	0.02	0.02	–
Polar Lights (Timan Pechora)	–	0.01	(100.0)%	0.01	0.02	(50.0)%
Total share in production of joint ventures	**0.16**	**0.21**	**(23.8)%**	**0.57**	**0.65**	**(12.3)%**
Total gas production	**2.96**	**2.93**	**1.0%**	**9.24**	**9.06**	**2.0%**
Natural gas	1.09	1.17	(6.8)%	3.63	4.08	(11.0)%
Associated gas	1.87	1.76	6.3%	5.61	4.98	12.7%

* Production volume equals extracted volume minus flared volume.

In the third quarter of 2009 Rosneft's natural and associated gas production increased to 2.96 bcm, or by 1.0% compared with the second quarter of 2009. The growth resulted from associated gas production recovery at Yugankneftegaz fields after its decrease in the second quarter due to turnaround at Yuzhno-Balyksky gas processing plant owned by OJSC Sibur Holding.

In the nine months of 2009 Rosneft's natural and associated gas production increased to 9.24 bcm compared with 9.06 bcm in the same period of 2008, which is an increase of 2.0%. Main growth factor was the launch of the first gas compression station at the Priobskoe field of Yuganskneftegaz at the end of 2008, enabling an increase in associated gas deliveries to the Yuzhno-Balyksky gas processing plant by 700 mcm per year and reduction of gas flaring by the same volume.

Rosneft is implementing a programme aimed at increasing associated gas utilisation rate. The programme envisages construction of gas gathering facilities, booster compression stations and underground storage facility as well as gas power stations at Yuganskneftegaz, Purneftegaz and Vankorneft. The construction of a gas power station at the Tarasovskoye field of Purneftegaz was completed in September 2009. The capacity of the station is 54 MWt and it is expected to use over 90 mcm of gas annually.

Production of Petroleum Products

Rosneft processes its produced and procured crude oil at its refineries, including the Tuapse refinery on the Black Sea in the South of Russia, the Komsomolsk refinery in the Russian Far East, the Achinsk and Angarsk refineries in Eastern Siberia and the Kuibyshev, Novokuibyshevsk and Syzran refineries in the Samara region (European part of Russia).

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

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

	For 3 months ended			*For 9 months ended September 30*		
	September 30, 2009	**June 30, 2009**	**Change**	**2009**	**2008**	**Change**
	(million of tonnes)		**(%)**	**(million of tonnes)**		**(%)**
Crude oil processing at Rosneft's refineries	**12.76**	**12.30**	**3.7%**	**37.32**	**37.28**	**0.1%**
Product output:						
High octane gasoline	1.25	1.18	5.9%	3.58	3.35	6.9%
Low octane gasoline	0.34	0.38	(10.5)%	1.03	1.44	(28.5)%
Naphtha	0.85	0.89	(4.5)%	2.65	2.59	2.3%
Diesel	4.39	4.21	4.3%	12.79	12.48	2.5%
Fuel oil	4.04	3.99	1.3%	12.14	11.66	4.1%
Jet	0.32	0.22	45.5%	0.85	1.30	(34.6)%
Petrochemicals	0.11	0.11	–	0.33	0.55	(40.0)%
Other	0.71	0.67	6.0%	1.89	1.61	17.4%
Total	**12.01**	**11.65**	**3.1%**	**35.26**	**34.98**	**0.8%**

In the third quarter of 2009 crude oil processing at Rosneft's refineries increased by 3.7% compared with the second quarter which was driven by increased domestic demand and enhanced refining margins. The output structure changed in line with demand dynamics.

Decreased demand for low octane gasoline from its main consumers, Russian agricultural enterprises and the Ministry of Defence, together with regulatory limitations on retail sales of low octane gasoline led to overall decrease in this petroleum product output by the Company. At the same time domestic demand for high octane gasoline was steadily growing after the sharp decrease in the fourth quarter of 2008. Output of this product in the third quarter of 2009 was 4.2% higher than in the third quarter of 2008.

Decrease in production of petrochemicals was primarily due to the fall in demand and prices for these products.

Results of Operations

The following table sets forth the statement of income information both in absolute values and as a percentage of total revenues:

	For 3 months ended					*For 9 months ended September 30*				
	September 30, 2009		**June 30, 2009**		**Change**	**2009**		**2008**		**Change**
		% of total revenue		**% of total revenue**	**%**		**% of total revenue**		**% of total revenue**	**%**
	(US$ million, except %)									
Revenues										
Oil and gas sales	6,822	52.2%	5,696	52.0%	19.8%	16,706	51.8%	30,654	52.7%	(45.5)%
Petroleum products and petrochemicals sales	5,898	45.3%	4,933	45.1%	19.6%	14,651	45.4%	26,405	45.4%	(44.5)%
Support services and other revenues	328	2.5%	318	2.9%	3.1%	902	2.8%	1,133	1.9%	(20.4)%
Total revenues	**13,048**	**100.0%**	**10,947**	**100.0%**	**19.2%**	**32,259**	**100.0%**	**58,192**	**100.0%**	**(44.6)%**
Cost and expenses										
Production and operating expenses	1,037	7.9%	1,027	9.4%	1.0%	2,884	8.9%	3,259	5.6%	(11.5)%
Cost of purchased oil, gas and petroleum products	525	4.0%	489	4.5%	7.4%	1,309	4.1%	2,382	4.1%	(45.0)%
General and administrative expenses	348	2.7%	366	3.3%	(4.9)%	1,024	3.2%	1,164	2.0%	(12.0)%
Pipeline tariffs and transportation costs	1,330	10.2%	1,251	11.4%	6.3%	3,833	11.9%	4,264	7.3%	(10.1)%
Exploration expenses	74	0.6%	117	1.1%	(36.8)%	271	0.8%	164	0.3%	65.2%
Depreciation, depletion and amortisation	1,148	8.8%	1,012	9.3%	13.4%	3,140	9.7%	3,081	5.3%	1.9%
Accretion expense	23	0.1%	22	0.2%	4.5%	64	0.2%	100	0.2%	(36.0)%
Taxes other than income tax	2,335	17.9%	1,932	17.6%	20.9%	5,614	17.4%	12,558	21.5%	(55.3)%
Export customs duty	3,740	28.7%	2,191	20.0%	70.7%	7,773	24.1%	17,325	29.8%	(55.1)%
Total cost and expenses	**10,560**	**80.9%**	**8,407**	**76.8%**	**25.6%**	**25,912**	**80.3%**	**44,297**	**76.1%**	**(41.5)%**
Operating income	**2,488**	**19.1%**	**2,540**	**23.2%**	**(2.0)%**	**6,347**	**19.7%**	**13,895**	**23.9%**	**(54.3)%**
Other income/(expenses)										
Interest income	154	1.2%	81	0.7%	90.1%	342	1.1%	277	0.5%	23.5%
Interest expense	(205)	(1.6)%	(74)	(0.6)%	177.0%	(444)	(1.4)%	(724)	(1.2)%	(38.7)%
Loss on disposal of property, plant and equipment	(44)	(0.3)%	(35)	(0.3)%	25.7%	(94)	(0.3)%	(38)	(0.1)%	147.4%
Gain/(loss) on disposal of investments	(20)	(0.2)%	13	0.1%	(253.8)%	(2)	0.0%	4	0.0%	(150.0)%
Equity share in affiliates' profits/(loss)	15	0.1%	(26)	(0.2)%	(157.7)%	31	0.0%	206	0.4%	(85.0)%
Dividends and (loss)/income from joint ventures	(1)	0.0%	(6)	(0.1)%	(83.3)%	(7)	0.0%	7	0.0%	(200.0)%
Other (expenses), net	(279)	(2.1)%	(113)	(1.0)%	146.9%	(271)	(0.8)%	(66)	(0.1)%	310.6%
Foreign exchange (loss)/gain	(247)	(1.9)%	(391)	(3.6)%	(36.8)%	160	0.5%	202	0.3%	(20.8)%
Total other income/ (expenses)	**(627)**	**(4.8)%**	**(551)**	**(5.0)%**	**13.8%**	**(285)**	**(0.9)%**	**(132)**	**(0.2)%**	**115.9%**
Income before income tax and minority interest	**1,861**	**14.3%**	**1,989**	**18.2%**	**(6.4)%**	**6,062**	**18.8%**	**13,763**	**23.7%**	**(56.0)%**
Income tax	(698)	(5.3)%	(396)	(3.6)%	76.3%	(1,221)	(3.8)%	(3,362)	(5.8)%	(63.7)%
Net income	**1,163**	**9.0%**	**1,593**	**14.6%**	**(27.0)%**	**4,841**	**15.0%**	**10,401**	**17.9%**	**(53.5)%**
Less: net loss/(income) attributable to noncontrolling interests	5	0.0%	19	0.1%	(73.7)%	(1)	0.0%	(56)	(0.1)%	(98.2)%
Net income attributable to Rosneft	**1,168**	**9.0%**	**1,612**	**14.7%**	**(27.5)%**	**4,840**	**15.0%**	**10,345**	**17.8%**	**(53.2)%**
Other comprehensive income/(loss)	5	0.0%	7	0.1%	(28.6)%	11	0.0%	(30)	(0.1)%	136.7%
Comprehensive income	**1,173**	**9.1%**	**1,619**	**14.8%**	**(27.5)%**	**4,851**	**15.0%**	**10,315**	**17.7%**	**(53.0)%**

Revenues

Revenues were US$ 13,048 million in the third quarter of 2009, a 19.2% increase compared with the second quarter of 2009, which was mainly driven by the change in crude oil and petroleum product prices and a 1.3% increase in total crude oil and petroleum product sales volumes. Sales volumes growth rate was below that of crude oil and petroleum product output due to the following factors: filling the oil treatment facilities and in-field pipelines at the Vankor field; filling the Vankor – Purpe pipeline; increase in crude oil inventories in Transneft's system following the launch of the Vankor field; sale of product inventories in the second quarter of 2009. Total increase in crude oil inventories due to the launch of the Vankor field amonted to 2.8 million bbls. Sales structure remained unchanged both in USD and volume terms in the third quarter compared to the second quarter.

Revenues were US$ 32,259 million in the nine months of 2009, a 44.6% decrease compared with the nine months of 2008. The decrease was due to fall in average crude oil and petroleum product prices, which was partially offset by a 1.8% increase in total crude oil and product sales volumes. Sales structure remained unchanged in volume terms while the share of crude oil in total revenues slightly decreased due to uneven changes in crude oil and petroleum product prices (average crude oil prices showed higher decrease rate compared with international and domestic fuel oil prices and domestic gasoline prices).

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

	For 3 months ended					***For 9 months ended September 30***				
	September 30, 2009		**June 30, 2009**		**Change**	**2009**		**2008**		**Change**
		% of total revenue		**% of total revenue**	**%**		**% of total revenue**		**% of total revenue**	**%**
	(US$ million, except %)									
Crude oil										
Export, excluding CIS	6,378	48.8%	5,275	48.1%	20.9%	15,488	48.0%	28,321	48.7%	(45.3)%
Europe and other directions	5,133	39.3%	4,164	38.0%	23.3%	12,286	38.1%	21,716	37.3%	(43.4)%
Asia	1,245	9.5%	1,111	10.1%	12.1%	3,202	9.9%	6,605	11.4%	(51.5)%
CIS	353	2.7%	318	2.9%	11.0%	930	2.9%	1,883	3.2%	(50.6)%
Domestic	8	0.1%	20	0.2%	(60.0)%	42	0.1%	142	0.3%	(70.4)%
Total crude oil	**6,739**	**51.6%**	**5,613**	**51.2%**	**20.1%**	**16,460**	**51.0%**	**30,346**	**52,2%**	**(45.8)%**
Gas	83	0.6%	83	0.8%	0.0%	246	0.8%	308	0.5%	(20.1)%
Petroleum products										
Export, excluding CIS	3,226	24.7%	2,836	25.9%	13.8%	8,185	25.4%	13,911	23.9%	(41.2)%
Europe and other directions	1,760	13.5%	1,653	15.1%	6.5%	4,674	14.5%	8,287	14.2%	(43.6)%
Asia	1,466	11.2%	1,183	10.8%	23.9%	3,511	10.9%	5,624	9.7%	(37.6)%
CIS	31	0.3%	20	0.2%	55.0%	101	0.3%	662	1.1%	(84.7)%
Domestic	2,424	18.6%	1,915	17.5%	26.6%	5,914	18.3%	11,119	19.1%	(46.8)%
Wholesale	1,686	12.9%	1,391	12.7%	21.2%	4,197	13.0%	8,134	13.9%	(48.4)%
Retail	738	5.7%	524	4.8%	40.8%	1,717	5.3%	2,985	5.2%	(42.5)%
Sales of bunker fuel to end-users	158	1.2%	106	1.0%	49.1%	308	1.0%	381	0.7%	(19.2)%
Total petroleum products	5,839	44.8%	4,877	44.6%	19.7%	14,508	45.0%	26,073	44.8%	(44.4)%
Petrochemical products	59	0.5%	56	0.5%	5.4%	143	0.4%	332	0.6%	(56.9)%
Support services and other revenues	328	2.5%	318	2.9%	3.1%	902	2.8%	1,133	1.9%	(20.4)%
Total sales	**13,048**	**100.0%**	**10,947**	**100.0%**	**19.2%**	**32,259**	**100.0%**	**58,192**	**100.0%**	**(44.6)%**

Sales Volumes

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

	For 3 months ended					*For 9 months ended September 30*				
	September 30, 2009		**June 30, 2009**		**Change**	**2009**		**2008**		**Change**
	mln bbls	**% of total volume**	**mln bbls**	**% of total volume**	**%**	**mln bbls**	**% of total volume**	**mln bbls**	**% of total volume**	**%**
Crude oil										
Export, excluding CIS	95.25	49.3%	93.63	49.2%	1.7%	277.90	49.3%	263.34	47.5%	5.5%
Europe and other directions	76.89	39.8%	74.25	39.0%	3.6%	221.43	39.3%	205.04	37.0%	8.0%
Asia	18.36	9.5%	19.38	10.2%	(5.3)%	56.47	10.0%	58.30	10.5%	(3.1)%
CIS	7.54	3.9%	7.17	3.8%	5.2%	22.90	4.0%	28.53	5.2%	(19.7)%
Domestic	0.29	0.2%	0.80	0.4%	(63.8)%	2.05	0.4%	3.22	0.6%	(36.3)%
Total crude oil	**103.08**	**53.4%**	**101.60**	**53.4%**	**1.5%**	**302.85**	**53.7%**	**295.09**	**53.3%**	**2.6%**
	mln tonnes	**% of total volume**	**mln tonnes**	**% of total volume**	**%**	**mln tonnes**	**% of total volume**	**mln tonnes**	**% of total volume**	**%**
Crude oil										
Export, excluding CIS	13.02	49.3%	12.80	49.2%	1.7%	37.99	49.3%	36.00	47.5%	5.5%
Europe and other directions	10.51	39.8%	10.15	39.0%	3.6%	30.27	39.3%	28.03	37.0%	8.0%
Asia	2.51	9.5%	2.65	10.2%	(5.3)%	7.72	10.0%	7.97	10.5%	(3.1)%
CIS	1.03	3.9%	0.98	3.8%	5.2%	3.13	4.0%	3.90	5.2%	(19.7)%
Domestic	0.04	0.2%	0.11	0.4%	(63.8)%	0.28	0.4%	0.44	0.6%	(36.3)%
Total crude oil	**14.09**	**53.4%**	**13.89**	**53.4%**	**1.5%**	**41.40**	**53.7%**	**40.34**	**53.3%**	**2.6%**
Petroleum products										
Export, excluding CIS	6.93	26.3%	7.14	27.4%	(2.9)%	20.75	26.9%	18.36	24.2%	13.0%
Europe and other directions	3.95	15.0%	4.43	17.0%	(10.8)%	12.38	16.0%	11.40	15.0%	8.6%
Asia	2.98	11.3%	2.71	10.4%	10.0%	8.37	10.9%	6.96	9.2%	20.3%
CIS	0.06	0.2%	0.07	0.3%	(14.3)%	0.27	0.4%	0.90	1.2%	(70.0)%
Domestic	4.75	18.0%	4.47	17.1%	6.3%	13.27	17.2%	14.98	19.8%	(11.4)%
Wholesale	3.77	14.3%	3.55	13.6%	6.2%	10.59	13.7%	11.89	15.7%	(10.9)%
Retail	0.98	3.7%	0.92	3.5%	6.5%	2.68	3.5%	3.09	4.1%	(13.3)%
Sales of bunker fuel to end-users	0.40	1.5%	0.32	1.2%	25.0%	0.91	1.2%	0.63	0.8%	44.4%
Total petroleum products	**12.14**	**46.0%**	**12.00**	**46.0%**	**1.2%**	**35.20**	**45.7%**	**34.87**	**46.0%**	**0.9%**
Petrochemical products	0.15	0.6%	0.16	0.6%	(6.3)%	0.47	0.6%	0.53	0.7%	(11.3)%
Total crude oil and products	**26.38**	**100.0%**	**26.05**	**100.0%**	**1.3%**	**77.07**	**100.0%**	**75.74**	**100.0%**	**1.8%**
Gas	**bcm**		**bcm**			**bcm**		**bcm**		
Sales volumes	2.49		2.48		0.4%	7.75		7.56		2.5%

Average Crude Oil and Petroleum Product Sales Prices

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

	For 3 months ended					*For 9 months ended September 30*				
	September 30, 2009		June 30, 2009		Change	2009		2008		Change
Average export prices	(US$/ barrel)	(US$/ tonne)	(US$/ barrel)	(US$/ tonne)	%	%	(US$/ tonne)	(US$/ barrel)	(US$/ tonne)	%
Crude oil, excluding CIS	66.96	489.86	56.34	412.11	18.9%	55.73	407.69	107.55	786.69	(48.2)%
Europe and other directions	66.76	488.39	56.08	410.25	19.0%	55.48	405.88	105.91	774.74	(47.6)%
Asia	67.81	496.02	57.33	419.25	18.3%	56.70	414.77	113.29	828.73	(50.0)%
Crude oil, CIS	46.82	342.72	44.35	324.49	5.6%	40.61	297.12	66.00	482.82	(38.5)%
Petroleum products, excluding CIS	—	465.51	—	397.20	17.2%	—	394.46	—	757.68	(47.9)%
Europe and other directions	—	445.57	—	373.14	19.4%	—	377.54	—	726.93	(48.1)%
Asia	—	491.95	—	436.53	12.7%	—	419.47	—	808.05	(48.1)%
Petroleum products, CIS	—	516.67	—	285.71	80.8%	—	374.07	—	735.56	(49.1)%
Average domestic prices										
Crude oil	27.59	200.00	25.00	181.82	10.0%	20.49	150.00	44.10	322.73	(53.5)%
Petroleum products	—	510.32	—	428.41	19.1%	—	445.67	—	742.26	(40.0)%
Wholesale	—	447.21	—	391.83	14.1%	—	396.32	—	684.10	(42.1)%
Retail	—	753.06	—	569.57	32.2%	—	640.67	—	966.02	(33.7)%
Gas (US$/thousand cubic meter)	—	33.33	—	33.47	(0.4)%	—	31.74	—	40.74	(22.1)%
Sales of bunker fuel to end-users	—	395.00	—	331.25	19.2%	—	338.46	—	604.76	(44.0)%
Petrochemical products	—	393.33	—	350.00	12.4%	—	304.26	—	626.42	(51.4)%

Crude Oil Export Sales to Non-CIS

Revenues from crude oil exports to non-CIS countries in the third quarter of 2009 were US$ 6,378 million which is an increase of 20.9% compared with the second quarter of 2009. The growth reflected higher average export prices (a positive impact on revenues of US$ 1,012 million), as well as a 1.7% increase in sales volumes which had a positive impact on revenues of US$ 91 million. Sales volumes growth was mainly driven by overall growth of the Company's crude oil production due to the launch of the Vankor field.

In the nine months of 2009 revenues from crude oil exports to non-CIS countries were US$ 15,488 million or 45.3% down compared with the nine months of 2008. The revenues were impacted by a substantial decrease in average export prices (a negative impact on revenues of US$ 14,398 million), which was partially offset by a 5.5% increase in sales volumes (a favourable impact on revenues of US$ 1,565 million). The growth of crude oil export volumes to non-CIS countries resulted from redirection of crude oil flows from the depressed CIS markets and growth in daily crude oil production.

Crude Oil Export Sales to CIS

In the third quarter of 2009 revenues from sales of crude oil to the CIS were US$ 353 million, 11.0% higher than in the second quarter of 2009. The increase in revenues resulted from higher crude oil prices (a positive impact on revenues of US$ 19 million), as well as from a 5.2% increase in sales volumes, leading to increase in revenues by US$ 16 million. The growth of export volumes was due to demand recovery in Belarus.

In the nine months of 2009 revenues from sales of crude oil to the CIS were US$ 930 million, which is a decrease of 50.6% compared with the nine months of 2008. The decrease was driven by a substantial reduction in average crude oil prices (a negative impact on revenues of US$ 581 million), as well as by a 19.7% decrease in sales volumes which had an unfavourable impact on revenues of US$ 372 million. The decrease in sales volumes resulted from significant fall in crude oil volumes exported to Kazakhstan and slight decrease in volumes delivered to Belarus.

Domestic Crude Oil Sales

In the third quarter of 2009 domestic crude oil sales were US$ 8 million, 60.0% lower than in the second quarter of 2009. The decrease was attributable to a 63.8% reduction in sales volumes, which had an unfavourable impact on revenues of US$ 13 million.

In the nine months of 2009 domestic crude oil sales were US$ 42 million, which is a decrease of 70.4% compared with the nine months of 2008. The decrease reflected a considerable reduction in average crude oil prices (a negative impact on revenues of US$ 48 million), as well as a 36.3% decrease in sales volumes, which had an unfavourable impact on revenues of US$ 52 million. The Company reduced the volumes of crude oil sold on the domestic market to maximize its netbacks.

Petroleum Product Export Sales to Non-CIS

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

	For 3 months ended						% change between the three months ended September 30, 2009 and June 30, 2009		
	September 30, 2009			**June 30, 2009**					
	US$ million	**million of tonnes**	**Average price US$/ Tonne**	**US$ million**	**million of tonnes**	**Average price US$/ tonne**	**US$ million**	**million of tonnes**	**Average price US$/ tonne**
High octane gasoline	30	0.03	879.95	23	0.04	566.09	30.4%	(25.0)%	55.4%
Low octane gasoline	24	0.03	728.53	32	0.06	554.44	(25.0)%	(50.0)%	31.4%
Naphtha	516	0.88	583.63	418	0.86	485.08	23.4%	2.3%	20.3%
Diesel (Gasoil)	1,192	2.23	535.32	1,070	2.29	466.77	11.4%	(2.6)%	14.7%
Fuel oil	1,417	3.67	386.38	1,261	3.82	330.43	12.4%	(3.9)%	16.9%
Jet fuel	11	0.02	556.80	13	0.02	568.92	(15.4)%	0.0%	(2.1)%
Other	36	0.07	534.51	19	0.05	402.61	89.5%	40.0%	32.8%
Total	**3,226**	**6.93**	**465.51**	**2,836**	**7.14**	**397.20**	**13.8%**	**(2.9)%**	**17.2%**

Average prices of petroleum product sales may vary significantly depending on the market mainly due to different product mix.

Revenues from the export of petroleum products to non-CIS countries were US$ 3,226 in the third quarter of 2009, which is an increase of 13.8% compared with the second quarter of 2009. A 17.2% increase in average price led to revenue growth of US$ 473 million, while a 2.9% decrease in sales volumes led to a US$ 83 million revenue decrease. The decrease in sales volumes was caused by redirection of product flows to domestic market due to seasonal demand growth.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold to non-CIS countries in the nine months of 2009 and 2008:

	For 9 months ended September 30						% change between the nine months ended September 30, 2009 and 2008		
	2009			**2008**					
	US$ million	**million of tonnes**	**Average price US$/ tonne**	**US$ million**	**million of tonnes**	**Average price US$/ tonne**	**US$ million**	**million of tonnes**	**Average price US$/ tonne**
High octane gasoline	92	0.17	533.02	98	0.09	1,051.34	(6.1)%	88.9%	(49.3)%
Low octane gasoline	69	0.12	568.50	120	0.13	944.40	(42.5)%	(7.7)%	(39.8)%
Naphtha	1,254	2.63	475.94	2,001	2.14	935.48	(37.3)%	22.9%	(49.1)%
Diesel (gasoil)	3,211	7.06	454.61	6,317	6.33	998.57	(49.2)%	11.5%	(54.5)%
Fuel oil	3,446	10.52	327.57	5,198	9.48	548.20	(33.7)%	11.0%	(40.2)%
Jet fuel	36	0.07	523.15	21	0.02	1,022.91	71.4%	250.0%	(48.9)%
Other	77	0.18	438.39	156	0.17	918.38	(50.6)%	5.9%	(52.3)%
Total	**8,185**	**20.75**	**394.46**	**13,911**	**18.36**	**757.68**	**(41.2)%**	**13.0%**	**(47.9)%**

Revenues from petroleum product exports to non-CIS countries were US$ 8,185 million in the nine months of 2009, which is a decrease of 41.2% compared with the nine months of 2008. The decrease resulted from a reduction in average export prices (negative impact on revenues of US$ 7,537 million), which was partially offset by a 13.0% increase in sales volumes leading to a US$ 1,811 million revenue growth. The increase in volumes was mainly due to decreased domestic demand and low CIS sales profitability resulting in redirection of product volumes to non-CIS countries.

The price for low octane gasoline in the nine months of 2009 was higher than the price for high octane gasoline due to the fact that main volumes of high octane gasoline were sold in the first quarter of 2009 at lower prices, while main volumes of low octane gasoline were sold in the second and third quarters at higher prices.

Petroleum Product Export Sales to CIS

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

	For 3 months ended						% change between the three months ended September 30, 2009 and June 30, 2009		
	September 30, 2009			**June 30, 2009**					
	US$ million	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**
High octane gasoline	4	0.01	566.16	6	0.02	352.98	(33.3)%	(50.0)%	60.4%
Low octane gasoline	—	—	—	0	0.00	273.59	—	—	(100.0)%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	13	0.02	510.76	4	0.01	322.31	225.0%	100.0%	58.5%
Fuel oil	—	—	—	—	—	—	—	—	—
Jet fuel	—	—	—	1	0.00	305.70	(100.0)%	—	(100.0)%
Other	14	0.03	439.80	9	0.04	311.17	55.6%	(25.0)%	41.3%
Total	**31**	**0.06**	**516.67**	**20**	**0.07**	**285.71**	**55.0%**	**(14.3)%**	**80.8%**

Revenues from sales of petroleum products to CIS countries in the third quarter of 2009 were 55.0% higher than in the second quarter of 2009 and amounted to US$ 31 million. Revenue growth was mainly attributable to a considerable increase in average prices, which was partially offset by a 14.3% decrease in sales volumes.

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

	For 9 months ended September 30						% change between the nine months ended September 30, 2009 and 2008		
	2009			**2008**					
	US$ million	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**
High octane gasoline	17	0.05	365.77	77	0.12	642.61	(77.9)%	(58.3)%	(43.1)%
Low octane gasoline	2	0.01	224.04	3	0.00	638.10	(33.3)%	—	(64.9)%
Naphtha	2	0.01	346.70	—	—	—	—	—	—
Diesel	44	0.11	399.64	373	0.41	903.16	(88.2)%	(73.2)%	(55.8)%
Fuel oil	—	—	—	124	0.23	532.06	(100.0)%	(100.0)%	(100.0)%
Jet fuel	5	0.01	401.00	52	0.07	789.45	(90.4)%	(85.7)%	(49.2)%
Other	31	0.08	370.22	33	0.07	485.91	(6.1)%	14.3%	(23.8)%
Total	**101**	**0.27**	**374.07**	**662**	**0.90**	**735.56**	**(84.7)%**	**(70.0)%**	**(49.1)%**

Revenues from sales of petroleum products to the CIS in the nine months of 2009 were 84.7% lower than in the nine months of 2008 and amounted to US$ 101 million. Such a reduction was mainly attributable to a 70.0% decrease in sales volumes which had a negative impact on revenues of US$ 463 million. The decrease in volumes resulted from the redirection of product flows from CIS to non-CIS markets due to higher profitability.

Domestic Sales of Petroleum Products

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

	For 3 months ended						% change between the three months ended September 30, 2009 and June 30, 2009		
	September 30, 2009			**30 June 2009**					
	US$ million	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**
High octane gasoline	948	1.27	747.04	741	1.26	587.05	27.9%	0.8%	27.3%
Low octane gasoline	201	0.31	641.76	163	0.36	453.67	23.3%	(13.9)%	41.5%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	891	2.00	445.99	745	1.85	403.82	19.6%	8.1%	10.4%
Fuel oil	69	0.25	276.62	47	0.24	194.05	46.8%	4.2%	42.6%
Jet fuel	50	0.10	488.06	50	0.11	455.82	0.0%	(9.1)%	7.1%
Other	265	0.82	322.71	169	0.65	260.45	56.8%	26.2%	23.9%
Total	**2,424**	**4.75**	**510.32**	**1,915**	**4.47**	**428.41**	**26.6%**	**6.3%**	**19.1%**

Revenues from sales of petroleum products on the domestic market were US$ 2,424 million in the third quarter of 2009, which is an increase of 26.6% compared with the second quarter of 2009. Revenue growth was driven by an increase in average prices (positive impact on revenues of US$ 389 million), as well as by a 6.3% increase in sales volumes which had a favourable impact on revenues of US$ 120 million. The increase in sales volumes was due to seasonal demand growth.

The table below sets forth Rosneft's revenue and average price per tonne of petroleum products sold within Russia in the nine months of 2009 and 2008:

	For 9 months ended September 30						% change between the nine months ended September 30, 2009 and 2008		
	2009			**2008**					
	US$ million	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**
High octane gasoline	2,242	3.55	632.23	3,196	3.56	896.41	(29.8)%	(0.3)%	(29.5)%
Low octane gasoline	480	0.96	501.78	1,041	1.31	792.05	(53.9)%	(26.7)%	(36.6)%
Naphtha	—	—	—	—	—	—	—	—	—
Diesel	2,290	5.36	427.14	4,432	5.29	837.22	(48.3)%	1.3%	(49.0)%
Fuel oil	198	1.08	182.19	434	1.36	319.84	(54.4)%	(20.6)%	(43.0)%
Jet fuel	175	0.38	465.14	749	0.96	778.34	(76.6)%	(60.4)%	(40.2)%
Other	529	1.94	272.22	1,267	2.50	508.62	(58.2)%	(22.4)%	(46.5)%
Total	**5,914**	**13.27**	**445.67**	**11,119**	**14.98**	**742.26**	**(46.8)%**	**(11.4)%**	**(40.0)%**

Revenues from sales of petroleum products on the domestic market were US$ 5,914 million in the nine months of 2009 which is a decrease of 46.8% compared with the nine months of 2008. Revenue reduction was a result of a decrease in average prices (negative impact on revenue of US$ 3,936 million) as well as of an 11.4% decrease in sales volumes leading to revenue decrease of US$ 1,269 million. Decrease in sales volumes was the outcome of falling domestic demand due to the economic downturn.

Sales of bunker fuel to end-users

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

Revenues from sales of bunker fuel in the third quarter of 2009 were US$ 158 million, an increase of 49.1% in comparison with the second quarter of 2009. The increase was attributable to sales volumes growth due to peak of river navigation in the third quarter of 2009 and continuing expansion of the business.

In the nine months of 2009 revenues from sales of bunker fuel decreased to US$ 308 million compared with US$ 381 million in the nine months of 2008. The decrease was driven by change in prices partially offset by a 44.4% increase in sales volumes.

Petrochemical Product Sales

Revenues from sales of petrochemical products in the third quarter of 2009 were US$ 59 million, up 5.4% compared to the second quarter of 2009. The price upturn of 12.4% (positive impact on revenues of US$ 7 million) was partially offset by a 6.3% decrease in sales volumes (negative impact on revenues of US$ 4 million).

In the nine months of 2009 revenues from sales of petrochemical products were US$ 143 million, down 56.9% compared to the nine month of 2009. The fall in revenues was mainly due to the price drop of 51.4% (negative impact on revenues of US$ 151 million) which was accompanied by 11.3% volumes decrease which led to revenue reduction of US$ 38 million. The decrease in volumes resulted from the depressed demand for petrochemical products in the nine months of 2009 compared to the same period of 2008.

Gas Sales

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

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

	For 3 months ended			*For 9 months ended September 30*		
	September 30, 2009	**June 30, 2009**	**Change**	**2009**	**2008**	**Change**
Revenue	**(US$ million)**		**%**	**(US$ million)**		**%**
Western Siberia	28	26	7.7%	79	85	(7.1)%
South Russia	37	36	2.8%	109	143	(23.8)%
Far East	6	10	(40.0)%	25	22	13.6%
European part of Russia	12	11	9.1%	33	58	(43.1)%
Total	**83**	**83**	**0.0%**	**246**	**308**	**(20.1)%**
Sales volumes	**(bcm)**			**(bcm)**		
Western Siberia	1.50	1.36	10.3%	4.37	3.74	16.8%
South Russia	0.68	0.79	(13.9)%	2.39	2.48	(3.6)%
Far East	0.12	0.14	(14.3)%	0.43	0.42	2.4%
European part of Russia	0.19	0.19	0.0%	0.56	0.92	(39.1)%
Total	**2.49**	**2.48**	**0.4%**	**7.75**	**7.56**	**2.5%**
Average price	**(US$/thousand of cubic metres)**			**(US$/thousand of cubic metres)**		
Western Siberia	18.36	19.33	(5.0)%	18.16	22.73	(20.1)%
South Russia	54.07	45.78	18.1%	45.57	57.63	(20.9)%
Far East	52.97	67.78	(21.9)%	57.90	52.47	10.3%
European part of Russia	64.02	58.09	10.2%	58.98	62.61	(5.8)%
Total	**33.33**	**33.47**	**(0.4)%**	**31.74**	**40.74**	**(22.1)%**

Revenues from gas sales remained unchanged in the third quarter of 2009 compared with the second quarter due to stable prices and sales volumes.

In the nine months of 2009 revenues from gas sales decreased to US$ 246 million, or by 20.1% compared with the nine months of 2008. The reduction was mainly attributable to decreased prices, which was partially offset by a 2.5% increase in sales volumes.

Support Services and Other Revenues

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

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

	For 3 months ended					*For 9 months ended September 30*				
	September 30, 2009		**June 30, 2009**		**Change**	**2009**		**2008**		**Change**
		% of total revenue		**% of total revenue**	**%**		**% of total revenue**		**% of total revenue**	**%**
	(US$ million, except %)									
Drilling services	6	1.8%	11	3.5%	(45.5)%	17	1.9%	34	3.0%	(50.0)%
Sales of materials	117	35.7%	108	33.9%	8.3%	318	35.3%	353	31.2%	(9.9)%
Repairs and maintenance services	26	7.9%	26	8.2%	0.0%	77	8.5%	130	11.5%	(40.8)%
Rent services	13	4.0%	13	4.1%	0.0%	37	4.1%	44	3.9%	(15.9)%
Construction services	16	4.9%	13	4.1%	23.1%	41	4.5%	76	6.7%	(46.1)%
Transport services	74	22.6%	75	23.6%	(1.3)%	196	21.7%	194	17.1%	1.0%
Electric power transmission	18	5.5%	12	3.8%	50.0%	45	5.0%	33	2.9%	36.4%
Other revenues	58	17.6%	60	18.8%	(3.3)%	171	19.0%	269	23.7%	(36.4)%
Total	**328**	**100.0%**	**318**	**100.0%**	**3.1%**	**902**	**100.0%**	**1,133**	**100.0%**	**(20.4)%**

Other revenues in the third quarter of 2009 were US$ 328 million, 3.1% up compared to the second quarter of 2009. Other revenues in the nine months of 2009 were US$ 902 million, 20.4% down compared with the nine month of 2008.

Costs and Expenses

Production and Operating Expenses

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

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**	**%**	**2009**	**2008**	**%**
	(US$ million, except %)					
Upstream	489	442	10.6%	1,341	1,741	(23.0)%
Downstream	398	430	(7.4)%	1,110	989	12.2%
Other	150	155	(3.2)%	433	529	(18.1)%
Total	**1,037**	**1,027**	**1.0%**	**2,884**	**3,259**	**(11.5)%**

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

Upstream production and operating expenses in the third quarter of 2009 increased to US$ 489 million or by 10.6% compared with the second quarter of 2009. This growth was due to the nominal appreciation of the RUB against US$ by 2.8%, launch of commercial production at the Vankor field and cost inflation in line with CPI. Vankor production and operating expenses per barrel were above the Rosneft's average. These expenses are expected to decrease in the next quarters following the increase in production volumes.

In the nine months of 2009 upstream production and operating expenses decreased by US$ 400 million compared with the nine months of 2008 which was driven by the fall in average US$/RUB exchange rate by 26.0%. The decrease was partially offset by moderate cost inflation, which was considerably below CPI thanks to the cost-cutting initiatives.

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

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**	**%**	**2009**	**2008**	**%**
	(US$ million per bbl, US$ million per boe, except %)					
Expenses per bbl of crude oil produced	2.62	2.51	4.4%	2.50	3.29	(24.0)%
Expenses per boe of hydrocarbon produced	2.41	2.30	4.8%	2.28	3.01	(24.3)%

Rosneft's downstream expenses decreased to US$ 398 million in the third quarter of 2009 compared with US$ 430 million in the second quarter of 2009, despite real RUB appreciation against the US$ of 4.6%. The decrease resulted from the decrease in rental costs, decrease in the payroll due to optimization of headcount and other factors.

In the nine months of 2009 downstream operating expenses were US$ 1,110 million, which is an increase of 12.2% compared with the nine months of 2008. The increase was driven by increased rental costs and other factors, partially offset by the real RUB depreciation against the US$ of 7.1%.

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

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**%**	**2009**	**2008**	**%**
Operating expenses (US$ million)	**186**	**191**	**(2.6)%**	**529**	**731**	**(27.6)%**
Operating expenses per tonne of product output (US$/tonne)	15.49	16.39	(5.5)%	15.00	20.90	(28.2)%
Operating expenses per tonne of crude oil throughput (US$/tonne)	14.58	15.53	(6.1)%	14.17	19.61	(27.7)%

Operating expenses of Rosneft's refineries decreased to US$ 186 million in the third quarter of 2009 compared with US$ 191 million in the second quarter of 2009, despite nominal RUB appreciation against the US$ of 2.8% and refinery throughput growth of 3.7%. The decrease resulted from less turnaround works at the refineries, lower cost of materials used in production and decrease in the payroll due to optimization of headcount. In the nine months of 2009 refining operating expenses were US$ 529 million, which is a decrease of 27.6% compared with the nine months of 2008. The decrease was driven by nominal RUB depreciation against the US$ of 26.0%, decreased cost of fuel and materials used in production and decrease in payroll due to headcount optimization.

Operating expenses related to other activities decreased to US$ 150 million in the third quarter of 2009, or by 3.2% compared to the second quarter of 2009 despite real RUB appreciation against the US$ of 4.6%. The decrease was driven by seasonal factors and cost reducing efforts. In the nine months of 2009 these expenses decreased by 18.1% compared to the same period of 2008 primarily due to the nominal RUB depreciation of 26.0% and cost reducing efforts, partially offset by the increase in costs in line with the CPI.

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

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

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**%**	**2009**	**2008**	**%**
Cost of crude oil procured (US$ million)	436	407	7.1%	1,050	1,831	(42.7)%
Volume of crude oil procured (million of barrels)	13.79	14.76	(6.6)%	43.30	41.55	4.2%
Cost of gas procured (US$ million)	6	8	(25.0)%	20	35	(42.9)%
Volume of gas procured (bcm)	0.11	0.15	(26.7)%	0.41	0.54	(24.1)%
Cost of petroleum product procured (US$ million) (1)	83	74	12.2%	239	514	(53.5)%
Volume of petroleum product procured (million of tonnes)	0.15	0.17	(11.8)%	0.52	0.67	(22.4)%
Cost of refining of crude oil under processing agreements (US$ million) (2)	0	0	–	0	2	(100.0)%
Volumes of crude oil refined under processing agreements (million of tonnes)	0	0	–	0	0.03	(100.0)%
Total cost of procured oil, gas and petroleum products and refining costs (US$ millions)	**525**	**489**	**7.4%**	**1,309**	**2,382**	**(45.0)%**

(1) In the third quarter of 2009 and in the nine months of 2009 the average procurement price of petroleum products was higher than the average selling price of petroleum products due to differences in the mix of procured and sold petroleum products.

(2) Cost of processing of crude oil in January and February of 2008 at the Strezhevskoy mini-refinery, a subsidiary of Tomskneft.

Rosneft purchases crude oil primarily from its affiliates to process it at own refineries. The structure of crude oil purchases is provided in the table below:

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**	**%**	**2009**	**2008**	**%**
			(million bbl, except %)			
Surgutneftegaz	1.02	1.39	(26.6)%	4.29	–	–
Udmurtneft	2.89	3.48	(17.0)%	9.84	6.07	62.1%
Verhnechonskneftegaz	0.70	0.39	79.5%	1.41	–	–
Tomskneft	8.66	7.82	10.7%	25.14	32.55	(22.8)%
Others	0.52	1.68	(69.0)%(1)	2.62	2.93	(10.6)%
Total	**13.79**	**14.76**	**(6.6)%**	**43.30**	**41.55**	**4.2%**

In the third quarter of 2009 fall in purchases from other third parties was primarily due to the fall in Government's share in the Sakhalin-1 project.

Rosneft performs oil swap operations in order to optimize transportation costs of deliveries to refineries. Revenues and costs related to these operations are shown on a net basis in the "Pipeline tariffs and Transportation Costs" line of the income statement. These transactions are exercised with Gazpromneft, Samarainvestneft and ATEK. In the third quarter of 2009 the volume of crude oil swaps amounted to 10.63 million barrels compared with 10.88 million barrels in the second quarter of 2009, and reached 30.98 million barrels in the nine months of 2009 compared with 25.97 million barrels in the nine months of 2008. Rosneft's estimated benefits from these transactions were US$ 10 million in the third quarter of 2009 and US$ 26 million in the nine months of 2009.

Petroleum products from third parties are purchased primarily to satisfy current needs of Rosneft's retail subsidiaries. Procurement of petroleum products is exposed to seasonal fluctuations of volumes and mix.

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

	For 3 months ended						% change between the three months ended September 30, 2009 and June 30, 2009		
	September 30, 2009			**June 30, 2009**					
	US$ million	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**
High octane gasoline	57	0.09	635.15	20	0.04	523.07	185.0%	125.0%	21.4%
Low octane gasoline	7	0.01	592.17	2	0.01	439.07	250.0%	0.0%	34.9%
Diesel	11	0.03	421.99	44	0.10	432.54	(75.0)%	(70.0)%	(2.4)%
Fuel oil	1	0.00	240.76	0	0.00	285.64	–	–	(15.7)%
Jet fuel	–	–	–	0	0.00	748.80	–	–	(100.0)%
Other	7	0.02	329.35	8	0.02	314.12	(12.5)%	0.0%	4.8%
Total	**83**	**0.15**	**553.33**	**74**	**0.17**	**435.29**	**12.2%**	**(11.8)%**	**27.1%**

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

	For 9 months ended September 30						% change between the nine months ended September 30, 2009 and 2008		
	2009			**2008**					
	US$ million	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**	**US$ million**	**million of tonnes**	**Average price US$/tonne**
High octane gasoline	89	0.16	557.97	172	0.19	886.60	(48.3)%	(15.8)%	(37.1)%
Low octane gasoline	13	0.03	507.67	32	0.05	627.45	(59.4)%	(40.0)%	(19.1)%
Diesel	102	0.23	436.08	196	0.24	816.67	(48.0)%	(4.2)%	(46.6)%
Fuel oil	17	0.05	342.60	69	0.11	627.27	(75.4)%	(54.5)%	(45.4)%
Jet fuel	0	0.00	842.24	2	0.00	711.81	(100.0)%	–	18.3%
Other	18	0.05	400.53	43	0.08	537.50	(58.1)%	(37.5)%	(25.5)%
Total	**239**	**0.52**	**459.62**	**514**	**0.67**	**767.16**	**(53.5)%**	**(22.4)%**	**(40.1)%**

Average petroleum product procurement prices may deviate from average sales prices mainly due to different mix of regions where procurement and sales are effected and different product quality. For example, price of fuel oil procured from third parties significantly exceeded its average sales price in the nine months of 2009 due to purchase of 50 thousand tonnes of a special fuel oil (mixture of fuel oil and diesel) to meet obligations on fuel oil supplies to Asia. Rosneft made these purchases as it currently does not produce products with the required characteristics. Excluding this factor, the average purchase price of fuel oil amounted to US$ 235.51 per tonne in the nine months of 2009.

General and Administrative Expenses

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

General and administrative expenses in the third quarter of 2009 were US$ 348 million, 4.9% lower than in the second quarter of 2009 despite the real appreciation of the RUB against the US$ of 4.6%. The decrease resulted from reduced G&A expenses related to the construction activities at Vankor due to the launch of the Vankor – Purpe - pipeline, as well as from the decrease in compensation payments as part of cost reducing efforts and from reversal of bad debt allowance.

In the nine months of 2009 and 2008, general and administrative expenses were US$ 1,024 million and US$ 1,164 million, respectively. The decrease was mainly due the real rouble depreciation of 7.1% and cost reducing efforts.

Pipeline Tariffs and Transportation Costs

Transportation costs include costs to transport crude oil for refining and to end customers, and to deliver petroleum products from refineries to end customers (cost of pipeline and railroad transportation, handling, port fees, sea freight and other costs).

In the third quarter of 2009 Rosneft's transportation costs increased to US$ 1,330 million, or by 6.3% compared with the second quarter of 2009, which resulted from an increase in tariffs of natural monopolies by 3.5% - 5.7% in RUB terms compared to the second quarter of 2009, as well as from the nominal appreciation of the RUB against US$ of 2.8% and change in structure of transportation routes used.

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

	For 3 months ended								% change between the three months ended 30 September 2009 and 30 June 2009		
	30 September 2009				**30 June 2009**						
	Volume, mln. tonnes	**Share in export volumes**	**Cost, mln. US$**	**Cost per tonne, US$/t**	**Volume, mln. tonnes**	**Share in export volumes**	**Cost, mln. US$**	**Cost per tonne, US$/t**	**Volume**	**Cost**	**Cost per tonne**
CRUDE OIL											
Export sales											
Pipeline	10.54	75.0%	349	33.11	10.03	72.8%	300	29.91	5.1%	16.3%	10.7%
Railroad and mixed	3.51	25.0%	237	67.52	3.75	27.2%	233	62.13	(6.4)%	1.7%	8.7%
Transportation to refineries and domestic sales											
Pipeline	10.91	–	209	19.16	10.69	–	187	17.49	2.1%	11.8%	9.5%
Railroad and mixed	1.77	–	156	88.14	1.84	–	155	84.24	(3.8)%	0.6%	4.6%
PETROLEUM PRODUCTS											
Export sales											
Pipeline(1)	0.13	1.8%	6	46.15	0.12	1.7%	5	41.67	8.3%	20.0%	10.8%
Railroad and mixed	4.12	58.1%	275	66.75	4.83	66.3%	298	61.70	(14.7)%	(7.7)%	8.2%
Other transportation expenses (2)			98				73			34.2%	
Total	**30.98**	–	**1,330**	**42.93**	**31.26**	–	**1,251**	**40.02**	**(0.9)%**	**6.3%**	**7.3%**

(1) Rosneft exported 2.84 million tonnes (40.1% of total export volumes) and 2.34 million tonnes (32.0% of total export volumes) of petroleum products in the third quarter of 2009 and in the second quarter of 2009, respectively, through its own pipeline in the town of Tuapse and by water under free-carrier conditions pursuant to which Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses.

(2) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel.

Launch of commercial production at the Vankor field in the third quarter of 2009 was one of the drivers of transportation expenses growth. In the third quarter of 2009 Vankorneft produced 9.54 million barrels of crude oil, of which 3.78 million barrels were exported through the port of Novorosiysk and 2.76 million barrels were delivered to Rosneft's refineries for processing. Remaining volumes were used for technological needs and to fill oil treatment facilities, in-field pipelines and Vankor – Purpe pipeline as well as remained in Transneft system as inventories.

The increase in crude oil pipeline export cost per tonne was 10.7%, which was due to an increase in tariffs by 6.4%-7.6% in US$ terms and the change in structure of transportation routes used (particularly, start of deliveries of Vankor crude oil to Novorossiysk, which is 13% more expensive compared with the Yugansk - Novorossiysk route).

The increase in crude oil railroad and mixed export cost per tonne was 8.7%, which was due to tariffs growth and increase in share of more expensive deliveries to China.

The increase in crude oil pipeline domestic cost per tonne was 9.5%, which was due to tariffs growth, start of Vankor crude supplies to Tuapse and Samara refineries.

The increase in crude oil railroad and mixed domestic cost per tonne was 4.6%, which was primarily due to an increase in transportation tariffs.

The increase in petroleum product pipeline export cost per tonne and petroleum product railroad and mixed export cost per tonne was 10.8% and 8.2% respectively, which was due to increase in tariffs by 7.6%-8.7% and change in mix of transportation routes.

In the nine months of 2009 Rosneft's transportation costs decreased to US$ 3,833 million, or by 10.1% compared with the nine months of 2008. This decrease resulted from a fall in average US$/RUB exchange rate by 26.0%, partially offset by an increase in tariffs of natural monopolies by 5.7% - 29.0% in RUB terms and change in structure of transportation routes used.

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

	For 9 months ended 30 September								% change between the nine months ended 30 September 2009 and 2008		
	2009				**2008**						
	Volume, mln. tonnes	**Share in export volumes**	**Cost, mln. US$**	**Cost per tonne, US$/t**	**Volume, mln. tonnes**	**Share in export volumes**	**Cost, mln. US$**	**Cost per tonne, US$/t**	**Volume**	**Cost**	**Cost per tonne**
CRUDE OIL											
Export sales											
Pipeline	30.08	73.2%	928	30.85	28.69	71.9%	936	32.62	4.8%	(0.9)%	(5.4)%
Railroad and mixed	11.04	26.8%	695	62.95	11.21	28.1%	879	78.43	(1.5)%	(20.9)%	(19.7)%
Transportation to refineries and domestic sales											
Pipeline	31.78	–	563	17.72	31.93	–	641	20.08	(0.5)%	(12.2)%	(11.8)%
Railroad and mixed	5.37	–	453	84.36	4.21	–	474	112.67	27.6%	(4.4)%	(25.1)%
PETROLEUM PRODUCTS											
Export sales											
Pipeline(1)	0.72	3.4%	30	41.67	1.27	6.6%	59	46.84	(43.3)%	(49.2)%	(11.0)%
Railroad and mixed	14.14	66.7%	876	61.95	11.91	61.9%	871	73.08	18.7%	0.6%	(15.2)%
Other transportation expenses (2)			288				404			(28.7)%	
Total	**93.13**	–	**3,833**	**41.16**	**89.22**	–	**4,264**	**47.79**	**4.4%**	**(10.1)%**	**(13.9)%**

(1) Rosneft exported 6.34 million tonnes (29.9% of total export volumes) and 6.08 million tonnes (31.5% of total export volumes) of petroleum products in the nine months of 2009 and 2008, respectively, through its own pipeline in the town of Tuapse and by water under free-carrier conditions pursuant to which Rosneft does not bear transportation expenses directly. Expenses of the Tuapse pipeline are reflected in Rosneft's financial statements as operating expenses

(2) Other transportation expenses include cost of railroad transportation of petroleum products from refineries to tank farms and road transportation from tank farms to service stations as well as transportation expenses related to sales of bunker fuel.

The decrease in crude oil pipeline export cost per tonne was 5.4%, which was primarily due to the decrease in tariffs by 4.7% - 6.8% in US$ terms, as well as due to the change in structure of transportation routes.

The decrease in crude oil railroad and mixed export cost per tonne was 19.7%, which was primarily due to the decrease in tariffs in US$ terms.

The decrease in crude oil pipeline domestic cost per tonne was 11.8%, which was primarily due to the decrease in tariffs by 4.8% - 7.8% in US$ terms and due to the change in structure of transportation routes (particularly, decreased supplies of crude oil from Purneftegaz to Tuapse).

The decrease in crude oil railroad and mixed domestic cost per tonne was 25.1%, which was primarily due to the decrease in tariffs in US$ terms.

The decrease in petroleum product pipeline export cost per tonne and petroleum product railroad and mixed export cost per tonne was 11.0% and 15.2% respectively, which was primarily due to the decrease in tariffs by 10.0% - 17.7% in US$ terms at the routes from Rosneft's refineries to transhipment ports.

Exploration Expenses

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

In the third quarter of 2009 exploration expenses decreased to US$ 74 million, or by 36.8% compared with the second quarter of 2009, when expenses were higher due to writing off the costs of dry wells under the Kurmangazy project. The change in exploration expenses was also driven by an increase in expenses related to geophysical surveys at Yuganskneftegaz and Purneftegaz fields in the third quarter of 2009 compared with the second quarter of 2009.

In the nine months of 2009 exploration expenses increased to US$ 271, or by 65.2% compared with the nine months of 2008. This was the result of writing off the costs of dry wells under the Kurmangazy project and wells of the Terskaya area as well as an increase in costs of exploratory works performed at Samaraneftegaz fields. The increase was partially offset by a decrease in costs of exploratory works at the Kurmangazy and Val Shatskogo blocks and in expenses related to geophysical surveys at Yuganskneftegaz fields.

Depreciation, Depletion and Amortisation

Depreciation, depletion and amortisation include depreciation of crude oil and gas producing assets, and other production and corporate assets.

Depreciation, depletion and amortisation were US$ 1,148 million in the third quarter of 2009 compared to US$ 1,012 million in the second quarter of 2009. In the nine months of 2009 and 2008, the depreciation, depletion and amortisation were US$ 3,140 and US$ 3,081 million, respectively. The increase in the depreciation resulted mainly from the launch of the Vankor field.

Taxes Other than Income Tax

Taxes other than income tax include the mineral extraction tax, the excise tax, the unified social tax, the property tax and other taxes. The basis for calculation of mineral extraction tax is described under —"Main Factors Affecting Results of Operations—Taxation—Mineral Extraction Tax and Export Customs Duty" above.

The following table sets forth Rosneft's taxes other than income tax for the periods analysed:

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**%**	**2009**	**2008**	**%**
	(US$ million, except %)					
Mineral extraction tax	1,930	1,508	28.0%	4,424	11,011	(59.8)%
Excise tax	245	233	5.2%	662	884	(25.1)%
Social security	80	100	(20.0)%	289	333	(13.2)%
Property tax	62	59	5.1%	169	184	(8.2)%
Land tax	1	5	(80.0)%	12	17	(29.4)%
Transportation tax	1	1	0.0%	3	4	(25.0)%
Interest and penalties	1	0	100.0%	7	61	(88.5)%
Other taxes and payments	15	26	(42.3)%	48	64	(25.0)%
Total taxes other than income tax	**2,335**	**1,932**	**20.9%**	**5,614**	**12,558**	**(55.3)%**

Taxes other than income tax increased by 20.9% to US$ 2,335 million in the third quarter of 2009, compared with US$ 1,932 million in the second quarter of 2009, mainly due to the increase in the mineral extraction tax rate by 20.9%.

Taxes other than income tax decreased by 55.3% to US$ 5,614 million in the nine months of 2009 compared to US$ 12,558 million in the nine months of 2008. The reduction in taxes resulted mainly from a decrease in mineral extraction tax rate by 43.8% and from the rouble depreciation.

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

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**%**	**2009**	**2008**	**%**
			(US$, except %)			
Average enacted mineral extraction tax rate	11.62	9.34	24.4%	8.99	21.62	(58.4)%
Actual mineral extraction tax rate per barrel of crude oil produced	10.36	8.55	21.2%	8.25	20.79	(60.3)%
Actual mineral extraction tax rate per barrel of oil equivalent produced	9.51	7.84	21.3%	7.54	19.02	(60.4)%

The actual mineral extraction tax rate is lower than enacted tax rate for the period, primarily, due to the reduced rates for crude oil produced at fields with reserve depletion of over 80% and the zero rate for crude oil produced at the Vankor field. The growth of daily production at the Vankor field will further increase this difference until accumulated production at the field reaches 25 million tonnes.

In the third quarter of 2009 the Company's benefits from the reduced and zero mineral extraction tax rate were US$ 194 million (including benefits of US$ 113 million related to Vankor production) compared with US$ 69 million in the second quarter of 2009.

In the nine months of 2009 the total amount of Rosneft's benefits from the reduced and zero mineral extraction rate was US$ 304 million (including benefits of US$ 116 million related to Vankor production) compared with US$ 120 million in the nine months of 2009.

<u>Export Customs Duty</u>

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

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

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**%**	**2009**	**2008**	**%**
			(US$ million, except %)			
Export customs duty for crude oil	2,905	1,669	74.1%	5,962	13,506	(55.9)%
Export customs duty for petroleum products	835	522	60.0%	1,811	3,819	(52.6)%
Total export customs duties	**3,740**	**2,191**	**70.7%**	**7,773**	**17,325**	**(55.1)%**

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

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**%**	**2009**	**2008**	**%**
			(US$ per barrel, except %)			
Average Urals price	68.00	58.12	17.0%	56.59	108.01	(44.8)%
Average enacted export customs duty	30.68	18.25	68.1%	21.40	51.81	(58.7)%
Hypothetical export customs duty calculated using the average Urals price for the period (i.e. without time lag)	31.95	25.53	25.1%	24.53	57.96	(57.7)%
Actual average customs duty on exports subject to regular duty	30.58	17.97	70.2%	21.58	51.76	(58.3)%
Actual average customs duty on all Rosneft exports	29.27	17.27	69.5%	20.64	49.11	(58.0)%

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

The actual average rate of export customs duty is lower than the enacted rate due to the customs duty preference established for Belarus, zero export duty for Kazakhstan and Sakhalin-1.

The following table sets forth certain information about export volumes subject to different export duty rates:

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**%**	**2009**	**2008**	**%**
			(million bbl, except %)			
Exports subject to regular duty	92.72	90.51	2.4%	269.50	253.99	6.1%
Exports to Belarus (reduced duty)	6.54	6.12	6.9%	19.38	21.05	(7.9)%
Exports to Kazakhstan (zero duty)	1.02	1.03	(0.9)%	3.51	7.46	(52.9)%
Sakalin-1 exports (zero duty)	2.51	3.14	(20.1)%	8.41	9.37	(10.2)%
Total exports	**102.79**	**100.80**	**2.0%**	**300.80**	**291.87**	**3.1%**

Operating Income

As a result of the factors discussed above, operating income decreased by 0.7% to US$ 2,488 million, in the third quarter of 2009 compared with the second quarter of 2009. As a percentage of total revenues, operating income was 19.1% in the third quarter of 2009 and 23.2% in the second quarter of 2009. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 65.6% and 60.9% in the third and second quarters of 2009.

As a result of the factors discussed above, operating income decreased by 54.3% to US$ 6,347 million, in the nine months of 2009 compared with the nine months of 2008. As a percentage of total revenues, operating income was 19.7% in the nine months of 2009 and 23.9% in the nine months of 2008, respectively. As a percentage of total revenues, operating income before taxes other than income tax and export customs duty was 61.2% and 75.2% in the nine months of 2009 and 2008, respectively.

Other Income/ (Expenses)

Interest Income

Interest income increased by 90.1% to US$ 154 million in the third quarter of 2009 from US$ 81 million in the second quarter of 2009. Interest income increased by 23.5% to US$ 342 million in the nine months of 2009 from US$ 277 million in the nine months of 2008.

The increase in interest income was due to the growth of the funds placed on deposits in the nine months of 2009 compared with the nine months of 2008.

Interest Expense

Interest expense increased by 177.0% to US$ 205 million in the third quarter of 2009 from US$ 74 million in the second quarter of 2009. The increase was mainly due to the decrease in the fair value of SWAPs and the decrease in the amount of interests capitalized, which resulted from change in a relevant liability structure following repayment of rouble denominated loans in the second quarter of 2009 and drawing of the Chinese loan.

Interest expense decreased by 38.7% to US$ 444 million in the nine months of 2009 from US$ 724 million in the nine months of 2008. The decrease mainly resulted from the decrease in LIBOR rate to 0.25% as of September 30, 2009 compared to 3.93% as of September 30, 2008, accompanied by a decrease in principal amounts of loans and borrowings outstanding during the period.

Loss on Disposal of Property, Plant and Equipment

From time to time, Rosneft disposes of property, plant and equipment. In the third quarter of 2009, Rosneft recorded a net loss of US$ 44 million on the disposal of property, plant and equipment compared to a net loss of US$ 35 million recorded in the second quarter of 2009.

In the nine months of 2009 and 2008, net loss on the disposal of property, plant and equipment was US$ 94 million and US$ 38 million, respectively.

<u>Equity share in affiliates' profits/(loss)</u>

The equity share in affiliates' profits amounted to US$ 15 million in the third quarter of 2009 compared with losses of US$ 26 million in the second quarter of 2009. The increase in the equity share in affiliates' profits resulted from an increase in income incurred by certain Rosneft's affiliates, primarily, Tomskneft.

In the nine months of 2009 and 2008, the equity share in affiliates' profit was US$ 31 million and US$ 206 million, respectively.

<u>Other (Expenses)/Income, Net</u>

Other expenses, net, consist mainly of social expenditures and of write-offs of trade and other payables and receivables.

In the third quarter of 2009, other expenses, net, amounted to US$ 279 million, compared to US$ 113 million in the second quarter of 2009. The increase was primarily due to the accruals of penalties under the Russian Federal Antimonopoly Service claims, losses on resale of materials and equipment following currency fluctuations and higher social expenditures in the regions of Rosneft's operations.

In the nine months of 2009 other expenses amounted to US$ 271 million compared to US$ 66 million in the nine months of 2008, respectively.

<u>Foreign Exchange (Loss)/Gain</u>

Foreign exchange loss was US$ 247 million in the third quarter of 2009 compared with the loss of US$ 391 million in the second quarter of 2009. In the nine months of 2009 the foreign exchange gain was US$ 160 million compared with the gain of US$ 202 million in the nine months of 2008.

Net negative rouble-denominated monetary position of Rosneft changed from RUB 200 billion as of December 31, 2008 to RUB 195 billion as of September 30, 2009.

Income Tax

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

	For 3 months ended		*For 9 months ended 30 September*	
	30 September 2009	**30 June 2009**	**2009**	**2008**
Effective income tax rate for Rosneft under US GAAP	37%	20%	20%	24%

The Company does not pay taxes based on its consolidated income before taxes under Russian law. Income tax is calculated for each subsidiary based on its profits in accordance with Russian tax code.

To calculate the effective tax rate Rosneft follows the provisions of FASB ASC 740-270, Income Taxes (Interim reporting). The effective tax rate for the reporting period is the best estimate of the annual tax rate based on the enacted tax rate (20%) adjusted for the estimated annual effect of differences between US GAAP and Russian Tax Accounting Standards. The estimated tax rate may vary significantly during the year.

Net (loss)/income attributable to noncontrolling interests

Net loss attributable to noncontrolling interests was US$ 5 million in the third quarter of 2009 compared to US$ 19 million in the second quarter of 2009. The change resulted, primarily, from the increase in the net income of certain Rosneft's subsidiaries in which the Company does not own 100% share.

Net income attributable to minority interests was US$ 1 million in the nine months of 2009 compared to US$ 56 million in the nine months of 2008.

Net Income

As a result of the factors discussed above net income decreased by 27.5% to US$ 1,168 million in the third quarter of 2009 from US$ 1,612 million in the second quarter of 2009. As a percentage of revenues, net income was 9.0% and 14.7 % in the third and second quarters of 2009, respectively.

As a result of the factors discussed above, net income decreased by 53.2% to US$ 4,840 million in the nine months of 2009 from US$ 10,345 million in the nine months of 2008. As a percentage of revenues, net income was 15.0% and 17.8% in the nine months of 2009 and 2008, respectively.

Liquidity and Capital Resources

Cash Flows

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

	For 3 months ended		*Change*	*For 9 months ended 30 September*		*Change*
	30 September 2009	**30 June 2009**	**times**	**2009**	**2008**	**times**
			(US$ million)			
Net cash provided by operating activities	2,521	2,376	1.1	7,263	13,791	(1.9)
Net cash used in investing activities	(2,024)	(952)	2.1	(5,340)	(7,392)	(1.4)
Net cash used in financing activities	(573)	(2,187)	(3.8)	(2,341)	(6,185)	(2.6)

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to US$ 2,521 million in the third quarter of 2009 as compared to US$ 2,376 million in the second quarter of 2009. The operating cash flow includes operations with trading securities as part of the Company's efforts to manage cash resources (net inflow of US$ 90 million in the third quarter of 2009, net outflow of US$ 305 million in the second quarter of 2009, net outflow of US$ 215 million in the nine months of 2009). The adjusted net cash provided by the operating activity amounted to US$ 2,431 million in the third quarter of 2009 and US$ 2,681 million in the second quarter of 2009. The decrease in the operating cash flow resulted primarily from the decrease in net income by 27.5% and an increase in working capital.

The increase in working capital in the third quarter of 2009 was due to the following factors:

- Increase in trade receivables by US$ 459 million due to the increase in crude oil and petroleum product prices and slight increase in crude oil sales volumes;
- Increase in inventories by US$ 172 million (mainly crude oil) due to the launch of Vankor field and increase in mineral extraction tax rate;
- Increase in customs prepayments by US$ 173 million due to an increase in export customs duty rates; and increase in export VAT and VAT receivable by US$ 427 million, compensated by the decrease in the income tax payable to budget by US$ 289 million.

The increase was partially offset by the following factors:

- The decrease in other non current assets by US$ 106 million and increase in trade and other liabilities by US$ 257 million;
- The increase in the tax liabilities (mainly VAT and excise duties) by US$ 136 million.

Net Cash Used in Investing Activities

Net cash used in investing activities was US$ 2,024 million in the third quarter of 2009 compared to US$ 952 million in the second quarter of 2009. The increase resulted mainly from the decrease in returns of short-term deposits placed with banks and from payments for Sochi -2014 trade mark and licences, offset by a decrease in capital expenditures.

Net cash used in investing activities was US$ 5,340 million in the nine months of 2009 compared to US$ 7,392 million in the nine months of 2008. The decrease was primarily due to a decrease in capital expenditures and difference in the margin call deposit dynamics.

Net Cash Used in Financing Activities

Net cash used in financing activities was US$ 573 million in the third quarter of 2009 compared to US$ 2,187 million in the second quarter of 2009. The decrease was primarily due to significant repayments of the short term bank loans and promissory note in the second quarter of 2009.

Net cash used in financing activities was US$ 2,341 million in the nine months of 2009 compared to US$ 6,185 million in the nine months of 2008. The decrease was primarily due to significant repayments of the short term bank loans in 2008.

Capital Expenditures

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

	For 3 months ended		*Change*	*For 9 months ended September 30*		*Change*
	September 30, 2009	**June 30, 2009**		**2009**	**2008**	
	(US$ million)		**(%)**	**(US$ million)**		**(%)**
Yuganskneftegaz	515	619	(16.8)%	1,565	2,048	(23.6)%
Vankorneft	671	797	(15.8)%	1,937	1,715	12.9%
Purneftegaz	67	58	15.5%	152	406	(62.6)%
Severnaya Neft	14	22	(36.4)%	59	144	(59.0)%
Samaraneftegaz	39	49	(20.4)%	117	134	(12.7)%
Other[1]	131	124	5.6%	348	231	50.6%
Total upstream segment	**1,437**	**1,669**	**(13.9)%**	**4,178**	**4,678**	**(10.7)%**
The Company	32	8	300.0%	46	113	(59.3)%
Tuapse refinery	42	55	(23.6)%	124	115	7.8%
Komsomolsk refinery	22	24	(8.3)%	75	45	66.7%
Angarsk refinery	13	27	(51.9)%	48	56	(14.3)%
Achinsk refinery	13	10	30.0%	26	29	(10.3)%
Syzran refinery	22	18	22.2%	46	53	(13.2)%
Novokuibyshevsk refinery	13	16	(18.8)%	34	40	(15.0)%
Kuibyshev refinery	21	9	133.3%	36	38	(5.3)%
Marketing Business Units and others[2]	112	74	51.4%	220	339	(35.1)%
Total downstream	**290**	**241**	**20.3%**	**655**	**828**	**(20.9)%**
Other activities [3]	**62**	**82**	**(24.4)%**	**212**	**376**	**(43.6)%**
Subtotal capital expenditures	**1,789**	**1,992**	**(10.2)%**	**5,045**	**5,882**	**(14.2)%**
Change in materials in capital expenditures	(20)	163	(112.3)%	111	544	(79.6)%
Total capital expenditures	**1,769**	**2,155**	**(17.9)%**	**5,156**	**6,426**	**(19.8)%**
Licence acquisition costs	**78**	–	**100.0%**	78	47	**66.0%**

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

2 Relating to companies providing processing and storage services.

3 Relating to other services companies.

Rosneft's total capital expenditures including material purchases decreased by 17.9% or by US$ 386 million to US$ 1,769 million in the third quarter of 2009 compared to US$ 2,155 million in the second quarter of 2009.

In the nine months of 2009 the Company's capital expenditures decreased to US$ 5,156 million, or by 19.8%, compared with US$ 6,426 million in the nine months of 2008. The decrease in capital expenditures in the nine months was primarily attributable to real rouble depreciation year-on-year and cost-cutting efforts.

Upstream capital expenditures decreased in the third quarter of 2009 by 13.9% compared with the second quarter of 2009 and amounted to US$ 1,437 million. The decrease was mainly due to the launch of Vankor project and consequent reduction of its capital expenditures, real rouble depreciation and cost cutting efforts. In the nine months of 2009 upstream capital expenditures were US$ 500 million lower than in the nine months of 2008.

Downstream capital expenditures increased to US$ 290 million, or by 20.3% compared with the second quarter of 2009. The growth resulted from the start of implementation of major refinery upgrade projects mainly aimed at complying with the new Technical regulations on motor fuel quality, which require changeover to Euro-3 fuels from 2011 and Euro-4 fuels from 2012, and provides for changeover to Euro-5 fuels from 2015. Over 50 units are planned to be built or materially upgraded at Rosneft's refineries: reforming, isomerisation and alkylation units for production of high-octane gasoline components; catalytic cracking units for production of high-octane gasoline components and deeper oil refining; hydrocracking units for production of high-quality components of gasoline, diesel fuel and jet fuel, as well as for deeper oil refining; and hydrotreatment units in order to meet requirements of the new technical regulations for sulphur content in products.

In the nine months of 2009 downstream capital expenditures decreased by US$ 173 million to US$ 655 million compared with the nine months of 2008.

Capital expenditures for other activities decreased by 24.5%, to US$ 62 million, in the third quarter of 2009, compared with US$ 82 million in the second quarter of 2009, mainly due to the cost-cutting efforts. In the nine months of 2009 the decrease was US$ 164 million.

Since the fourth quarter of 2006, the Company's subsidiaries purchase construction materials and sell such materials to contractors that provide construction and drilling services at subsidiaries' fields.

The net decrease in unused construction materials included in capital expenditures amounted to US$ 20 million in the third quarter of 2009 compared to the net increase of US$ 163 million in the second quarter of 2009. In the nine months of 2009 and 2008 the net increase in unused construction materials amounted to US$ 111 and US$ 544, respectively.

The licence acquisition costs in the third quarter of 2009 were attributable to the acquisition of licences for the exploration and production in Labagansky Block, Rudnikovsky, Baykalsky and Mnogopolsky Blocks, in the total amount of US$ 78 million. The licence acquisition costs in the nine months of 2008 were attributable to the acquisition of a licence for the exploration and production in Umotkinsky Block.

Debt Obligations

Over the past few years, Rosneft has raised significant amounts of short and long-term loans to supplement the net cash generated by operating activities. Most of the loans obtained were used to finance the acquisitions of new assets in 2007.

Rosneft's total loans and borrowings decreased to US$ 21,359 million as of September 30, 2009 from US$ 24,165 million as of December 31, 2008.

Long-term loans are generally secured by oil export contracts. As of 30 September 2009 and 31 December 2008, 84.1% and 60.4% respectively, of Rosneft's borrowings were secured by crude oil export contracts (excluding export to the CIS). As of 30 September 2009 and 31 December 2008, pledged oil exports constituted 52.3% and 46.3%, respectively, of the total crude oil export sales for the analysed period (excluding export to the CIS).

Rosneft adjusted net debt amounted to US$ 18,862 million as of September 30, 2009 compared to US$ 21,283 million as of December 31, 2008.

The calculation of the adjusted net debt as of September 30, 2009, is disclosed in the following table:

As of September 30, 2009	**US$ million**
Short term debt	7,713
Long term debt	13,646
Total debts	**21,359**
Cash and cash equivalents	938
Short-term bank deposits	248
Structured deposits and reverse repurchase agreements	78
Short term promissory notes and other short-term liquid securities	216
Total net debt	**19,879**
Medium term deposits of excess operating cash	1,017
Adjusted net debt	**18,862**

Key Financial Ratios

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

	For 3 months ended		For 9 months ended September 30	
	September 30, 2009	June 30, 2009	2009	2008
EBITDA margin	28.0%	32.6%	29.6%	29.3%
Net income margin	9.0%	14.7%	15.0%	17.8%
Net debt to capital employed ratio	0.30	0.31	0.30	0.33
Net debt to annualised EBITDA	1.29	1.34	1.48	0.85
Current ratio	0.91	0.82	0.91	0.90
	US$/bbl			
EBITDA/bbl	19.63	20.26	17.82	32.24
Upstream capital expenditure/bbl	7.71	9.46	7.80	8.83
Upstream operating expenses/bbl	2.62	2.51	2.50	3.29
Adjusted free cash flow before interest/bbl	3.13	2.98	4.19	13.82
	US$/boe			
EBITDA/boe	18.04	18.58	16.27	29.49
Upstream capital expenditure/boe	7.08	8.68	7.12	8.08
Upstream operating expenses/boe	2.41	2.30	2.28	3.01
Adjusted free cash flow before interest/boe	2.88	2.73	3.82	12.64

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

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

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

Upstream Measures

	For 3 months ended		For 9 months ended 30 September	
	30 September 2009	30 June 2009	2009	2008
Upstream capital expenditures (US$ million)	1,437	1,669	4,178	4,678
Upstream operating expenses (US$ million)	489	442	1,341	1,741
Barrels of crude oil produced (million)	186.37	176.37	535.93	529.34
Barrels of oil equivalent produced (million)	202.84	192.37	586.94	579.03

Calculation of Adjusted Free Cash Flow

	For 3 months ended		For 9 months ended 30 September	
	30 September 2009	30 June 2009	2009	2008
	(US$ million)			
Net cash provided by operating activities	2,521	2,376	7,263	13,791
Capital expenditures	(1,769)	(2,155)	(5,156)	(6,426)
Free cash flow	**752**	**221**	**2,107**	**7,365**
Trading securities operations	(90)	305	215	–
License acquisition costs	(78)	–	(78)	(47)
Adjusted free cash	**584**	**526**	**2,244**	**7,318**

Calculation of EBITDA Margin

	For 3 months ended		For 9 months ended 30 September	
	30 September 2009	30 June 2009	2009	2008
	(US$ million, except %)			
Operating income	2,488	2,540	6,347	13,895
Accretion expense	23	22	64	100
Depreciation, depletion and amortisation	1,148	1,012	3,140	3,081
EBITDA	**3,659**	**3,574**	**9,551**	**17,076**
Total revenues	13,048	10,947	32,259	58,192
EBITDA margin	**28.0%**	**32.6%**	**29.6%**	**29.3%**

Calculation of Net Income Margin

	For 3 months ended		For 9 months ended 30 September	
	30 September 2009	30 June 2009	2009	2008
	(US$ million, except %)			
Net income	**1,168**	**1,612**	**4,840**	**10,345**
Sales revenues	13,048	10,947	32,259	58,192
Net income margin	**9.0%**	**14.7%**	**15.0%**	**17.8%**

Current ratio

	For 9 months ended 30 September	
	2009	2008
	(US$ million, except ratio)	
Current assets	12,335	13,753
Current liabilities	13,515	15,344
Current ratio	**0.91**	**0.90**